

Decision Maker: **PORTFOLIO HOLDER FOR RESOURCES, COMMISSIONING AND CONTRACT MANAGEMENT**

Date: For pre-decision scrutiny by the Executive, Resources and Contracts Policy Development and Scrutiny Committee on 16 January 2023

Decision Type: Non-Urgent Executive Non-Key

Title: **CAPITAL PROGRAMME MONITORING - QUARTER 3 2022/23**

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Chief Officer: Director of Finance

Ward: All

1. Reason for report

On 18 January 2023, the Executive will receive a report summarising the current position on capital expenditure and receipts following the third quarter of 2022/23 and be asked to agree a revised capital programme for the five-year period 2022/23 to 2025/27. This report highlights changes to be put to the Executive and the Leader in respect of the capital programme for the Resources, Commissioning and Contract Management portfolio. The revised programme for this portfolio is set out in Appendix A and detailed comments on individual schemes are shown in Appendix B.

2. **RECOMMENDATIONS**

The Portfolio Holder is asked to note and acknowledge the changes to be put to the Executive on 18 January 2023.

Impact on Vulnerable Adults and Children:

1. Summary of Impact:

Corporate Policy

1. Policy Status: Existing Policy: capital programme monitoring 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, we review our main aims and outcomes through the AMP process and identify those that require the use of capital assets. Our 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". The capital review process requires Council Directors to ensure that bids for capital investment provide value for money and match Council plans and priorities.
2. BBB Priority: Excellent Council

Financial

1. Ongoing costs: Not Applicable
2. Budget head/performance centre: capital programme
3. Total current budget for this head: £137,014k for the Resources, Commissioning and Contract Management portfolio over the four years 2022/23 to 2026/27
4. 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: 36 hours per week

Legal

1. Legal Requirement: Non-Statutory - Government Guidance
2. Call-in: Applicable

Procurement:

1. Summary of Procurement Implications:

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Capital monitoring – variations to be put to the Executive on 18 January 2023

- 3.1 A revised capital programme will be put to the Executive on 18 January 2023, following a detailed monitoring exercise carried out after the third quarter of 2022/23 (partial - up to end November 2022). The base position is the programme approved by the Executive on 30 November 2022. All changes to schemes in the Resources, Commissioning and Contract Management portfolio programme are itemised in the table below and further details are included in paragraphs 3.2 to 3.4. The revised programme for the Resources, Commissioning and Contract Management portfolio is attached as Appendix A, whilst Appendix B shows actual spend against budget as at the third quarter of 2022/23, together with detailed comments on individual scheme progress.
- 3.2 If all the changes proposed in this report are approved, the total capital programme 2022/23 to 2026/27 would increase by £45,701k, solely due to the inclusion of new capital bids.

	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Programme approved by Executive 09/02/22	23,191	29,051	9,472	545	0	62,259
Net underspend 21/22 rephased to 22/23	17,938					17,938
Net changes agreed in Q1 monitoring	Cr 143	162	40	5,297		5,357
Net changes agreed in Q2 monitoring	Cr 300	21,270				20,970
Approved programme prior to Q3 monitoring	40,686	50,483	9,512	5,842	0	106,524
Net rephasing between 22/23 and future years (para 3.9)	Cr 300	300	0	0	0	0
Change in budget for HWBC (RCCM)	Cr 1,157	Cr 11,537	Cr 1,972	Cr 545	0	Cr 15,211
S/T - changes not requiring approval of Executive	Cr 1,457	Cr 11,237	Cr 1,972	Cr 545	0	Cr 15,211
Net impact of restructuring of OPR (RCCM)	Cr 3,500	15,067	10,067	17,567	0	39,201
IT infrastructure and digitisation (RCCM)	0	0	2,000	3,000	1,500	6,500
S/T - changes requiring approval of Executive	Cr 3,500	15,067	12,067	20,567	1,500	45,701
Revised RCCM capital programme	35,729	54,313	19,607	25,864	1,500	137,014

- 3.3 Variations approved at subsequent Executive meetings (£15,211k total net decrease)

The Health and Well Being Centre (net decrease of £15,211k)

- 3.6 A report was presented to Executive on 30 November 2022 outlining revised plans for the Health and Well-Being Centre to be developed on the site of what was formerly the Adventure Kingdom building. This scheme, which was the subject of a preliminary report to Executive in October 2021, was to be a joint venture between the Council and the South East London

Clinical Commissioning Group (now NHS Bromley ICB.) The revised plan is now for the ICB to fund 50% of the Council's professional consultancy fees incurred up to the end of FY 2021/22, and an invoice has been submitted to that effect. Going forwards, the project will sit entirely with the ICB, funded by a central government grant - but, in order to comply with the terms of that grant, the Council will formally deliver the project, for the costs of which the ICB will indemnify the Council; and the Council will sell the site to the ICB at market value.

- 3.7 The costs of the remaining consultancy work are estimated at £545k; and the costs of the construction itself are estimated at £9,398k, including VAT. These costs are set to be covered in full by the ICB; but, because of the way the Council's capital programme is presented, they must be added to the capital programme in full, on the understanding that they will be wholly financed by the grant which the ICB will receive and passport to the Council.
- 3.8 This replaces the original, larger total budget of £25,330k (less expenditure incurred to date.) This project, like the current version, was effectively cost neutral, and so this has no impact on resourcing; but it does reduce the capital programme on the cost side by a net £15,211k.

Scheme re-phasing

- 3.9 As part of the Q3 monitoring exercise, a total of £300k has been specifically re-phased from 2022/23 into 2023/24 to reflect revised estimates of when expenditure is likely to be incurred. This largely reflects delays to schemes owing to the the pandemic and its aftermath. Scheme re-phasings are itemised in the table below and comments on scheme progress are provided in Appendix B.

	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Systems Replacement	Cr 300	300	0	0	0	0
Total - Resources Commissioning and Contract Management	Cr 300	300	0	0	0	0

Variations requiring the approval of the Executive (£45,701k net increase)

Operational Property Review (£39,201k net increase)

- 3.10 The costs of the Operational Property Review (OPR) have been revisited, substantially revised, and included in the main capital programme. This is covered in full in the report going to Executive on 18 January 2022 - below is a summary of its impact on RCCM.
- 3.11 The proposed OPR expenditure of £52.7m has been offset against the budgeted maintenance spend of £18.5m that was previously included in the capital programme. Additionally, OPR projected expenditure has been further increased by £5m in recognition of the urgent need for maintenance on the Churchill Theatre and Library – moreover, it is understood that the condition of this asset is poor and the overall maintenance liability is likely to be much higher. Given the significance of this matter and likelihood of further capital expenditure being required on this asset, this matter will be the subject of a separate report in the near future.

IT infrastructure and digitisation (£6,500k net increase)

- 3.12 These are estimated costs to progress the Council's digitisation agenda and to provide for new IT hardware and related equipment to mitigate obsolescence.

3.13 The total impact of these new schemes is shown in the table below:

	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
OPR capital		17,567	17,567	17,567		52,701
OPR risk provision (Churchill)		5,000				5,000
Less OPR already in capital programme	Cr 3,500	Cr 7,500	Cr 7,500			Cr 18,500
S/T - net mvmt in OPR	Cr 3,500	15,067	10,067	17,567	0	39,201
IT infrastructure and digitisation			2,000	3,000	1,500	6,500
Total of new schemes	Cr 3,500	15,067	12,067	20,567	1,500	45,701

Post-completion reports

3.14 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 currently due for the Resources, Commissioning and Contract Management portfolio:

- 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

4. POLICY IMPLICATIONS

4.1 Capital programme monitoring and review is part of the planning and review process for all services. The capital review process requires Chief Officers to ensure that bids for capital investment provide value for money and match Council plans and priorities.

5. FINANCIAL IMPLICATIONS

5.1 These will be reported in full to the Executive on 18 January 2023. Changes to be put to the Executive for the Resources, Commissioning and Contract Management portfolio capital programme are set out in the table in paragraph 3.1.

Non-applicable sections:	Legal, Personnel and Procurement Implications, Impact on Vulnerable Adults and Children
Background documents: (Access via contact officer)	Capital programme monitoring Q3 2022/23 (Executive 18/01/2023) Capital programme monitoring Q3 2021/22 (Executive 09/02/22)