
Decision Maker: Executive
Council

Date: Executive 21st September 2022
Council 10th October 2022

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – 1ST QUARTER 2022/23

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Ward: All

1. Reason for report

This report summarises the current position on capital expenditure and receipts following the first quarter of 2022/23 and seeks the Executive's approval to a revised capital programme.

2. **RECOMMENDATION(S)**

2.1 **The Executive is requested to:**

- (a) note the report, including a total re-phasing of £4,482k from 2022/23 into future years, and agree a revised capital programme
- (b) approve the following amendments to the Capital Programme:
 - (i) increase of £8,478k to the Basic Needs capital scheme (para 3.5.1)
 - (ii) addition of £383k of SCA grant and of £466k of Salix grant to the Capital Maintenance scheme (see para 3.5.2)
 - (iii) increase of £2,443k to the Disabled Facilities Grant capital scheme (para 3.5.3)

2.2 **Council is requested to:**

- (a) approve the total increase of £8,478k to the Basic Needs capital scheme, £849k to the Capital Maintenance scheme, and £2,443k to the Disabled Facilities Grant capital scheme (see paras 3.5.1 to 3.5.3)

Impact on Vulnerable Adults and Children:

1. Summary of Impact: None arising from this report.
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Corporate Policy

1. Policy Status: Existing Policy: capital programme monitoring and review is part of the planning and review process for all services. Capital schemes help to maintain and improve the quality of life in the borough. Effective asset management planning (AMP) is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. For each of our portfolios and service priorities, the Council reviews its main aims and outcomes through the AMP process and identifies those that require the use of capital assets. The primary concern is to ensure that capital investment provides value for money and matches the Council's overall priorities as set out in the Community Plan and in "Building a Better Bromley".
2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: total estimated increase of £11,770k over the four years 2022/23 to 2025/26, due to the increase of £8,478k to the Basic Needs capital scheme, £383k of SCA grant, £466k of Salix grant, and increase of £2,443k to the Disabled Facilities Grant capital scheme.
2. Ongoing costs: Not Applicable (insert further details)
3. Budget head/performance centre: capital programme
4. Total current budget for this head: total £194.2m over four years 2022/23 to 2025/26
5. Source of funding: capital grants, capital receipts and earmarked revenue contributions

Personnel

1. Number of staff (current and additional): 1FTE
2. If from existing staff resources, number of staff hours: 36hours per week

Legal

1. Legal Requirement: Non-Statutory – Government Guidance
2. Call-in: Not Applicable

Procurement:

1. Summary of Procurement Implications: None arising from this report.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors' comments: N/A

3. COMMENTARY

Capital expenditure

3.1 Appendix A sets out the proposed changes to the capital programme following a monitoring exercise carried out after the first quarter of 2022/23. The base position is the programme approved by the Executive on 9th February 2022, as amended by variations approved at subsequent Executive meetings. Should the changes proposed in this report be approved, the total capital programme 2022/23 to 2025/26 would increase by £11,770k, due to:

- an increase of £8,478k to the Basic Needs capital scheme for 2022/23 and 2023/24
- the addition of the SCA grant (£383k) and Salix grant (£466k) to the Capital Maintenance scheme for 2022/23
- the increase of £2,443k to the Disabled Facilities Grant capital scheme for 2022/23.

3.2 As indicated in the table below, a further £54,356k will be included to the programme owing to underspends against the 2021/22 capital budgets which are being re-phased into the current year. These underspends accrued owing to slippage that was largely caused by the Covid-19 pandemic. Whilst this change is the rephasing of already agreed capital spend, it does have the effect of increasing the total capital spend in the 2022/23 to 2025/26 planning period.

3.3 The variations are summarised in the table below with further detail set out in Appendix A.

	2022/23	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000	£'000
Programme approved by Executive 09/02/22	64,497	39,329	12,928	775	117,529
Variations approved at subsequent Executive meetings (Appx A)					
Operational estate maintenance programme - final year not previously included (ERC)	0	0	0	5,257	5,257
Increase to Crystal Palace Subway scheme (RRH)	456				456
Croydon Road Recreation Ground bandstand restoration (ECS)	236				236
North Block solar PV installation (ECS)	100				100
Next steps for Crystal Palace Park regeneration (RRH)		4,500			4,500
Sub-total - approved programme prior to Q1 monitoring	65,289	43,829	12,928	6,032	128,078
Variations requiring the approval of Executive:					
Basic Needs (CEF)	4,170	4,308			8,478
SCA grant (CEF)	383				383
SALIX grant (CEF)	466				466
DFG (RRH)	2,443				2,443
Variations not requiring the approval of Executive:					
net underspend from 21/22 rephased into current year	54,356				54,356
net rephasing from 22/23 into future years	Cr 4,482	3,016	1,425	40	0
Sub-total - total amendments to the capital programme	57,336	7,324	1,425	40	66,126
Total revised capital programme	122,625	51,153	14,353	6,072	194,204
Less: Further slippage projection (memorandum)	Cr 50,000	15,000	15,000	15,000	Cr 5,000
Assumed new schemes (to be agreed)	0	3,500	3,500	3,500	10,500
Projected programme for capital financing forecast (Appx C)	72,625	69,653	32,853	24,572	199,704

3.4 Variations approved at subsequent Executive meetings (£5,292k net increase)

- (i) At its meeting held on 9th February 2022 the Executive approved a variation of £456k for an increase in the Crystal Palace subway scheme.
- (ii) At its meeting held on 30th March 2022 the Executive approved variations totalling £336k, made up of £236k for the restoration of the Croydon Road Park bandstand, and £100k to install solar panels on the roof of North Block at the Civic Centre site.
- (iii) At its meeting held on 29th June 2022 the Executive approved a variation of £4,500k to progress the Crystal Palace Park regeneration.

3.5 Variations requiring the approval of the Executive (£11,770k net increase)

3.5.1 *Basic Needs grant (overall increase of £8,478k - £5,018k increase to the budget in 2022/23 and £4,308k increase to the budget in 2023/24)*

A grant of £4,170k for High Needs Provision will be received for 2022/23 and a further £4,308k for 2023/24 and therefore approval is sought to add this to the Basic Needs capital scheme. The Council will receive the funding to create new places for children with Education Health and Care Plans in schools, academies, and alternative provision. The funding will enable the Council to meet the need for specialist and alternative provision places and ensure that existing facilities meet pupil needs. This could be by contributing to the cost of creating an extending existing school or by improving accessibility, such as installing ramps, handrails, or ceiling hoists. The funding is part of the government's commitment to ensuring pupils with SEND receive the specialist support they need to get an excellent education.

3.5.2 *SCA grant and Salix grant (total £848k increase to the budget in 2022/23)*

Two smaller grants - £383k from the SCA grant and £466k from the Salix grant - will also be received for 2022/23, and approval is also sought to add these sums to the Capital Maintenance scheme.

3.5.3 *Disabled Facilities Grant (£2,443k increase to the budget in 2022/23)*

The Disabled Facilities Grant (DFG) is provided for the provision of adaptations to disabled people's homes to help them to live as independently and safely as possible. The capital allocation for 2021/22 totals £2,443k. The funding will enable additional schemes to provide physical improvements to clients' home environments and to assist with creating safer and healthier homes and reducing admissions to hospital. The Executive is requested to agree the addition of £2,443k to the DFG capital scheme to reflect this grant allocation.

3.6 Scheme re-phasing

3.6.1 The 2021/22 capital outturn was reported to the Executive on 29th June 2022. The final capital outturn for the year was £19.3m compared to a revised budget of £73.6m. The variation of £54.4m was re-phased from 2021/22 into 2022/23.

3.6.2 In the first quarter monitoring exercise, slippage of £4,482k has been identified and this has been re-phased from 2022/23 into future years to reflect the latest estimates of when expenditure is likely to be incurred. This has no overall impact on the total approved estimate for the capital programme. Further details are provided in Appendix B.

Capital receipts

3.7 Details of the receipts forecast in the years 2022/23 to 2025/26 have been provided by the Assistant Director – Property and are included in Appendix E to this report, which will be considered under part 2 proceedings of the meeting (see also Appendix C.) Actual receipts from asset disposals totalled £10.1m in 2021/22 and this was lower than the estimated figure reported to the Executive in February 2022 (£11.8m).

- 3.8 The latest estimate for 2022/23 is £1.0m lower than was reported in February 2022 (excluding “other” capital receipts). The estimate for 2023/24 is £4.7m lower than reported in February 2022, and the estimate for 2024/25 is £4.7m higher than reported in February 2022 - this is due to a rephrasing of the receipt concerned. No receipts yet to be identified are currently assumed in later years.

Financing of the capital programme

- 3.9 A capital financing statement is attached at Appendix C and the following table summarises the estimated impact on balances of the revised programme and revised capital receipt projections which, as noted above, reflect assumptions on the level and timing of disposals. Total balances would reduce from £51.1m (General Fund £20.0m and capital receipts £31.1m) at the end of 2021/22 to £22.6m by the end of 2025/26 (General Fund £20.0m and capital receipts £2.6m). It is therefore likely that any significant future capital schemes not funded by grants/contributions or revenue, may have to be funded from external borrowing.

	Balance 01/04/22	Estimate 31/03/26
	£m	£m
General Fund	20.0	20.0
Capital receipts	31.1	2.6
	51.1	22.6

- 3.10 The total shortfall in financing over the period to the end of 2025/26 is £44,757k. In response to these pressures and the additional threat of inflation, a detailed review of the capital forward plan and of the Council’s operational property is being conducted. This work is ongoing and will consider, *inter alia*, how the capital programme will be financed in the long-term. The outcome of this review will be reported to members in due course.

Investment Fund and Growth Fund

- 3.11 To help support the achievement of sustainable savings and income, the Council has set aside funding in the Investment Fund earmarked reserve (formerly known as the Economic Development and Investment Fund) to contribute towards the Council’s economic development and investment opportunities. To date, total funding of £84.5m has been placed in the Investment Fund earmarked reserve, with a further £20.3m of capital receipts earmarked to supplement this, and £39.2m placed in the Growth Fund earmarked reserve.
- 3.12 Appendix D provides a detailed analysis of the Funds dating back to their inception in September 2011. To date, schemes totalling £119.5m have been approved (£98.3m on the Investment Fund, and £27.2m on the Growth Fund), and uncommitted balances as at the end of June 2022 stand at £6.5m for the Investment Fund and £12.0m for the Growth Fund.

Feasibility works – property disposals

- 3.13 At its meeting on 24th May 2017, Executive agreed to the creation of a new earmarked reserve, with an initial allocation of £250k from the Growth Fund, for feasibility works to be commissioned against specific sites to inform the Executive of sites’ viability for disposal or re-development and potential scheme optimisation, together with an appraisal as to worth.
- 3.14 Members requested that an update from Strategic Property be included in quarterly capital monitoring reports, and the latest update is provided in Appendix F.

Section 106 receipts

- 3.15 In addition to capital receipts from asset disposals, the Council is holding a number of Section 106 contributions received from developers. These are made to the Council as a result of the granting of planning permission and are restricted to being spent on capital works in accordance with the terms of agreements reached between the Council and the developers. These receipts, the balance of which stood at £8,236k as at 30th June 2022, are held as a receipt in advance on the Council’s balance sheet and will be used to finance

capital expenditure from 2022/23 onwards. The current position on capital Section 106 receipts (excluding commitments) is shown below:

Agreed service area	Balance 31/03/22	Receipts Q1 22/23	Expenditure Q1 22/23	Balance 30/06/22
	£'000	£'000	£'000	£'000
Housing provision	2,452	0	0	2,452
Education	5,078	0	0	5,078
Highways	20	0	0	20
Local economy	686	0	0	686
Other	0	0	0	0
Total	8,236	0	0	8,236

3.16 The Council's budgets are limited and, where a developer contribution can be secured, this will be required as a contribution towards projects, notwithstanding any other allocation of resources contained in the Council's spending plans.

Post-completion reports

3.17 Under approved capital programme procedures, capital schemes should be subject to a post-completion review within one year of completion. These reviews should compare actual expenditure against budget and evaluate the achievement of the scheme's non-financial objectives. Post-completion reports on the following schemes are due to be submitted to the relevant PDS committees:

- Upgrade of Core Network Hardware
- Replacement of Storage Area Network
- Rollout of Windows 7 and Office 2000
- Replacement of MD110 Telephone Switch
- Windows Server 2003 Replacement Programme
- Early Education for Two-Year-Olds
- 30 Hour Funded Childcare IT Solution
- Performance Management/Children's Services IT scheme
- Bromley My Time Investment Fund
- Relocation of Exhibitions - Bromley Museum
- Norman Park Athletics Track

4 POLICY IMPLICATIONS

4.1 Capital programme monitoring and review is part of the planning and review process for all services.

5 FINANCIAL IMPLICATIONS

5.1 These are contained in the main body of the report and in the appendices. Attached as Appendix C is a capital financing statement, which gives a long-term indication of how the revised programme would be financed if all the proposed changes were approved and if all the planned receipts were achieved. The financing projections assume approval of the revised capital programme recommended in this report.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background documents: (access via Contact Officer)	Capital Programme Monitoring Q3 2021/22 and Capital Strategy 2022 to 2026, (Executive 09/02/22). Capital Programme Outturn 2021/22 (Executive 29/06/22).