
Decision Maker: EXECUTIVE

Date: 5 July 2023

Decision Type: Non-Urgent Non-Executive Non-Key

Title: CAPITAL PROGRAMME OUTTURN 2022/23

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Ward: Borough Wide

1. Reason for report

- 1.1 This report sets out the final outturn on capital expenditure and receipts for 2022/23. Capital expenditure in the year was £21.0m, compared to the final approved budget of £120.8m, resulting in a total net variation of Cr £99.8m. For funding purposes, £50.0m slippage was assumed in the quarter 3 capital monitoring report, so there was an overall variation of Cr £49.8m in the use of capital receipts and external and revenue contributions.

2. **RECOMMENDATIONS**

The Executive is requested to:

- 2.1 note the report which details the capital outturn position for 2022/23; and
- 2.2 note that the revenue outturn report elsewhere on the agenda requests the redesignation of various earmarked reserves which have been assumed in the capital programme financing.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not applicable
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Transformation 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 Corporate Strategy.
 2. **Making Bromley Even Better Priority:** (Ambition 5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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Financial

1. Cost of proposal: Not Applicable: No additional cost
 2. Ongoing costs: Not Applicable: No additional cost
 3. Budget head/performance centre: Capital programme
 4. Total current budget for this head: £120.8m in 2022/23
 5. Source of funding: Capital grants, capital receipts and earmarked revenue reserves.
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Personnel

1. Number of staff (current and additional): 1 FTE
 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: Applicable
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Procurement

1. Summary of Procurement Implications: Not applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not applicable
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not applicable
2. Summary of Ward Councillors' comments: Not applicable

3. COMMENTARY

3.1 Capital programme outturn 2022/23

3.1.1 The final capital outturn for the year was £21.0m, compared to the final revised budget of £120.8m. The total net variation is Cr £99.8m, which is primarily due to slippage in the Renewal, Recreation & Housing portfolio (Cr £36.3m), the Executive, Resources and Contracts portfolio (Cr £32.7m) and the Children, Education & Families portfolio (Cr £20.4m) as summarised in the table below:

Portfolio	Approved budget 22/23 £m	Final outturn 22/23 £m	Variance 22/23 £m
Adult Care and Health	< 0.1	0.0	Cr < 0.1
Children, Education and Families	23.3	2.9	Cr 20.4
Environment and Community Services	13.0	2.7	Cr 10.3
Resources, Commissioning and Contracts	35.7	3.0	Cr 32.7
Renewal, Recreation and Housing	48.7	12.4	Cr 36.3
Approved capital programme	120.8	21.0	Cr 99.8
Less: further slippages approved for financing	Cr 50.0	0.0	Cr 50.0
Final outturn 22/23	70.8	21.0	Cr 49.8

3.1.2 These slippages will be re-phased into 2023/24 as shown in Appendix A.

3.1.3 As set out in the capital programme monitoring (quarter 3) report to the Executive on 18 January 2023, further slippage of £50.0m was assumed for financing purposes. However, additional slippage has resulted in a variation in the overall use of capital receipts, external grants and contributions, and revenue contributions of Cr £49.8m.

3.2 Adult Care and Health portfolio

3.2.1 Underspend of less than £0.1m against a budget of less than £0.1m.

3.3 Children, Education and Families portfolio

3.3.1 Slippage of £20.4m against a total budget of £23.3m. This is mainly due to slippage in both the Basic Need programme (£16.4m) and in Capital Maintenance in Schools (£2.8m).

3.4 Environment and Community Services portfolio

3.4.1 There was overall slippage of £10.3m compared to a total portfolio budget of £13.0m. Much of this slippage was on schemes funded by Transport for London, which makes up nearly a third of the portfolio. The pace of works has picked up, but previous delays have had an impact on the outturn position. The other main underspend was in Depot Improvement Works; slippage was caused by a delay in commencing works on site, which are now expected to take place in 2023/24.

3.5 Resources, Commissioning and Contracts Management portfolio

3.5.1 There was overall slippage of £32.7m against a total portfolio budget of £35.7m. The vast majority of this underspend is accounted for by £15.5m on the Property Investment scheme, which is not currently making new purchases while a strategic review is underway; and a further £15.3m on the purchase of the Direct Line building, which slipped into early 2023/24 due to minor delays in processes around contracts. IT Transformation also incurred £1.0m slippage.

3.6 Renewal, Recreation and Housing portfolio

3.6.1 There was net slippage of £36.3m against a total portfolio budget of £48.7m, mainly due to total slippage of £19.3m on Site G while discussions with the private developer continue. The project to provide housing and library facilities to West Wickham has slipped by £4.4m; however, the lead officer is confident that the project will be delivered on time and on budget. Bromley High Street Improvements (Growth Fund) had net slippage of £1.5m, while logistical issues caused slippage of £2.5m on the Crystal Palace subway project. Meanwhile, the project to replace the district heating system boilers and carry out related works at Walnut Leisure Centre has been delayed by contractual matters. There are also underspends on housing delivery projects, but the lead officer believes the projects will be delivered on time and on budget.

3.7 Block capital provisions

3.7.1 The outturn position for 2022/23 is shown in the table below:

Portfolio and scheme	Approved budget 22/23	Final outturn 22/23	Variance 22/23
	£'000	£'000	£'000
Renewal, Recreation and Housing			
Disabled Facilities Grant (DFG)	7,148	2,131	Cr 5,017
Resources, Commissioning and Contracts			
Emergency Works on Surplus Sites	76	29	Cr 47
Final outturn 22/23	7,224	2,160	Cr 5,064

3.8 Financing of the capital programme

3.8.1 The financing of 2022/23 capital expenditure is compared below with the estimates reported in the third quarter capital monitoring:

Source of finance	Approved budget 22/23	Final outturn 22/23	Variance 22/23
	£m	£m	£m
Approved capital programme	120.8	21.0	Cr 99.8
Less: further slippages assumed for financing	Cr 50.0	0.0	Cr 50.0
Final outturn 22/23 (net of assumed slippage)	70.8	21.0	Cr 49.8
Financed by:			
Usable capital receipts	13.9	0.0	Cr 13.9
Revenue contributions	12.9	0.7	Cr 12.2
Government grants	27.1	11.3	Cr 15.8
Internal borrowing	14.0	3.5	Cr 10.5
External borrowing	0.0	0.0	0.0
Other contributions	2.9	1.1	Cr 1.8
Contribution from earmarked reserves	0.0	4.4	4.4
Total	70.8	21.0	Cr 49.8

3.8.2 The Capital Strategy report considered by the Executive in January 2023 requested approval of the use of up to £10m of earmarked reserves to support the financing of the capital programme, in order to help address the capital financing shortfall. The revenue outturn report elsewhere on the agenda requests approval of the redesignation of a number of earmarked

reserves, to be utilised in addition to the majority of the Capital Fund reserve, to remove the need to draw on capital receipts. The table therefore shows the element of the programme that would originally have been funded by usable capital receipts – £4.4m – financed instead by earmarked reserves.

3.8.3 During 2022/23, capital monitoring reports have been considered by the Executive on a quarterly basis, in September 2022 (postponed to October 2022 due to the death of HM Queen Elizabeth II), November 2022 and January 2023, and reported changes have been incorporated in revised approved capital programmes. These have similarly been reported quarterly to individual PDS committees. For information, Appendix B provides a comparison between the latest approved budget and the original approved budget for the year (agreed in January 2022).

3.9 Capital receipts

3.9.1 Under the “prudential” capital system in operation from 1 April 2004, most capital receipts are “usable” and may be applied to finance capital expenditure. The final outturn in 2022/23 for new capital receipts from asset disposals was less than £0.1m, a significant variance against the estimated figure reported to the Executive in January 2023 (£22.0m). This variance was caused by a slight delay in the sale of The Glades shopping centre, which completed in May 2023.

3.9.2 The table below provides a breakdown of the unapplied capital receipts totalling £31.9m that will be carried forward to finance expenditure in 2023/24 and later years. As explained above in paragraph 3.8.2, no capital receipts were applied for financing capital expenditure during 2022/23, as the element of funding normally attributed to capital receipts was financed instead from reserves, and revenue contributions, external and other contributions covered the rest of the total capital expenditure. As has been the case for the last seventeen years, no contribution from the General Fund was required in 2022/23. To date, £20.3m of capital receipts have been earmarked to supplement the Investment Fund for the purchase of investment properties, of which £4.4m has been utilised to date, leaving £15.9m.

Usable receipts	£m
Unapplied balance b fwd 1 April 2022	31.8
Total receipts during 2022/23	0.1
Receipts applied to finance expenditure	0.0
Unapplied balance c fwd 31 March 2023	31.9
Receipts earmarked for investment properties	Cr 15.9
Balance available to fund future expenditure	16.0

3.9.3 It is highly likely that borrowing will be required for any further capital expenditure not funded by directly attributable capital receipts or grants unless significant levels of additional financing are identified in the medium and longer term. This also recognises the expectation that the Council’s level of earmarked reserves will reduce significantly over the next few years.

3.10 Section 106 receipts

3.10.1 In addition to capital receipts, the Council is holding a significant sum in respect of section 106 capital contributions received from developers in recent years. 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. Section 106 receipts are held as a receipt in advance on the Council’s balance sheet, the revised balance of which decreased from £7.8m as at 31 March 2022 to £6.7m as at 31 March 2023, as fewer receipts were received than were used to finance actual capital expenditure. The balance will be used to finance capital expenditure from 2023/24 onwards. Balances and in-year movements are shown in the following table:

Service area	Bal bfwd 1 Apr 2022 £'000	Receipts 22/23 £'000	Expenditure 22/23 £'000	Bal cfwd 31 Mar 2023 £'000
Housing provision	Cr 2,059	0	758	Cr 1,301
Education	Cr 5,078	0	344	Cr 4,734
Highways	Cr 20	0	0	Cr 20
Local economy	Cr 647	0	0	Cr 647
Other	Cr 2	0	0	Cr 2
Total	Cr 7,806	0	1,102	Cr 6,704

3.11 Investment Fund and Growth Fund

3.11.1 To help support the achievement of sustainable savings and income, the Council 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.

3.11.2 Appendix C 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 £20.9m on the Growth Fund), and the uncommitted balances as at end of March 2023 stand at £6.5m for the Investment Fund and £18.1m for the Growth Fund. (The totals for the Growth Fund include the adjustment described in the next paragraph 3.11.3.)

3.11.3 A sum of £6.79m was set aside in the Growth Fund for opportunity schemes relating to potential regeneration projects in the Cray Valley and Biggin Hill, as reported to Executive in November 2014. Given the new pressure on the Council's reserves, needing to set aside monies to fund the future capital programme and that there are no longer priority regeneration opportunities for Cray Valley and Biggin Hill, these monies will be retained as part of the Council's Growth Fund with no commitment to the utilisation at this stage. Any future utilisation of these monies will be reported to Executive for Members' consideration.

3.12 Post-completion reports

3.12.1 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 and the relevant budget holders have been notified directly.

- 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 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 is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. The primary concern is to ensure that capital investment provides value for money and matches the Council's overall priorities as set out in "Building a Better Bromley".

5. FINANCIAL IMPLICATIONS

5.1 There was no requirement for a General Fund contribution to finance capital expenditure in 2022/23, although £4.4m was used from earmarked reserves to replace usable capital receipts as a funding source (subject to approval as part of the revenue outturn report elsewhere on the agenda.)

5.2 A revised capital programme and capital financing statement will be included in the next quarterly monitoring report.

Non-applicable sections:	Personnel Implications; Impact on Vulnerable Adults and Children; Legal Implications Procurement Implications.
Background documents: (access via Contact Officer)	Background documents and reports are available from the Head of Corporate Finance & Accounting.