

**Decision Maker:** EXECUTIVE

**Date:** Wednesday 24 October 2012

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

**Title:** CAPITAL PROGRAMME MONITORING - 2ND QUARTER  
2012/13

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**Chief Officer:** Finance Director

**Ward:** (All Wards);

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1. Reason for report

This report summarises the current position on capital expenditure and receipts following the 2nd quarter of 2012/13 and seeks the Executive's approval to a revised Capital Programme.

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2. **RECOMMENDATION(S)**

**The Executive is requested to:**

- a. Note the report, including the rephrasing of a total of £3.0m from 2012/13 into later years (see paragraph 3.11), and to agree a revised Capital Programme.
- b. Approve the following amendments to the Capital Programme:
  - (i) Virements within the Education Capital Programme to allocate funding to individual schemes to match actual expenditure in 2012/13 (see para 3.2);
  - (ii) Addition of £1,590k in 2012/13 in respect of additional Basic Need grant support in 2012/13 to fund additional pupil places (see para 3.3);
  - (iii) Addition of £448k in respect of additional Short Breaks for Disabled Children capital funding in 2012/13 (see para 3.4);
  - (iv) Addition of £72k for costs relating to the acquisition of 95 High Street, Bromley, funded by a contribution from the Property Investment Fund (see para 3.5);
  - (v) Addition of £625k in 2012/13 in respect of additional PCT funding for the Learning Disability Reprovision Programme (see para 3.6);

- (vi) Reduction of £9k in 2012/13 to the Town Centre budgets funded by the Outer London Fund (see para 3.7);
- (vii) Addition of £574k in respect of the Bromley MyTime Investment Fund budget for 2012/13 (see para 3.8);
- (viii) Addition of £1,267k to reflect revised grant contributions from Transport for London towards the cost of various highways schemes (see para 3.9); and
- (ix) Reduction of £68k per annum (£272k over the 4 year period 2012/13 to 2015/16) to reflect the reduced revenue contribution to Disabled Facilities Grants (see para 3.10).

### Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Excellent Council
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### Financial

1. Cost of proposal: Estimated Cost: Total increase of £4.3m over the 4 years 2012/13 to 2015/16, mainly due to additional external funding in 2012/13
  2. Ongoing costs: Non-Recurring Cost
  3. Budget head/performance centre: N/A (Capital Programme)
  4. Total current budget for this head: £ Total £77.2m over 4 years 2012/13 to 2015/16
  5. Source of funding: Capital grants, capital receipts and earmarked revenue contributions
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### Staff

1. Number of staff (current and additional): 0.25 FTE
  2. If from existing staff resources, number of staff hours: 9 hours per week
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### Legal

1. Legal Requirement: Non-Statutory - Government Guidance
  2. Call-in: 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? No
2. Summary of Ward Councillors comments: N/A

### 3. COMMENTARY

#### Capital Expenditure

3.1 Appendix A sets out proposed changes to the Capital Programme following a detailed monitoring exercise carried out after the 2nd quarter of 2012/13. Further information is provided in paragraphs 3.2 to 3.11. The base position is the revised programme approved by the Executive on 25th July 2012, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report were approved, the total Capital Programme 2012/13 to 2015/16 would increase by £4,295k, mainly due to additional external support for schemes in 2012/13. The 2012/13 estimate would increase by £1,459k, mainly as a result of increased external support and rephasing of expenditure into later years.

#### 3.2 Virement of Education budgets (no overall cost implication)

A review of the Education Capital Programme has identified that a number of virements/budget adjustments are required to ensure that funding is in the right place to cover expenditure on individual schemes. Virements are proposed from generic overall budget provisions to scheme specific budgets, as detailed in the table below. This will ensure that funding matches actual expenditure and, as the adjustments are all within the 2012/13 Capital Programme, there is no bottom line impact on the programme. The Executive is asked to approve these adjustments.

Scheme / budget description	2012/13
	£000
From: Farnborough Primary School Phase 1	-76
To: Suitability/modernisation issues (to fund Farnborough Phase 2)	76
From: Capital Maintenance in Schools	-600
To: Seed Challenge Fund	300
To: Security works in schools	150
To: Suitability/modernisation issues	150

#### 3.3 Basic Need – additional government grant (addition of £1,590k in 2012/13)

The government has announced additional Basic Need funding of £1,590k in 2012/13 to support the provision of additional pupil places, which has brought total Basic Need funding for 2012/13 up to £9,770k. The Executive is asked to approve the inclusion of £1,590k in the 2012/13 Capital Programme. The grant is ring-fenced and an initial programme of works was agreed by the former Children & Young People Portfolio Holder in March, with an updated programme being agreed by the Education Portfolio Holder in September.

#### 3.4 Short Breaks Capital – additional government grant (addition of £448k in 2012/13)

In September, the Department for Education announced the Short Breaks for Disabled Children capital grant allocations. Bromley has been awarded £224k in 2012/13, which matches the amount awarded in 2011/12, which has not been consolidated into the approved Capital Programme. The Executive is asked to approve the inclusion of £448k in 2012/13. The grant is not ring-fenced and is intended to help local authorities and their health partners to create better access to short break provision by providing new equipment, adaptations and facilities for disabled children and young people. The 2011/12 grant was used to fund existing schemes in the Capital Programme and the 2012/13 grant has to be spent by 31<sup>st</sup> August 2013. Spending plans will be submitted to the Education Portfolio Holder in the near future.

### 3.5 95 High Street, Bromley – acquisition costs (addition of £72k in 2012/13)

At the July meeting, the Executive noted the inclusion in the Capital Programme of £1,550k relating to the acquisition of a property (95 High Street, Bromley) funded from the Property Investment Fund. This was purely the purchase price and the Executive is now asked to approve the inclusion of a further £72k for acquisition costs (stamp duty, legal fees, etc), which will also be funded by the Property Investment Fund. An update on the Property Investment Fund, including details of a delegated authority approved by the Executive in October 2011, is provided in paragraph 3.15.

### 3.6 PCT Learning Disability Re provision Programme (addition of £625k in 2012/13)

Further to previous reports, the Council operates under a Section 75 agreement as the lead commissioner for the PCT Campus Programme. Early in 2012, Bromley PCT transferred a further £625k to the Council to enable the purchase of 118 Widmore Road, bringing the total transfer to around £11m, specifically for the re provision of LD services. The PCT Campus Programme continues to make good progress and the Executive is asked to agree the inclusion of the additional £625k in the Capital Programme in 2012/13.

### 3.7 Outer London Fund – Bromley Town Centre (reduction of £9k in 2012/13)

The Council has been informed that the application for a proposed extension project to be funded by the GLA's Outer London Fund has not been agreed and the Capital Programme budget needs to be reduced by £9k.

### 3.8 Bromley MyTime Investment Fund (addition of £574k in 2012/13)

The Renewal and Recreation revenue budget includes £591k for the 2012/13 contribution to the Bromley MyTime Investment Fund and, as is outlined in a post-completion report on the Pavilion Leisure Centre scheme elsewhere on the agenda, some £17k of this was required to complete the funding of that scheme. The Executive is asked to approve the inclusion of the remaining balance of the Investment Fund (£574k) in the 2012/13 Capital Programme.

### 3.9 Transport for London – revised support for highway schemes (addition of £1,267k in 2012/13)

Provision for transport schemes to be 100% funded by TfL was originally included in the Capital Programme 2012/13 to 2015/16 on the basis of the bid in our Borough Spending Plan (BSP). Notification of an overall increase of £1,267k in 2012/13 has been received from TfL. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

### 3.10 Disabled Facilities Grants – reduction in revenue funding (reduction of £272k over the 4 year period 2012/13 to 2015/16)

The annual base budget for Disabled Facilities Grants is £1,010k, funded by government grant of £710k and a revenue contribution of £300k. From 2012/13, the revenue contribution has been reduced to £232k and the Capital Programme budget needs to be reduced accordingly (by £68k per annum).

### 3.11 Scheme Rephasing

In final outturn reports in June and July, the Executive was informed that the level of slippage of expenditure originally planned for 2011/12 was significantly lower than in recent years and a total of £7.2m had been rephased into 2012/13. This followed a review and strengthening of the monitoring process during 2011/12 and was the result of a more realistic approach towards anticipating slippage when the revised estimates were set in February. This is the first

monitoring report since July and the additional challenge and review has resulted in the changes set out in paragraphs 3.2 to 3.10 above and also in rephrasing adjustments totalling £3.0m from 2012/13 into later years. These are itemised in Appendix A.

## Capital Receipts

3.12 Details of the 2011/12 outturn for capital receipts and the receipts forecast in the years 2012/13 to 2015/16 are included elsewhere on the agenda in a confidential appendix to this report (Appendix C). Actual receipts from asset disposals totalled some £0.2m in 2011/12 (including vehicle sales and miscellaneous receipts), which was in line with the forecast reported to the February meeting. The latest estimate for 2012/13 has reduced to £11.7m from £14.9m reported in July. Estimates for 2013/14 and 2014/15 are now £10.3m and £4.7m respectively (£8.7m and £2.4m were reported in July). These totals include estimated receipts in respect of the disposal of the three main sites in the disposal programme; Tweedy Road, Westmoreland Road and Bromley Town Hall. For illustrative purposes, two financing models have been prepared. One assumes we achieve all planned receipts and the other assumes we fail to achieve any of the three main disposals. These are summarised in paragraph 5.3. A total of £1m per annum is assumed from 2015/16, in line with the target included in the Resources Portfolio Plan. The financing and balances projections shown in Appendix B reflect prudent assumptions for capital receipts in view of continuing uncertainties in the housing market and assume non-receipt of the three main disposals.

3.13 In addition to capital receipts from asset disposals, the Council is holding 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 in a reserve, the balance of which stood at £3,690,000 as at 31<sup>st</sup> March 2012, and will be used to finance capital expenditure from 2012/13 onwards. The current position on capital Section 106 receipts (including commitments) is shown below.

Specified capital works	Balance	Receipts	Expenditure	Balance
	31/3/12	2012/13	2012/13	30/09/12
	£000	£000	£000	£000
Local Economy & Town Centres	43	-	27	16
Housing provision	2,318	2,276	1,219	3,375
Education	485	81	26	540
Community use	844	-	70	774
<b>TOTAL</b>	<b>3,690</b>	<b>2,357</b>	<b>1,342</b>	<b>4,705</b>

## 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. A report covering the Biggin Hill Leisure Centre and the Pavilion Leisure Centre schemes is included elsewhere on this agenda. The Executive and all the PDS Committees have previously noted that post-completion reports on the following schemes should be submitted to the relevant Portfolio Holders during 2012/13:

Bickley Primary School – expansion

Princes Plain Primary School - expansion

The Highway Primary School – partial rebuild

Hawes Down Co-Location

Priory School – Local Learning Centre

Biggin Hill Leisure Centre

Orpington Library relocation

## **Property Investment Fund**

3.15 On 7<sup>th</sup> September 2011, Members approved the creation of a Property Investment Fund (earmarked reserve) of £10.0m and agreed that monitoring of the fund would be included in quarterly capital monitoring reports. It was subsequently agreed by the Executive in October 2011 that decisions on the purchase of properties costing up to £2m be delegated to the Director of Renewal & Recreation in consultation with the Director of Resources, the Leader of the Council and the Portfolio Holders for Resources and Renewal & Recreation. Schemes (i.e. property acquisitions) will be included in the Capital Programme as and when they are agreed by Members and funding will be drawn down from the fund. To date, only one property acquisition has been approved, that being 95 High Street in the sum of £1,550k, which has been included in the Capital Programme. This report proposes the addition of related acquisition costs totalling £72k, bringing the total cost up to £1,622k, which will be funded by a transfer from the Fund, leaving an uncommitted balance of £8,378k.

## **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. A summary of the changes to the Capital Programme detailed in this report is shown in Appendix A. If the proposed changes were approved, the total Capital Programme 2012/13 to 2015/16 would increase by £4.3m, mainly due to increased external funding and to rephasing of expenditure into later years, and the 2012/13 estimate would increase by £1.5m to £48.7m, for the same reasons. Appendix C (on the Part 2 agenda) gives details of actual and anticipated capital receipts from asset disposals.

5.2 Attached as Appendix B 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. The phased transfer of rolling programmes of maintenance-type expenditure from capital to revenue was completed in 2009/10 and the financing projections continue to assume no General Fund support to the revenue budget in future years. They also assume approval of the revised capital programme recommended in this report, together with an estimated £2.5m pa for new capital schemes from 2013/14 onwards.

5.3 The following table summarises the estimated impact on balances of the revised programme and revised capital receipt assumptions. Under Model 1 (all planned receipts are achieved), total balances would increase from £45.6m (General Fund £31.6m and capital receipts £14.0m) at the end of 2011/12 to £50.2m by the end of 2015/16 and would then reduce to £42.2m by the end of 2019/20. The General Fund would not be required to make any contributions to the funding of capital expenditure through to the end of 2019/20. Under Model 2 (non-achievement of three main disposals), total balances would reduce from £45.6m at the end of 2011/12 to £39.6m by the end of 2015/16 and would then reduce to £31.6m by the end of 2019/20. Under Model 2, no General Fund contributions would again be required to be made to the funding of

capital expenditure through to the end of 2019/20. This model reflects prudent assumptions on the level of capital receipts in view of continuing uncertainty in the housing market.

	Balance 1/4/12	Estimated Balance 31/3/16	Estimated Balance 31/3/20
	£m	£m	£m
MODEL 1 (all receipts)			
General Fund	31.6	31.5	31.5
Capital Receipts	14.0	18.7	10.7
	<u>45.6</u>	<u>50.2</u>	<u>42.2</u>
MODEL 2 (no big receipts)			
General Fund	31.6	31.5	31.5
Capital Receipts	14.0	8.1	0.1
	<u>45.6</u>	<u>39.6</u>	<u>31.6</u>

<b>Non-Applicable Sections:</b>	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Departmental monitoring returns September 2012. Approved Capital Programme (Executive 25/7/12). Capital Programme Outturn 2011/12 report (Executive 20/6/12). Capital Monitoring report – Q1 2012/13 (Executive 25/7/12).