

PART 1 - PUBLIC

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Decision Maker: Executive

Date: 16th June 2010

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME OUTTURN 2009/10

Contact Officer: Martin Reeves, Group Accountant (Technical)
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Chief Officer: Director of Resources

Ward: All

1. Reason for report

1.1 This report sets out the final outturn on capital expenditure and receipts for 2009/10. It also gives details of the final outturn in respect of block provisions within the 2009/10 Capital Programme. The Executive is asked to consider carry-forward requests from 2009/10 into 2010/11 totalling £96,000 and to recommend to Council the approval of three capital schemes considered at the meeting on 31st March 2010.

RECOMMENDATION(S)

2.1 That the Executive note the report and approve the carry forward of unspent capital budgets on the following block provisions (paragraphs 3.8 to 3.10):

- (i) Children's Services Planned Maintenance / Modernisation (£78,000) and
- (ii) Works to prepare sites for disposal (£18,000).

2.2 That the Executive recommend to the Council that approval be given to the inclusion in the Capital Programme of the following schemes, fully funded from existing provisions in the programme (paragraphs 3.12 and 3.13):

- (i) Bickley Primary School £1,395,000
- (ii) Princes Plain Primary School £1,363,000
- (iii) The Highway Primary School £4,020,000

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. The Council continuously reviews its property assets and service users are regularly asked to justify their continued use of property. 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".
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A No additional cost - report asks for approval of carry-forward of unspent 2009/10 block capital provisions.
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Capital Programme block provisions
 4. Total current budget for this head: £4,662,000 in 2009/10; £5,240,000 in 2010/11
 5. Source of funding: Capital receipts / grants & contributions
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Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: No statutory requirement or Government guidance.
 2. Call-in: Call-in is not applicable.
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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? N/A.
2. Summary of Ward Councillors comments:

3. COMMENTARY

Capital Programme Outturn 2009/10

- 3.1 The final capital outturn (actual expenditure plus sundry creditors) for the year was £42.5m, compared to the revised total estimate of £52.6m approved by the Executive in February. The underspend of £10.1m (19%) was mainly due to slippage of expenditure into 2009/10. The slippage was across the board and, although this represented a significant improvement on the 2008/09 outturn (an underspend of £22m – 40%), it is clear that a more realistic approach towards anticipating slippage still needs to be taken. This is evidenced in Appendix 1, which compares outturn performance to original and latest approved budgets.
- 3.2 The final underspend included £144k in respect of block capital provisions, which, under the Council's Capital Programme procedures, can only be carried forward with the approval of the Executive. The final outturn on block provisions, including carry-forward requests totalling £96,000, is reported in paragraphs 3.7 to 3.11 and is set out in Appendix 2.
- 3.3 The former Finance Sub-Committee agreed in October 1994 that "the cost of feasibility studies should only remain capitalised if a resultant capital scheme is approved within two years of being carried out. Failing capitalisation, the cost should be charged to the relevant service Committee's revenue account". In cases resulting in an approved scheme in the Capital Programme, the cost of the study should be transferred to the scheme code. Feasibility costs are reviewed annually and, as a result of the latest review, £3,000 was transferred in 2009/10 to scheme codes in respect of feasibility studies that resulted in approved capital schemes.
- 3.4 The financing of 2009/10 capital expenditure is compared below with the latest estimates reported on 3rd February 2010.

Source of Finance	Estimate £m	Actual £m
Total capital expenditure	52.6	42.5
<i>Financed by:</i>		
Usable receipts	5.4	3.8
Revenue contributions	7.5	4.1
Government grants	27.7	26.3
Other contributions	10.9	8.3
General Fund	-	-
Borrowing (internal loan)	1.1	-
TOTAL	52.6	42.5

During 2009/10, capital monitoring reports have been considered by the Executive on a quarterly basis, in July 2009, November 2009 and February 2010, and reported changes have been incorporated in revised approved Capital Programmes. For information, Appendix 1 includes a comparison between final outturn and the original approved budget (February 2009).

Capital Receipts

- 3.5 Under the "prudential" capital system in operation from 1st April 2004, most capital receipts are "useable" and may be applied to finance capital expenditure. The final outturn for new capital receipts from asset disposals was slightly higher (£0.5m) than the estimate reported in February. New usable capital receipts (including various loan and mortgage repayments) totalled £3.0m in 2009/10 and an unapplied balance of £13.2m has been carried forward to finance expenditure in 2010/11 and later years. No capital contribution from the General Fund was required in 2009/10. The final outturn is summarised below:

	Useable Receipts
	£'000
Unapplied balance at 1 st April 2009	14,032
Receipts during 2009/10	3,026
Applied to finance capital expenditure	- 3,822
Unapplied balance at 31 st March 2010	13,236

Section 106 Receipts

3.6 In addition to capital receipts from asset disposals, 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. These receipts are held in a reserve, the balance of which had increased slightly from £4,009k as at 31st March 2009 to £4,046k as at 31st March 2010, and will be used to finance capital expenditure from 2010/11 onwards. Balances and in-year movements are shown in the following table.

Agreed service area	Balance b/fwd £000	Income £000	Expenditure £000	Balance c/fwd £000
Local economy	591	26	38	579
Housing provision	1,790	-	87	1,703
Education	768	136	-	904
Community use	860	-	-	860
TOTAL	4,009	162	125	4,046

Capital Programme Block Provisions

3.7 Under the Council's Capital Programme procedures, underspendings on the annual block provisions in the Capital Programme can only be carried forward with the approval of The Executive. Requests for carry-forward of block provision underspends need to be justifiable and reasonable. It would not be reasonable to approve a carry-forward in the event of a general underspend and Members have tended, in recent years, to only approve them in cases where work is committed as at 31st March. Overspendings on block provisions in any year are automatically deducted from the approved budget in the following year. The outturn position for all capital block provisions is shown in Appendix 2.

3.8 Block capital provisions were underspent overall by £144k in 2009/10 and requests totalling £96,000 have been submitted by departments for carry forward of unspent provisions from 2009/10 to 2010/11. These are summarised below and further details are given in paragraphs 3.9 and 3.10.

Block Provision	Underspend £000	Carry-forward requested £000
Education - Planned Maintenance/Modernisation	78	78
Works to surplus properties	18	18
TOTAL	96	96

3.9 Education Planned Maintenance / Modernisation programme

Final outturn on the Education Planned Maintenance / Modernisation programme totalled £3,343k in 2009/10, an underspend of £78,000 on the final approved budget of £3,421k. The Chief Property Officer has authority to vary the programmes of planned maintenance projects where such action is considered necessary to make the most effective use of resources or to protect the Council's assets. In 2009/10, a number of education projects were completed late in the financial year for operational reasons. The underspend identified above relates to works on these projects carried out before, but not invoiced or paid until after, 31st March 2010. The Executive is asked to agree that the total underspend of £78,000 be carried forward into 2010/11 to offset the invoices when they are actually paid.

3.10 Works to surplus properties

A total of £53,000 was spent on works on surplus properties against a budget of £71,000, an underspend of £18,000. The number of surplus sites/ properties being held by Property Division has increased in recent years, with a consequent increase in management and health and safety costs being incurred prior to disposal. It is therefore requested that the underspend of £18,000 is carried forward into 2010/11.

Overspendings on Block Provisions in 2009/10

3.11 There was a net overspend of £19k on Disabled Facilities Grants, which in accordance with approved Capital Programme procedures, has been deducted from the 2010/11 budget. Further details of this are given in Appendix 2.

Capital schemes to be submitted to the Council

3.12 On 31st March 2010, the Executive considered a report "Approval of Procurement Strategy and Outline Proposal for Schemes at three Primary Schools" and approved fully costed feasibility studies and a procurement strategy in respect of capital schemes to expand Bickley and Princes Plain Primary Schools and to rebuild The Highway Primary School at a total estimated cost of £6,778,000. This comprised £1,395,000 for Bickley Primary, £1,363,000 for Princes Plain Primary and £4,020,000 for The Highway Primary.

3.13 Funding was identified for all the proposed expenditure, from government grant streams (Primary Capital Programme, Children & Family Centres and Early Years), Section 106 receipts, planned maintenance (provision for all of which has previously been approved in the Capital Programme) and a contribution from the schools. However, the three schemes are all estimated to cost more than £1m and will be separately identified as new schemes in the approved Capital Programme. They will, therefore, require the further approval of the Council and the Executive is asked to recommend their approval to the Council.

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 (AMP) is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. The Council continuously reviews its property assets and service users are regularly asked to justify their continued use of property. 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".

5. FINANCIAL IMPLICATIONS

- 5.1 The financial considerations are detailed above. There was no requirement for a General Fund contribution to finance capital in 2009/10, although there was a planned earmarked contribution of £4.1m from the revenue budget towards the cost of specific capital schemes. The final revenue outturn is reported elsewhere on the agenda and this shows a General Fund balance of £51.9m as at 31st March 2010. Including the unapplied capital receipts balance of £13.2m, a total of £65.1m will be available for capital and revenue priorities in 2010/11 and beyond, compared to an estimate of £59.2m reported in February. This increase is largely due to capital expenditure slippage and to the recovery of a significant amount relating to outstanding VAT claims (£3.2m), which is covered in more detail in the Provisional Final Accounts report elsewhere on the agenda.
- 5.2 The slippage on capital schemes in 2009/10 was significantly lower than in 2008/09 and this is currently being reviewed to identify the potential impact on future years' programmes. Much of it, however, relates to grant-funded schemes, which will not impact on Council resources. The market for disposals and hence the availability of capital receipts remains tight. A revised Capital Programme and capital financing statement will be included in the quarterly monitoring report to be considered at the July meeting.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Departmental requests for carry-forward of unspent block capital provisions (May/June 2010). Approved Capital Programme (Executive 03/02/10).