

**Decision Maker:** Executive

**Date:** 16<sup>th</sup> July 2014

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

**Title:** CAPITAL PROGRAMME MONITORING – 1<sup>ST</sup> QUARTER 2014/15

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**Chief Officer:** Director of Finance

**Ward:** All

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1. Reason for report

This report summarises the current position on capital expenditure and receipts following the 1st quarter of 2014/15 and seeks the Executive's approval to a revised Capital Programme. The report also covers any detailed issues relating to the 2013/14 Capital Programme outturn, which was reported in summary form to the June meeting.

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2. **RECOMMENDATION(S)**

The Executive is requested to:

- (a) Note the report and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
  - (i) Deletion of a total of £3,104k following a detailed review of the programme (see para 3.3.1);
  - (ii) A total reduction of £361k over the four years 2014/15 to 2017/18 in respect of reduced Schools Formula Devolved Capital grant support (see para 3.3.2);
  - (iii) Addition of £144k in 2014/15 to reflect revised grant support from Transport for London for highway schemes (see para 3.3.3);
  - (iv) Reduction of £218k in respect of schemes that have reached completion (see para 3.3.4);
  - (v) Total addition of £746k over the three years 2014/15 to 2016/17 to reflect additional specific grant to finance expenditure on Disabled Facilities Grants (see para 3.3.5);

**(vi) Net addition of £8k on the Parks for People and Crystal Palace Subway schemes  
(see para 3.3.6).**

## 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. Affective 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 the 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: Estimated Cost: Total increase of £6.1m over the 4 years 2014/15 to 2017/18, mainly due to rephasing of expenditure from 2013/14 into 2014/15 and the proposed deletion of schemes from the programme.
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head: Total £142.3m over 4 years 2014/15 to 2017/18
  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: 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? Not Applicable
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 1st quarter of 2014/15. The base position is the revised programme approved by the Executive on 12th February 2014, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report are approved, the total Capital Programme 2014/15 to 2017/18 would increase by £6.1m, mainly due to rephasing from 2013/14 into 2014/15 (£8.9m) and the deletion of schemes following a review of the programme (-£3.1m).

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

	2014/15	2015/16	2016/17	2017/18	TOTAL 2014/15 to 2017/18
	£000	£000	£000	£000	£000
Programme approved by Executive 12/02/14	50,588	29,014	29,853	4,670	114,125
Variations approved at subsequent Executive meetings	19,368	2,733			22,101
Approved Programme prior to 1st Quarter's Monitoring	69,956	31,747	29,853	4,670	136,226
Variations requiring the approval of the Executive	-2,979	141	141	-88	-2,785
Variations not requiring approval:					
Net underspendings in 2013/14 rephased into 2014/15	8,881				8,881
Other rephasings	-1,150	1,100	50		0
Total Amendment to the Capital Programme	4,752	1,241	191	-88	6,096
<b>Total Revised Capital Programme</b>	<b>74,708</b>	<b>32,988</b>	<b>30,044</b>	<b>4,582</b>	<b>142,322</b>
Assumed Further Slippage (for financing purposes)	-5,000	2,000	2,000	1,000	0
Assumed New Schemes (to be agreed)	0	0	2,500	2,500	5,000
	-5,000	2,000	4,500	3,500	5,000
Projected Programme for Capital Financing Forecasts (see appendix B)	69,708	34,988	34,544	8,082	147,322

#### 3.2 Variations approved at subsequent Executive meetings

3.2.1 As detailed in Appendix A, variations of £22.1m have been approved since the February meeting of the Executive. This mainly comprises £13.6m for further High Street property acquisitions, £4.8m for the expansion of The Glebe Special School, £1.8m for additional School Capital Maintenance Grant and £1.8m for the purchase of a property to be used as an educational establishment.

#### 3.3 Variations requiring the approval of the Executive (£2,785k net reduction)

3.3.1 Deletion of schemes following a review of the whole programme (reduction of £3,104k):

Following consideration of the 3<sup>rd</sup> quarterly capital monitoring report for 2013/14 at the February meeting, a comprehensive review of the programme was carried out, with particular emphasis on schemes that had mostly remained dormant for a number of years or had completed some time ago, but had remained in the programme with residual scheme balances. Council Directors have considered all such schemes and have agreed a list for deletion (Appendix C). Should

there be a requirement for any of these to proceed in the future, a new bid for funding would need to be submitted. The proposed deletions total £3,104k in 2014/15.

### 3.3.2 Formula Devolved Capital (£361k reduction):

The level of funding received from the Department for Education by way of Formula Devolved Capital Grant is lower than anticipated resulting in an overall reduction of £361k to the capital programme (£91k in 2014/15, 2015/16 and 2016/17 and £88k in 2017/18). This is due to the increasing level of Academy conversions as Academies receive separate devolved capital funding from the Education Funding Agency.

### 3.3.3 Transport for London (TfL) – Revised Support for Highway Schemes (£144k increase):

Provision for transport schemes to be 100% funded by TfL was originally included in the Capital Programme 2014/15 to 2017/18 on the basis of the bid in our Borough Spending Plan (BSP). Notification of an overall increase of £144k in 2014/15 has been received from TfL. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

### 3.3.4 Deletion of residual balances on completed schemes (£218k reduction):

A total reduction to the capital programme of £218k is proposed in respect of schemes that have underspent on completion. This comprises £110k on the Chislehurst Road Bridge scheme, £48k on the Hill Car Park strengthening works scheme and £60k on the Bromley Town Centre parking scheme.

### 3.3.5 Disabled Facilities Grants – additional government grant (£746k increase):

Confirmation has been received of Bromley's allocation of DFG grant for 2014/15 and 2015/16. The grant will be £992k in 2014/15 and £942k in 2015/16. The latter figure has also been assumed for 2016/17 at this stage. A figure of £710k is in the current programme, based on the 2013/14 grant level.

### 3.3.6 Net addition re Parks for People and Crystal Palace Subway (£8k increase):

On 1<sup>st</sup> April 2014 the Renewal and Recreation Portfolio Holder agreed to the reallocation of £29k of the budget for Parks for People (total budget £50k) to provide match-funding for the Crystal Palace feasibility study scheme. The scheme (total cost £58k) will be part-funded (£29k) by a grant from English Heritage and the remaining £21k of the Parks for People budget has been removed from the programme.

## 3.4 Scheme Rephasing

The 2013/14 Capital Outturn was reported to the Executive on 10<sup>th</sup> June 2014. The final capital outturn for the year was £25.2m compared to a revised budget of £33.6m. After allowing for other net variations of £0.5m, a total of £8.9m has been re-phased into 2014/15.

As part of the quarter 1 monitoring exercise, £1,150k has been re-phased from 2014/15 into later 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 A.

## Financing of the Capital Programme

3.5.1 The following table summarises the estimated impact on balances of the revised programme and revised capital receipt assumptions. This assumes that all planned receipts are achieved, including the two remaining significant receipts in respect of Tweedy Road and Bromley Town Hall. Total balances would reduce from £42.0m (General Fund £20.0m and capital receipts £22.0m) at the end of 2013/14 to £37.6m by the end of 2017/18 and would then reduce further to £35.7m by the end of 2019/20. The capital receipts projections reflect prudent assumptions on the level of capital receipts. It is estimated that the General Fund would not be required to make any contributions to the funding of capital expenditure through to 2019/20.

	Balance 1/4/14	Estimated Balance 31/3/18	Estimated Balance 31/3/20
	£m	£m	£m
General Fund	20.0	14.7	14.7
Capital Receipts	22.0	22.9	21.0
	<u>42.0</u>	<u>37.6</u>	<u>35.7</u>

3.5.2 A summary of how the capital programme will be financed (assuming all capital receipts) is shown in the table below with further detail provided at Appendix B.

	2014/15	2015/16	2016/17	2017/18	Total
	£'000	£'000	£'000	£'000	£'000
Total Capital Expenditure	<u>69,710</u>	<u>34,990</u>	<u>34,540</u>	<u>8,080</u>	<u>147,320</u>
Financed by:					
Usable Receipts	6,248	7,778	5,678	3,508	23,212
Revenue Contributions	27,980	370	270	270	28,890
Government Grants	23,862	21,882	22,912	302	68,958
Other Contributions	11,620	4,960	5,680	4,000	26,260
Total	<u>69,710</u>	<u>34,990</u>	<u>34,540</u>	<u>8,080</u>	<u>147,320</u>

## Capital Receipts

3.6 Details of the 2013/14 outturn for capital receipts and the receipts forecast in the years 2014/15 to 2017/18 are included elsewhere on the agenda in a confidential appendix to this report (Appendix D). Actual receipts from asset disposals totalled some £9.9m in 2013/14, broadly in line with the forecast of £9.6m reported to the February meeting. The latest estimate for 2014/15 has increased to £12.4m from £11.2m reported in February. Estimates for 2015/16, 2016/17 and 2017/18 are now £5.5m, £3.2m and £1.0m respectively (£6.3m, £1.0m and £1.0m were reported in February). These totals include estimated receipts in respect of the disposal of the two remaining main sites in the disposal programme; Tweedy Road and Bromley Town Hall. The financing model has been prepared on the assumption that we achieve all planned receipts. This is summarised in paragraph 3.5. A total of £1m per annum is assumed for later years, 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.

## Section 106 Receipts

3.7 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 £6,032k as at 31<sup>st</sup> March 2014, and will be used to finance capital expenditure from 2014/15 onwards. The current position on capital Section 106 receipts (including commitments) is shown below.

<b>Specified capital works</b>	<b>Balance 31/03/14 £000</b>	<b>Receipts 2014/15 £000</b>	<b>Expenditure 2014/15 £000</b>	<b>Balance 30/06/14 £000</b>
Housing provision	4,461	232	1,336	3,357
Education	1,571	-	706	865
<b>TOTAL</b>	<b>6,032</b>	<b>232</b>	<b>2,042</b>	<b>4,222</b>

## **Post-Completion Reports**

- 3.8 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 should be submitted to the relevant Portfolio Holders during 2014/15:

Bellegrove – reduce temporary accommodation

Chislehurst Road Bridge replacement

The Hill Car Park – strengthening works

Bromley Town Centre – increased parking capacity

Former Chartwell Business Centre – improvement works

## **Economic Development and Investment Fund**

- 3.9 Full details of the Economic Development and Investment Fund were reported to the June meeting of the Executive in the Capital Programme Outturn 2013/14 report. There has been no movement on the Fund since then and the uncommitted balance currently stands at £31.7m.

## **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 and the overall proposed programme is summarised in the table in paragraph 3.1. Appendix D (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 the 2009/10 budget 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 2016/17 onwards.

<b>Non-Applicable Sections:</b>	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Departmental monitoring returns June 2014. Approved Capital Programme (Executive 12/2/14). Capital Programme Outturn 2013/14 report (Executive 10/6/14).