

Decision Maker: EXECUTIVE
COUNCIL

Date: Executive on 30 November 2022
Council on 12 December 2022

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – QUARTER 2 2022/23

Contact Officer: Sean Cosgrove, Principal Accountant (Capital and Treasury)
Tel: 020 8313 4312 E-mail: sean.cosgrove@bromley.gov.uk

Chief Officer: Peter Turner, Director of Finance
Tel: 020 8313 4338 E-mail: peter.turner@bromley.gov.uk

Ward: All

1. Reason for report

This report summarises the current position on capital expenditure and receipts following the second 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 £134k from 2022/23 into future years, and agree a revised capital programme.
- (b) Approve the following amendments to the capital programme (paragraph 3.3)
 - (i) Increase of £3,000k in relation to the budget for depots
 - (ii) Increase of £20,970k for additional costs associated with Project Smith, the preferred option for the existing capital budget for the Civic Centre redevelopment scheme

2.2 Council is requested to approve the increase of £23,970k to the capital programme (paragraph 3.3)

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 identify 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
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Financial

1. Cost of proposal: Total estimated increase of £23,970k over the four years 2022/23 to 2025/26.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital programme
 4. Total current budget for this head: Total £223.7m over the four years 2022/23 to 2025/26
 5. Source of funding: Capital grants, capital receipts and earmarked revenue contributions
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Personnel

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

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

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

1. Estimated number of users/beneficiaries (current and projected): N/A
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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 second quarter of 2022/23. The base position is the programme approved by the Executive on 6 October 2022 (postponed from 21 September 2022 due to the official mourning period for the death of the monarch), 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 £23,970k over the four years 2022/23 to 2025/26.

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
Net of changes approved in Q1 monitoring	58,128	11,824	1,425	5,297	76,675
Sub-total - approved programme prior to Q2 monitoring	122,625	51,153	14,353	6,072	194,204
Variations requiring the approval of Executive:					
Addition to depots project for increased costs (ECS)	3,000				3,000
Addition to estimated costs of Project Smith (RCCM)		20,970			20,970
Variations not requiring the approval of Executive:					
Previously approved s106 funding reflected in s106 unallocated budget (CEF)	Cr 2,538				Cr 2,538
Previously approved s106 funding reflected in Basic Need budget (CEF)	2,538				2,538
Net rephasing from 22/23 into future years	Cr 134	134			0
Sub-total - total amendments to the capital programme	2,866	21,104	0	0	23,970
Proposed new schemes					
None this cycle	0	0	0	0	0
Total revised capital programme	125,491	72,257	14,353	6,072	218,174
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 (App C)	75,491	90,757	32,853	24,572	223,674

3.2 Variations approved at subsequent Executive meetings

No new variations have been approved in this cycle. Apart from scheme rephasing (as per paragraph 3.4 below), the only change shown is an updating of budgets to reflect £2,538k of unallocated s106 funding for education moving to the Basic Need budget line. This change had been agreed at previous meetings of the Executive but had not yet been reflected in the monitoring sheet.

3.3 Variations requiring the approval of the Executive (£23,970k net increase)

- (i) £3,000k is to be added to the budget for depot improvement works. This expenditure is necessary to meet cost pressures in the borough's depots. A separate report on this matter is being presented at this meeting.

- (ii) The costs of Project Smith are to increase by a net £20,970k, currently phased in 2023/24. This is because the existing capital budget for the Civic Centre redevelopment scheme has been increased to allow for the additional costs associated with the preferred option (Project Smith.) These increased costs will be partially mitigated by an expected capital receipt in the following year, 2024/25.

3.4 Scheme re-phasing

The 2021/22 capital outturn was reported to the Executive on 29 June 2022. The final capital outturn for the year was £19.3m compared to a revised budget of £73.6m. The variation of £54.3m was re-phased from 2021/22 into 2022/23.

- 3.5 In this quarter’s monitoring exercise, slippage of £134k 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.

Budget review

- 3.7 A series of recent review exercises have raised queries about how budgets in housing and education (Basic Need) are presented the capital monitor in terms of expenditure and funding. The capital finance team are in discussion with the relevant service teams to ensure that the information held is not only accurate, but presented in a way that supports both Members and the effective and transparent delivery of the projects concerned. These discussions are ongoing, and any adjustment to the presentation of these budgets will be reported in future reports to the Executive and to the relevant PDS committees.

Capital receipts

- 3.8 Details of the receipts forecast in the years 2022/23 to 2025/26 are included in Appendix C to this report to be considered under part 2 proceedings of the meeting. Actual receipts from asset disposals totalled £10.0m in 2021/22, lower than the estimated figure of £11.8m reported to the Executive in February 2022.
- 3.9 The latest estimates for 2022/23 and 2023/24 are unchanged from Q1 2022. A total of £5m per annum is assumed for receipts yet to be identified 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 £51.8m (General Fund £20.0m ;capital receipts £31.8m - revised since Q1 report by a late correction) at the end of 2021/22 to £22.9m by the end of 2025/26 (General Fund £20.0m, capital receipts £2.9m) and would then decrease to £10m by the end of 2027/28. 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 £m	Estimate 31/03/26 £m
General Fund	20.0	20.0
Capital receipts	31.8	2.9
	51.8	22.9

- 3.10 The total shortfall in financing over the period to the end of 2025/26 is £44,751k. In response to these pressures and the additional pressures of inflation, an ongoing in-depth review of the capital forward plan and of the existing capital estate is being conducted, to

see how and when the Council might change its medium-term capital strategy. The progress of this review, together with any recommendations arising from it, will be reported to subsequent meetings of the Executive.

Investment Fund and Growth Fund

- 3.10 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.
- 3.11 Appendix D provides a detailed analysis of the funds dating back to their inception in September 2011. To date, schemes totalling £126.1m have been approved (£98.3m on the Investment Fund, and £27.8m on the Growth Fund), and the uncommitted balances as at end October 2022 stand at £6.5m for the Investment Fund and £11.4m for the Growth Fund.

Feasibility works – property disposals

- 3.12 At its meeting on 24 May 2017, Executive agreed to the creation of a new earmarked reserve with an initial allocation of £250k funded from the Growth Fund to allow for the commissioning of feasibility works against specific sites, so as to inform the Executive of sites' viability for disposal or re-development and potential scheme optimisation, together with an appraisal of worth.
- 3.13 Members requested that an update from strategic property be included in quarterly capital monitoring reports. This information, which remains unchanged from October's update, is provided in Appendix F.

Section 106 receipts

- 3.14 In addition to capital receipts from asset disposals, the Council holds 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 are held as a receipt in advance on the Council's balance sheet, the balance of which stood at £8,236k as at 30 September 2022, and will be used to finance capital expenditure from 2022/23 onwards. The current position on capital section 106 receipts (excluding commitments) is shown in the following table:

Agreed service area	Balance 30/06/22 £'000	Receipts Q2 22/23 £'000	Expenditure Q2 22/23 £'000	Balance 30/09/22 £'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

- 3.15 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

3.16 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 2022-2026 (Executive 09/02/22) Capital programme outturn 2021/22 (Executive 29/06/22)