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**Decision Maker:** **EXECUTIVE  
COUNCIL**

**Date:** **Executive on 20 September 2023  
Council on 16 October 2023**

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

**Title:** **CAPITAL PROGRAMME MONITORING – QUARTER 1 2023/24**

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**Ward:** All

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1. Reason for report

This report summarises the current position on capital expenditure and receipts following the first quarter of 2023/24 and seeks the Executive's approval to a revised capital programme.

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2. **RECOMMENDATION(S)**

2.1 **The Executive is requested to:**

- (a) note the report, including a total re-phasing of £60,366k from 2023/24 into future years, and agree a revised capital programme.
- (b) note the need going forward, given the full utilisation of capital receipts by 2025/26 forecast in this report and the limited options to replenish this resource in the future, to consider funding options for all new schemes, including external borrowing where appropriate.
- (c) recommend that Council approve the following amendment to the capital programme (paragraph 3.3)
  - (i) increase of a total £2,656k in relation to Disabled Facilities Grant (£2,443k original award plus £213k supplementary award)
  - (ii) increase of £55k in relation to Devolved Formula Capital
- (d) note that a report elsewhere on the agenda requests a supplementary capital estimate of £4,250k for additional costs associated with the move to Churchill Court, to include the use of £2,250k from the Growth Fund

- (e) note that a report elsewhere on the agenda requests the addition of £25,500k for a housing scheme at Bromley North and £15,200k for a housing scheme at Beckenham**

**2.2 Council is requested to approve the following amendments to the capital programme (paragraph 3.3)**

- (a) increase of a total £2,656k in relation to Disabled Facilities Grant (£2,443k original award plus £213k supplementary award)**

### 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 "Making Bromley Even Better". 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

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### Financial

1. Cost of proposal: Total new estimates of £47,661k over the five years 2023/24 to 2027/28
2. Ongoing costs: Not applicable
3. Budget head/performance centre: Capital programme
4. Total current budget for this head: Total £310.9m over the five years 2023/24 to 2027/28
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 first quarter of 2023/24. The base position is the programme approved by the Executive on 18 January 2023, as amended by variations approved at subsequent Executive meetings. Should the changes proposed in this report be approved, the total capital programme 2023/24 to 2027/28 would increase by £39,920k (the net of £47,661k increase of changes requiring approval and a total decrease of £7,714k for changes not requiring approval) over the five years 2023/24 to 2027/28.

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

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Programme approved by Executive 18/01/23	79,302	33,098	34,744	10,150	0	157,294
Net underspend 22/23 rephased to 23/24	99,645					99,645
<b>Sub-total - approved programme prior to Q1 monitoring</b>	<b>178,947</b>	<b>33,098</b>	<b>34,744</b>	<b>10,150</b>	<b>0</b>	<b>256,939</b>
<b>Variations requiring the approval of Executive</b>						
Disabled Facilities Grant (main award)	2,443					2,443
Disabled Facilities Grant (supplementary award)	213					213
Devolved Formula Capital	55					55
Proposed housing scheme: Bromley North	6,283	12,150	7,067			25,500
Proposed housing scheme: Beckenham	631	7,200	6,600	769		15,200
Supplementary estimate for Churchill Court		4,250				4,250
<b>Sub-total - variations requiring approval</b>	<b>9,625</b>	<b>23,600</b>	<b>13,667</b>	<b>769</b>	<b>0</b>	<b>47,661</b>
<b>Variations not requiring the approval of Executive</b>						
Changing Places Fund - first round (RRH)	220					220
Changing Places Fund - second round (RRH)	185					185
West Wickham Library and housing (RRH)	3,959					3,959
Supplementary estimate for York Rise: previously approved Jun 2021 (RRH)	2,072					2,072
Crystal Palace Park (RRH)	304					304
Chislehurst Library (RRH)		Cr 1,000				Cr 1,000
Digital infrastructure (RRH)	49					49
Non-turf cricket pitches (RRH)	40					40
Basic Need - additional s106 (CEF)	43					43
Investment Fund utilised for housing schemes	Cr 11,688					Cr 11,688
Adjustments of TfL estimates (grant funded) (ECS)	Cr 1,425	Cr 500				Cr 1,925
Rephasing between 23/24 and future years	Cr 60,366	30,354	24,669	5,343	0	0
<b>Sub-total - variations not requiring approval</b>	<b>Cr 66,607</b>	<b>28,854</b>	<b>24,669</b>	<b>5,343</b>	<b>0</b>	<b>Cr 7,741</b>
<b>Revised capital programme</b>	<b>121,965</b>	<b>85,552</b>	<b>73,080</b>	<b>16,262</b>	<b>0</b>	<b>296,859</b>
Less: estimated further slippage	Cr 50,000	20,000	20,000	10,000		0
Provision: uncertainty and future schemes		3,000	3,000	4,000	4,000	14,000
<b>Projected programme for capital financing</b>	<b>71,965</b>	<b>108,552</b>	<b>96,080</b>	<b>30,262</b>	<b>4,000</b>	<b>310,859</b>

#### 3.2 Variations approved at subsequent Executive meetings

##### *Changing Places Fund*

In March 2022, the Council was awarded £220k grant funding from the Department of Levelling Up, Housing and Communities to deliver four Changing Places facilities at agreed locations across the borough. The use of funds, with pre-decision scrutiny, was agreed by the Portfolio Holder in October 2022. At their meeting in February 2023, Executive granted formal

approval to accept and spend the grant monies in line with parameters of the funding application. A further £185k was awarded, and approved, at the July meeting.

#### *West Wickham Library and housing*

At the February 2023 meeting of the Executive, Members approved a supplementary capital estimate for this scheme of £3,959k, to cover construction price inflation since November 2021 (when the project was originally added to the capital programme) and an increased contingency allowance. The financing was also restructured.

#### *York Rise housing*

At their meeting of June 2021, the Executive approved the supplementary estimate of net £2,072k to be added to the York Rise modular housing scheme. This adjustment had not been reflected in the capital programme and is therefore added here.

#### *Crystal Palace Park*

An urgent report was taken to the March 2023 meeting of the Executive, asking for approval to accept a development grant of £304k from the National Lottery Heritage Fund to increase the scope of the Crystal Palace Park capital programme. This was subsequently approved.

#### *Chislehurst Library*

This scheme has been removed from the capital programme in line with the report to the meeting of the ERC PDS of November 2022.

#### *Digital infrastructure*

At the July 2023 meeting of the Executive, a new one-off capital budget of £49k, funded from the Council's Growth Fund, for connecting three new CCTV camera sites and one existing dark fibre network extension, was approved.

#### *Non-turf cricket pitches*

At their July 2023 meeting, Executive approved the addition to the capital programme of four non-turf cricket pitches in parks across the borough, funded by a grant from the London Cricket Trust.

#### *Basic Need*

At the March 2023 meeting of the Executive, formal approval was given to add a further £43k of section 106 funding to the Basic Need programme.

#### *Budget realignment*

In addition to the changes to the capital programme approved by the Executive at their meetings since the last monitoring report in January 2023, the budgets for TfL-funded schemes have been revised to reflect estimated funding levels and the Property Investment Fund has been revised to reflect the use of the Investment Fund for housing schemes.

### 3.3 Variations requiring the approval of the Executive (£47,661k increase)

#### *Disabled Facilities Grant*

A total of £2,656k for the Disabled Facilities Grant (DFG) has been received for 2023/24, comprising a main award of £2,443k and a supplementary award of £213k, and therefore approval is sought to add this to the relevant capital scheme. 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 funding will enable additional schemes to provide physical improvements to clients' home environments and to assist with creating safer and healthier homes and reduce admissions to hospital.

### *Devolved Formula Capital*

Bromley was allocated £55k of Devolved Formula Capital (DFC) as part of 2023/24 school condition allocations. Approval is therefore sought to add this to the capital programme.

#### *Housing schemes – Bromley North and Beckenham*

A report elsewhere on this agenda requests approval of supplementary estimates totalling £40,735k for two new housing schemes at Bromley North (£25,500k) and Beckenham (£15,200k), the costs to be met from a combination of GLA grant, section 106 receipts, the proceeds from private sales (Bromley North) and external borrowing.

#### *Churchill Court*

A report elsewhere on this agenda requests approval of a supplementary estimate of £4,250k to the Churchill Court scheme in 2024/25 to cover inflationary pressures. The costs of this increase will be met from £2,000k from the 2023/24 central contingency, and £2,250k from the Growth Fund.

### 3.4 Scheme re-phasing

The 2022/23 capital outturn was reported to the Executive on 5 July 2023. The final capital outturn for the year was £21.2m compared to a revised budget of £120.8m. The variation of £99.6m was re-phased from 2022/23 into 2023/24.

In this quarter's monitoring exercise, slippage of £60.4m has been identified and this has been re-phased from 2023/24 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**

- 3.6 Details of the receipts forecast in the years 2023/24 to 2027/28 are included in Appendix C to this report to be considered under part 2 proceedings of the meeting. Actual receipts from asset disposals totalled £0.1m in 2022/23, lower than the estimated figure of £22.0m reported to the Executive in January 2023, as a result of the sale of The Glades shopping centre slipping into the current financial year. No receipts yet to be identified in later years are currently included in the forecast.

### **Financing of the capital programme**

- 3.7 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. This appendix also assumes the full utilisation of £10.0m from reserves, as agreed in principle by Executive in January 2023. This includes separate funding arrangements for the revised capital programme for Churchill Court. Total balances would reduce from £51.8m (General Fund £20.0m; capital receipts £31.8m) at the end of 2022/23 to £20.0m by the end of 2027/28 (General Fund £20.0m, capital receipts £0.0m). Therefore, for any significant future capital schemes not fully funded by grants/contributions or revenue, Executive will need to give full consideration to funding options, and this is likely to include external borrowing to maintain a sustainable position in the short to medium term. This position will be kept under close review and reflected in future reports to the Executive. In particular, given the current volatility in interest rates, it is likely that internal borrowing will be used as an interim measure before external borrowing is utilised.

	<b>Balance 01/04/23 £m</b>	<b>Estimate 31/03/28 £m</b>
General Fund	20.0	20.0
Capital receipts	31.8	0.0
	<b>51.8</b>	<b>20.0</b>

## Operational Property Review

- 3.9 When the Operational Property Review (OPR) was added to the Council's capital programme in January 2023 it was presented for monitoring purposes as a single overarching project, with a separate budget for leisure centres. Subsequent work has now disaggregated this larger budget and it has been decided to reflect projects in the appropriate portfolio. The budgets shown also include an element of the delivery budget, which has been apportioned out across schemes for reporting; and this has now been added to the original budgets. The following table shows these budgets on a scheme-by-scheme basis, along with total spend to date.

Scheme	Portfolio	Approved estimate	Delivery estimate	Total estimate	22/23 estimate	23/24 estimate	24/25 estimate	25/26 estimate	26/27 estimate	Spend to date
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult day centres/care homes	ACH	12.110	0.743	12.853	0.000	1.378	5.988	5.487	0.000	0.000
<b>ACH sub-total</b>		<b>12.110</b>	<b>0.743</b>	<b>12.853</b>	<b>0.000</b>	<b>1.378</b>	<b>5.988</b>	<b>5.487</b>	<b>0.000</b>	<b>0.000</b>
Children and family centres	CEF	6.700	0.413	7.113	0.000	0.099	3.507	3.507	0.000	0.000
SEN services	CEF	0.470	0.030	0.500	0.000	0.007	0.247	0.246	0.000	0.000
Youth Offending Service	CEF	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Youth Centres	CEF	3.400	0.210	3.610	0.000	0.050	1.780	1.780	0.000	0.000
Adult education centres	CEF	7.400	0.453	7.853	0.000	0.109	3.872	3.872	0.000	0.000
<b>CEF sub-total</b>		<b>17.970</b>	<b>1.106</b>	<b>19.076</b>	<b>0.000</b>	<b>0.265</b>	<b>9.406</b>	<b>9.405</b>	<b>0.000</b>	<b>0.000</b>
Surface car parks	RCCM	1.000	0.060	1.060	0.000	0.530	0.530	0.000	0.000	0.000
Cemetery properties	RCCM	0.860	0.052	0.912	0.000	0.012	0.450	0.450	0.000	0.000
<b>RCCM sub-total</b>		<b>1.860</b>	<b>0.112</b>	<b>1.972</b>	<b>0.000</b>	<b>0.542</b>	<b>0.980</b>	<b>0.450</b>	<b>0.000</b>	<b>0.000</b>
Traveller sites	RRH	3.000	0.184	3.184	0.000	0.250	0.350	1.000	1.584	0.000
Libraries	RRH	10.770	0.355	11.125	0.000	1.181	5.106	2.579	2.259	0.000
Leisure centres (Gp 2)	RRH	27.100	0.500	27.600	0.027	1.623	8.650	8.650	8.650	0.131
<b>RRH sub-total</b>		<b>40.870</b>	<b>1.039</b>	<b>41.909</b>	<b>0.027</b>	<b>3.054</b>	<b>14.106</b>	<b>12.229</b>	<b>12.493</b>	<b>0.131</b>
<b>Total - schemes</b>		<b>72.810</b>	<b>3.000</b>	<b>75.810</b>	<b>0.027</b>	<b>5.239</b>	<b>30.480</b>	<b>27.571</b>	<b>12.493</b>	<b>0.131</b>
Contingency budget		4.000	0.000	4.000	0.000	4.000	0.000	0.000	0.000	0.000
Risk provision - Churchill		5.000	0.000	5.000	0.000	5.000	0.000	0.000	0.000	0.000
<b>Grand total - all programme</b>		<b>81.810</b>	<b>3.000</b>	<b>84.810</b>	<b>0.027</b>	<b>14.239</b>	<b>30.480</b>	<b>27.571</b>	<b>12.493</b>	<b>0.131</b>

## 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 £119.0m have been approved (£98.0m on the Investment Fund, and £23.2m on the Growth Fund), and the uncommitted balances as at end June 2023 stand at £6.8m for the Investment Fund and £15.9m for the Growth Fund.

## Feasibility works – property disposals

- 3.13 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.
- 3.14 Members requested that an update from strategic property be included in quarterly capital monitoring reports. This information, which remains unchanged from January's update, is provided in Appendix F.

## Section 106 receipts

- 3.15 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 £6,747k as at 30 June 2023, and will be used to finance capital expenditure from 2023/24 onwards. The current position on capital section 106 receipts (excluding commitments) is shown in the following table:

Agreed service area	Balance 31/03/23 £'000	Receipts Q1 23/24 £'000	Expenditure Q1 23/24 £'000	Balance 30/06/23 £'000
Housing provision	1,301	0	0	1,301
Education	4,734	43	0	4,777
Highways	20	0	0	20
Local economy	647	0	0	647
Other	2	0	0	2
<b>Total</b>	<b>6,704</b>	<b>43</b>	<b>0</b>	<b>6,747</b>

- 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 and budget holders have been notified:



- 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.

<b>Non-applicable sections:</b>	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background documents: (access via Contact Officer)	Capital programme monitoring Q3 2022/23 and capital strategy 2023-2027 (Executive 18/01/23) Capital programme outturn 2022/23 (Executive 05/07/23)