

**Decision Maker:** Executive

**Date:** 26<sup>th</sup> November 2014

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

**Title:** CAPITAL PROGRAMME MONITORING – 2nd QUARTER  
2014/15

**Contact Officer:** Martin Reeves, Principal Accountant (Technical & Control)  
Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk

**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 2nd quarter of 2014/15 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 and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
  - (i) Transfer (virement) of £200k from the scheme for the replacement of the storage area network to the scheme for the rollout of Windows 7 (paragraph 3.3.1);
  - (ii) Addition of £346k in 2014/15 re additional Transport for London funding for highways schemes (paragraph 3.3.2);
  - (iii) Addition of £336k in 2014/15 re additional grant support (£186k) and additional DSG funding (£150k) for education for 2 year olds (paragraph 3.3.3); and
  - (iv) Reduction of £249k to the Disabled Facilities Grant-funded scheme to bring the budget in line with the latest grant approvals (paragraph 3.3.4).

## 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 £0.4m over the 4 years 2014/15 to 2017/18, mainly due to additional funding from Transport of London.
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head: Total £152.8m 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): 1 fte
  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: 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 2nd quarter of 2014/15. The base position is the revised programme approved by the Executive on 16th July 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 £0.4m, mainly due additional TFL funding.

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 16/07/14	74,708	32,988	30,044	4,582	142,322
Variations approved at subsequent Executive meetings	1,799	6,692	1,535		10,026
Approved Programme prior to 1st Quarter's Monitoring	76,507	39,680	31,579	4,582	152,348
Variations requiring the approval of the Executive	433				433
Variations not requiring approval:					
Scheme rephasings from 2014/15 to later years (Appendix B)	-17,764	17,636	128		0
Total Amendment to the Capital Programme	-17,331	17,636	128	0	433
<b>Total Revised Capital Programme</b>	<b>59,176</b>	<b>57,316</b>	<b>31,707</b>	<b>4,582</b>	<b>152,781</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 C)	54,176	59,316	36,207	8,082	157,781

#### 3.2 Variations approved at subsequent Executive meetings

- 3.2.1 As detailed in Appendix A, variations of £10m have been added to the Programme since the July meeting of the Executive. This mainly comprises £2.2m for Crystal Palace Park Improvement works and £6.0m for the further acquisition of investment properties.

#### 3.3 Variations requiring the approval of the Executive (£616k net reduction)

##### 3.3.1 Rollout of Window 7 and SAN replacement

The Council is currently working with our IT partner CAPITA in rolling out Windows 7 across the organisation. During the development stage, we have discovered that other Local Authorities have experienced serious issues with similar deployments as the standard deployment methodology is not as effective for large organisations. Where mitigation measures have not been taken, there have been serious delays to rollout schedules and disruption to service. Furthermore, there is a material risk that our ability in meeting the London Public Service Network code of connection compliance could be compromised. In conjunction with CAPITA, we have looked at alternative methodologies to supplement the original rollout plan and to remove many of the risks.

Following negotiations, CAPITA are willing to contribute considerably over 50% of the additional costs to ensure the project is a success. This would leave a Bromley element of the additional costs at a maximum of £200k. To compensate for this extra cost, the Council working in partnership with CAPITA has been able to develop a more cost effective solution on the Storage Area Network (SAN) replacement project. Both schemes are in the approved capital programme and member authority is being sought to vire £200k from the underspend on the Storage Area Network capital scheme to fund the additional resources needed to deliver the Windows 7 project effectively.

### 3.3.2 Transport for London (TfL) (£346k 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 £346k 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.

### 3.3.3 Early Education for Two Year Olds (£336k increase)

Additional grant of £186k has been received from London Childcare Grant for developing places for two year olds on school sites. This is being utilised in conjunction with the Early Years capital scheme to create new provision on school sites. A further £150k has been reallocated from unspent DSG funding for two year olds to support the expansion of existing provision to create new two year old places where need has been identified.

### 3.3.4 Disabled Facilities Grants (£249k decrease)

Confirmation has been received that Bromley's allocation of DFG grant will be £743k in 2014/15 and £942k in 2015/16. In the Quarter 1 monitoring report, the 2014/15 allocation was incorrectly reported as £992k and the Capital Programme budget now needs to be reduced by £249k to reflect the correct level of grant support.

## 3.4 Scheme Rephasing

As part of the 2<sup>nd</sup> quarter monitoring exercise, £17,764k has been re-phased from 2014/15 into later years to reflect revised estimates of when expenditure is now expected to be incurred. This has no overall impact on the total approved estimate for the capital programme. Further details and comments are provided in Appendix B.

## **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 projections, which reflect prudent assumptions on the level and timing of disposals. Total balances would reduce from £42.0m (General Fund £20.0m and capital receipts £22.0m) at the end of 2013/14 to £41.4m by the end of 2017/18 and would then reduce further to £39.4m by the end of 2019/20. 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	18.1	18.1
Capital Receipts	22.0	23.3	21.3
	<u>42.0</u>	<u>41.4</u>	<u>39.4</u>

3.5.2 A summary of how the capital programme will be financed 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	54,180	59,320	36,210	8,080	157,790
Financed by:					
Usable Receipts	3,220	10,980	5,640	3,510	23,350
Revenue Contributions	27,630	7,300	270	270	35,470
Government Grants	11,680	34,850	22,910	300	69,740
Other Contributions	11,650	6,190	7,390	4,000	29,230
Total	54,180	59,320	36,210	8,080	157,790

### Capital Receipts

3.6 Details of the capital 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). The latest estimate for 2014/15 has reduced to £9.2m from £12.4m reported in July. Estimates for 2015/16, 2016/17 and 2017/18 are now £5.8m, £6.7m and £1.0m respectively (£5.5m, £3.2m and £1.0m were reported in July). A total of £1m per annum is assumed for receipts yet to be identified in later years. The financing and balances projections shown in Appendix C 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 (excluding commitments) is shown below.

Specified capital works	Balance 31/03/14 £000	Receipts 2014/15 £000	Expenditure 2014/15 £000	Balance 30/09/14 £000
Housing provision	4,461	748	434	4,775
Education	1,571	286	456	1,401
TOTAL	6,032	1,034	890	6,176

### 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 A detailed analysis of this Fund, dating back to its inception in September 2011, was included in a report to the September meeting (“Acquisition of Investment Properties”). Total funding of £66.1m has been placed in the earmarked reserve to date to contribute towards the Council’s economic development and investment opportunities. A total of £35.4m has been allocated to date, mainly on the acquisition of High Street properties and the uncommitted balance currently stands at £30.7m.

### **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 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. 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 Oct 2014 Approved Capital Programme (Executive 16/07/14)