

Decision Maker: Executive

Date: 10th June 2014

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME OUTTURN 2013/14

Contact Officer: Martin Reeves, Principal Accountant
Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk

Chief Officer: Director of Finance

Ward: All

1. Reason for report

- 1.1 This report sets out the final outturn on capital expenditure and receipts for 2013/14. Capital expenditure in the year was £25.2m, compared to the final approved budget of £33.6m, agreed in February 2014. £5.4m of this was due to delays in completing the acquisition of High Street properties, more details on which are provided in paragraph 3.6. The remaining £3.0m underspend is mainly due to slippage on capital schemes, which will be rephased into 2014/15.

2. **RECOMMENDATION(S)**

2.1 **That the Executive:**

(i) **note the report and**

(ii) **approve the carry forward of the unspent capital budget (£74k) on the block provision for emergency works to surplus sites (paragraphs 3.8 and 3.9).**

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:
-

Financial

1. Cost of proposal: Not Applicable: No additional cost.
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: £33.6m in 2013/14
 5. Source of funding: Capital receipts, external grants/contributions & revenue contributions
-

Staff

1. Number of staff (current and additional): NA
 2. If from existing staff resources, number of staff hours: NA
-

Legal

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

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Capital Programme Outturn 2013/14

- 3.1 The final capital outturn for the year was £25.2m compared to the revised total estimate of £33.6m approved by the Executive in February 2014. The total underspend of £8.4m includes £5.4m relating to the acquisition of further High Street properties, a note on which is included in paragraph 3.6. The remaining underspend (around £3.0m) is mainly due to delays in commencing projects and will be re-phased into 2014/15. The variations detailed in paragraphs 3.3 to 3.7 have all arisen since the 3rd quarter capital monitoring report was submitted to the Executive on the 12th February 2014.
- 3.2 Appendices 1 and 2 provide a further breakdown of the overall capital expenditure in 2013/14 analysed between Portfolios and schemes. Appendix 3 provides a breakdown of the Original Capital Programme for 2013/14 and changes agreed during 2013/14 to arrive at the Latest Approved Capital Programme.

Education Portfolio

- 3.3 There was an overall underspend of £0.9m on schemes in the Education Portfolio compared to a total Portfolio budget of £6.9m. This was spread generally across the whole Portfolio, the main variation being on the Building Schools for the Future – Langley Park Boys School scheme (underspent by £359k against a budget of £1.0m). The Building Schools for the Future scheme has been completed but we have yet to agree a final account and are holding a significant retention sum that should become payable in 2014/15.

Renewal & Recreation Portfolio

- 3.4 There was an overall underspend of £0.9m on schemes in the Renewal & Recreation Portfolio compared to a total Portfolio budget of £4.2m. This was mainly on the Bromley North Village improvement scheme, which was £0.8m underspent against a budget of £3.9m. This was due to the fact that some of the works cannot be undertaken until after the Thames Water works have been completed during 2014/15. Through a combination of weekend working and revisions to the programme, it is expected that the project will be completed before the end of November 2014.

Care Services Portfolio

- 3.5 There was an overall underspend of £0.6m on schemes in the Care Services Portfolio compared to a total Portfolio budget of £2.7m. This was mainly on the Housing Payment in Lieu (Section 106) scheme, which was £552k underspent against a budget of £1.2m. This was due to a delay on the Site K allocation because start on site of Site K affordable units has not yet been technically reached by the developer and is now estimated to take place in the first quarter of 2014/15.

Resources Portfolio

- 3.6 There was an overall underspend of £6.1m on schemes in the Resources Portfolio compared to a total Portfolio budget of £12.9m. The main variation was on the Town Centre Acquisitions scheme, which was £5.4m underspent against a budget of £11.5m. This essentially relates to the proposed purchase of further High Street properties, which was approved by Full Council on 1st July 2013 (estimated cost £5,406k including purchase costs, some of which has been spent on survey fees). The progress of these purchases was initially delayed by legal issues relating to the title. A decision was then taken by the Executive on 12th February 2014 to also purchase an

adjoining property at a total price of £18m (excluding costs). This has further delayed the purchase.

Environment Portfolio

- 3.7 Although there were individual scheme variations, total outturn on Environment Portfolio schemes was on budget at £6.9m.

Block Capital Provisions

- 3.8 There was a net under spend of £30K in respect of block capital provisions for 2013/14 which is broken down in the table below:-

	Estimate 2013/14 £	Actual 2013/14 £	Variation 2013/14 £
Renewal & Recreation			
Emergency Work on Surplus Sites	109,000	35,051	-73,949
Education & Care Services			
Disabled Facilities Grants (DFG)	760,000	659,736	-100,264
Disabled Facilities Grants - Loan Repayments	0	-22,695	-22,695
	760,000	637,041	-122,959
TOTAL	869,000	672,092	-196,908

- 3.9 The number of surplus sites/ properties being held by the Property Division has increased in recent years, with a consequent increase in management and health and safety costs being incurred prior to disposal. Executive is, therefore, asked to approve the carry forward of the underspend of £74k relating to emergency works on surplus sites. A carry-forward is not requested in respect of the DFG underspend of £123k. The unapplied portion of the capital grant received to 31st March 2014 (a total of £355k) will be available to fund expenditure in 2014/15.

Financing of the Capital Programme

- 3.10 The financing of 2013/14 capital expenditure is compared below with the latest estimates reported on 12th February 2014.

Source of Finance	Estimate £m	Actual £m
Total Capital Expenditure	33.6	25.2
Financed By		
Usable Receipts	1.6	0.0
Revenue Contributions	15.7	14.2
Government Grant	6.3	3.0
Other Contributions	10.0	8.0
Total	33.6	25.2

During 2013/14, capital monitoring reports have been considered by the Executive on a quarterly basis, in July 2013, November 2013 and February 2014, and reported changes have been incorporated in revised approved Capital Programmes. These have similarly been reported quarterly to the individual PDS Committees. For information, Appendix 3 provides a comparison

between the latest approved budget and the original approved budget for the year (agreed in February 2013).

Capital Receipts

- 3.11 Under the “prudential” capital system in operation from 1st April 2004, most capital receipts are “usable” and may be applied to finance capital expenditure. The final outturn in 2013/14 for new capital receipts from asset disposals was £9.9m which was slightly higher than the estimated figure of £9.6m reported to the Executive in February 2014.
- 3.12 The table below provides a breakdown of the unapplied capital receipts totalling £22.0m that will be carried forward to finance expenditure in 2014/15 and later years. No receipts were applied during 2013/14 because the total of revenue contributions and external contributions was sufficient to cover total capital expenditure. No capital contribution from the General Fund was required in 2013/14.

	Usable Receipts £'000
Unapplied Balance B/F April 2013	11,796
Total receipts during 2013/14	10,191
Receipts applied to finance expenditure	0
Unapplied Balance C/F at 31 March 2014	<u>21,987</u>

Section 106 Receipts

- 3.13 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. These receipts are held in a reserve, the balance of which increased from £5,869k as at 31st March 2013 to £6,032k as at 31st March 2014, as new receipts in the year exceeded those that were used to finance actual capital expenditure. The remaining balance will be used to finance capital expenditure from 2014/15 onwards. Balances and in-year movements are shown in the following table.

Agreed Service Area				Balance
	B/F 1/4/13 £'000	Income £'000	Expenditure £'000	C/F 31/3/14 £'000
Local Economy	17	0	17	0
Housing Provision	4,257	847	643	4,461
Education	816	755	0	1,571
Community Use	779	0	779	0
	<u>5,869</u>	<u>1,602</u>	<u>1,439</u>	<u>6,032</u>

Economic Development and Investment Fund

- 3.14 On 7th September 2011, Members approved the creation of a Regeneration Investment Fund (earmarked reserve) of £10.0m and agreed that monitoring of the fund would be included in quarterly capital monitoring reports. During 2012/13 there were two property acquisitions totalling £3,787k leaving a balance on the original fund of £6,213k as at 31st March 2013.
- 3.15 Council approved, as part of finalising the 2013/14 budget, an Economic Development Fund of £16,319k to reflect the Council’s commitment to Economic Development. On 12th June 2013,

the Executive agreed to combine the balance on the Regeneration Investment Fund and the Economic Development Fund. Additional funding of £20,977k was also approved to reflect the Council's commitment to economic development and achieve sustainable levels of additional income. During 2013/14, further payments totalling £6,047k in respect of a further two completed acquisitions were made towards further approved purchases. As detailed in reports to the Executive in June 2013, there is a need for significant funding to be set aside to contribute towards the economic development and investment opportunities of the Council.

3.16 Schemes (i.e. property acquisitions) are included in the Capital Programme as and when they are agreed by Members and funding to cover expenditure is drawn down from the fund. A further High Street acquisition costing in the order of £13.6m (including costs) was approved by the Executive in February 2014. A summary of the latest position is shown in the table below

	£'000
<u>Funding:</u>	
Approved by Executive 7th September 2011	10,000
Approved by Council 27th February 2013	16,319
Approved by Council 1st July 2013	20,977
	47,296
<u>Actual Expenditure to 31st March 2014:</u>	
Approved by Executive 7th September 2011 (95 High St)	1,620
Approved by Executive 6th December 2012 (98 High St)	2,167
Approved by Executive 5th June 2013 (72-76 High St)	2,888
Approved by Executive 12th June 2013 (Growth & Delivery Plans)	61
Approved by Executive 12th June 2013 (104-108 High St)	3,150
Approved by Executive 12th June 2013 (initial exp on further properties)	9
Total spend to 31st March 2014	9,895
<u>Actual Fund balance 31st March 2014</u>	37,401
<u>Approved, but not spent</u>	
Approved by Executive 12th June 2013 (Growth & Delivery Plans)	109
Approved by Executive 16th October 2013 (Crystal Palace Park exclusivity agreement)	200
Approved by Executive 15th January 2014 (Bromley BID Project)	110
Approved by Executive 12th February 2014 (further property acquisitions)	19,035
Total further approvals	19,454
<u>Uncommitted Balance on Fund as at 31st March 2014</u>	17,947

The latest position on High Street property acquisitions is given in paragraph 3.6 above. A report on the Economic Development and Investment Fund elsewhere on the agenda requests approval to an additional allocation of £13,792k in 2013/14 to the Fund from general reserves. If approved, this would increase the actual Fund balance at 31st March 2014 to £51,193k and the uncommitted balance to £31,739.

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 expenditure in 2013/14, although there was an earmarked revenue contribution of £14.2m towards the cost of specific capital schemes. Capital receipts totalling £22.0m were available as at 31st March 2014 to finance future capital spending priorities compared to an estimate of £20.8m in February and the reasons for this variation are outlined in this report. The final revenue outturn is reported elsewhere on the agenda.
- 5.2 With the exception of the known delay on the acquisition of further High Street properties, the slippage on capital schemes in 2013/14 was significantly lower than in previous years and this is largely due to the review of the capital monitoring process carried out in 2011/12. As part of that review, the system for post-completion reports on capital schemes was strengthened and reports have been (and will continue to be) submitted to PDS Committees within 12 months of completion. The market for asset disposals and hence the availability of capital receipts remains tight. A revised Capital Programme and capital financing statement will be included in the next quarterly monitoring report to be considered at the July meeting.

Non-Applicable Sections:	Legal & Personnel Implications
Background Documents: (Access via Contact Officer)	Departmental requests for carry-forward of unspent block capital provisions (May 2014). Approved Capital Programme (Executive 12/02/14).