

Decision Maker: Executive
Council

Date: Executive 11th February 2015
Council 23th February 2015

Decision Type: Urgent Executive Key

Title: CAPITAL PROGRAMME MONITORING Q3 2014/15 & ANNUAL
CAPITAL REVIEW 2015 TO 2019

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Chief Officer: Director of Finance

Ward: All

1. Reason for report

This report summarises the current position on capital expenditure and receipts following the 3rd quarter of 2014/15 and presents for approval the new capital schemes supported by Council Directors in the annual capital review process. With regard to the annual bidding process, the main focus has again been on the continuation of existing essential programmes and on externally funded schemes, with only a limited new spending programme (two new schemes) being put forward at this stage. The Executive is asked to approve a revised Capital Programme.

2. **RECOMMENDATIONS**

The Executive is requested to:

- (a) Note the report, including the re-phasing of a total of £8,377k from 2014/15 into later years (see paragraph 3.3.7) and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
 - (i) Reduction of £112k in respect of schemes that have reached completion (see para 3.3.1);
 - (ii) Addition of £663k in 2015/16 for Social Care Grant (see para 3.3.2);
 - (iii) Increase of £101k in 2014/15 to reflect revised grant support from Transport for London for highway schemes (see para 3.3.3);

- (iv) Addition of £395k in 2015/16 for Relocation of Exhibitions in Bromley Museum (see para 3.3.4);**
 - (v) A net reduction of £6,294k on the Council's Investment Fund scheme to reflect the latest update on successful property acquisitions (see para 3.3.5);**
 - (vi) Transfer (virement) of £113k from the budget for the Reconfiguration of Special Schools to the Basic Need budget (see para 3.3.6);**
 - (vii) Addition of £15m to the Council's Investment Fund, to be funded by capital receipts (see para 3.11).**
- (c) Recommend to Council that :**
- (i) The new scheme proposals supported by Chief Officers (listed in Appendix C) be included in the Capital Programme (see para 3.4 &3.5);**
 - (ii) An additional £15m be added to the Council's Investment Fund in the 2016/17 Capital Programme, to be funded by capital receipts (see paragraph 3.11).**

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". The capital review process requires Council Directors to ensure that bids for capital investment provide value for money and match Council plans and priorities.
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Estimated Cost: Total increase of £15,353k over the 5 years 2014/15 to 2018/19, mainly due to the schemes proposed in the 2014 annual review (£5.6m), an additional £663k from Social Care Grant in 2015/16, an overall net reduction of £6.3m in the scheme for properties acquisitions and the addition of £15m to the Investment Fund for further acquisitions.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £173.0 m over 5 years 2014/15 to 2018/19
 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 This report sets out proposed changes to the Capital Programme following a detailed monitoring exercise carried out after the 3rd quarter of 2014/15 and also seeks approval to the new capital schemes supported by Council Directors in the 2014 annual capital review process. The report is divided into two distinct parts; the first (paragraphs 3.3.1 to 3.3.7) looks at the Q3 monitoring exercise and the second (paragraphs 3.4 to 3.5) includes details of the proposed new schemes.
- 3.2 Appendix A sets out proposed changes to the Capital Programme following a detailed monitoring exercise carried out after the 3rd quarter of 2014/15. The base position is the revised programme approved by the Executive on 26th November 2014, as amended by variations approved at subsequent Executive meetings. If all the changes proposed in this report are approved, the total Capital Programme 2014/15 to 2018/19 would increase by £353k, mainly due to the new schemes proposed in the 2014 annual review (£5.6m), an additional £663k from Social Care Grant in 2015/16 and a £6.3m reduction in the Council's Investment Fund scheme. Total estimated expenditure in 2014/15 would reduce by £8.7m, mainly due to the re-phasing of expenditure from 2014/15 into 2015/16. Details of the monitoring variations are included in Appendices A and B and the proposed revised programme, including the proposed new schemes, is summarised in the table below.

	2014/15	2015/16	2016/17	2017/18	2018/19	TOTAL 2014/15 to 2018/19
	£000	£000	£000	£000	£000	£000
Programme approved by Executive 26/11/14	59,176	57,316	31,707	4,582	0	152,781
Variations approved at subsequent Executive meetings (Appendix A)	1,936	2,959	0	0	0	4,895
Approved Programme prior to 3rd Quarter's Monitoring Variations identified in Q3 monitoring exercise (Appendix A)	61,112	60,275	31,707	4,582	0	157,676
Variations requiring the approval of the Executive	-275	-4,972	0	0	0	-5,247
Variations not requiring approval:						
Scheme rephasings from 2014/15 to later years (Appendix B)	-8,377	8,377	0	0	0	0
Total Q3 Monitoring variations	-8,652	3,405	0	0	0	-5,247
New schemes (Appendix C)	0	930	30	30	4,610	5,600
Investment Fund - increased provision (paragraph 3.10)	0	0	15,000	0	0	15,000
Revised Capital Programme (Appendix D for source of finance)	52,460	64,610	46,737	4,612	4,610	173,029
Assumed Further Slippage (for financing purposes)	-2,000	-5,000	2,000	2,000	2,000	-1,000
Assumed New Schemes (to be agreed in future years)	0	0	0	2,500	2,500	5,000
	-2,000	-5,000	2,000	4,500	4,500	4,000
Total revised expenditure to be financed	50,460	59,610	48,737	9,112	9,110	177,029
Rounded for financing statement (Appendix D)	50,460	59,610	48,740	9,110	9,110	177,030

Q3 Capital Monitoring

3.3 Variations requiring the approval of the Executive (£5,247k net decrease)

3.3.1 Deletion of residual balance for completed schemes (£112k reduction):

It is recommend that residual budgets totalling £112k be deleted in respect of three schemes that reached completion in 2014/15. This includes £60k on Newstead Wood Tennis centre,

£49k from the new Penge/Anerley Library at 46 Green Lane, and £3k from the Increasing Network Security scheme to protect the Council's data and to ensure compliance with Government Codes of Connection.

3.3.2 Social Care Grant – new allocation for 2015/16 (£663k increase):

2015/16 allocations for Social Care Grant have been notified by the Department for Health. We will receive £663k in 2015/16 as part of the Better Care Fund initiative and Members are asked to include this in the Capital Programme.

3.3.3 Transport for London (TfL) – Revised Support for Highway Schemes (£101k 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 £101k 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 Relocation of Exhibitions in Bromley Museum (£395k increase in 2015/16):

The museum service has been identified as a budget cut for 2015/16 towards meeting the Council's budget gap over the next four years. The Priory building is recommended to be declared surplus with effect from 1st April 2015. Details are included in a separate report 'A New approach for Bromley Museum' elsewhere on the agenda. Members are asked to approve the inclusion of £395k in the capital programme to fund the relocation of exhibitions, to be funded by capital receipts from the sale of the Priory building.

3.3.5 Property Investment Fund (£264k reduction in 2014/15 and £6,030k reduction in 2015/16):

Members are asked to approve reductions of £264k in 2014/15 due to lower costs than expected on the acquisition of 145 – 153 High Street and £6,030k in 2015/16 as a planned acquisition approved by Executive on 10th September 2014 cannot progress further as the owners have decided not to sell.

3.3.6 Virement of £113k between Reconfiguration of Special Schools and Basic Need:

There is an unallocated balance of £113k on the budget for the Reconfiguration of Special Schools which, as was approved by the Executive in November 2013, is now allocated to contribute towards the Riverside School project. The Riverside scheme is mainly funded by Basic Need grant and Members are asked to approve a virement of £113k to the Basic Need budget to ensure the funding is located where the actual spend is.

3.3.7 Scheme Rephasing

As part of the 3rd quarter monitoring exercise, £8,377k has been re-phased from 2014/15 into 2015/16 to reflect revised 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 and comments are provided in Appendix B.

Annual Capital Review – new scheme proposals

- 3.4 In recent years, we have steadily scaled down new capital expenditure plans and have transferred all of the rolling maintenance programmes to the revenue budget. Our general (un-earmarked) reserves, established from the disposal of our housing stock and the Glades Site, have been gradually spent and have fallen from £131m in 1997 to £42m (including unapplied capital receipts) as at 31st March 2014. Our asset disposal programme has diminished and any new capital spending will effectively have to be met from our remaining revenue reserves.
- 3.5 As part of the normal annual review of the Capital Programme, Chief Officers were invited to come forward with bids for new capital investment. Apart from the regular annual capital bids (Devolved Formula Capital grant to schools, DSG-funded schools access initiative, TfL-funded highway schemes and feasibility studies), two bids have been recommended for approval, with a total value of £1.02m, all of which would require funding from the Council's resources. The bids are summarised in Appendix C. Invest to Save bids were particularly encouraged, but none were received, and it is assumed that any such bids will be submitted in due course through the earmarked reserve that was created in 2011.

Capital Receipts

- 3.6 Details of the receipts forecast in the years 2014/15 to 2018/19 are included elsewhere on the agenda in a confidential appendix to this report (Appendix E). The latest estimate for 2014/15 remains at £9.2m as reported in November. Estimates for 2015/16, 2016/17 and 2017/18 are now £6.0m £6.5m and £1.0m respectively (£5.8m, £6.7m and £1.0m were reported in November). 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 D reflect prudent assumptions for capital receipts.

Financing the Proposed Capital Programme

- 3.7.1 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 £29.6m by the end of 2017/18 and would then reduce further to £24.6m 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	20.5	20.5
Capital Receipts	22.0	9.1	4.1
	<u>42.0</u>	<u>29.6</u>	<u>24.6</u>

3.7.2 A summary of how the capital programme will be financed is shown in the table below with further detail provided at Appendix D.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
Total Capital Expenditure	50,460	59,610	48,740	9,110	9,110	177,030
Financed by:						
Usable Receipts	2,950	11,900	18,170	4,540	4,540	42,100
Revenue Contributions	30,700	1,300	270	270	270	32,810
Government Grants	8,530	38,280	22,910	300	300	70,320
Other Contributions	8,280	8,130	7,390	4,000	4,000	31,800
Total	50,460	59,610	48,740	9,110	9,110	177,030

Section 106 Receipts

3.8 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 31st 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 31/3/14 £000	Receipts 2014/15 £000	Expenditure 2014/15 £000	Balance 31/12/14 £000
Housing provision	4,461	748	435	4,774
Education	1,571	369	456	1,484
TOTAL	6,032	1,117	891	6,258

Post-Completion Reports

3.9 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 – temporary accommodation

The Hill Car Park – strengthening works

Bromley Town Centre – increased parking capacity

Former Chartwell Business Centre – improvement works

Investment Fund and Growth Fund

(formerly Economic Development and Investment Fund)

3.10 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”). To date, total funding of £66.1m has been placed in the earmarked reserve (formerly known as the

Economic Development and Investment Fund) to contribute towards the Council's economic development and investment opportunities. In November 2014, £10m was set aside in a new reserve (The Growth Fund) to support growth initiatives in Biggin Hill, the Cray Valley and Bromley Town Centre. A total of £34.4m has been allocated to date from the Economic Development and Investment Fund (now known as the Investment Fund), mainly on the acquisition on investment properties, and the uncommitted balances currently stand at £21.7m for the Investment Fund and £10m for the Growth Fund.

	£'000
Funding:	
Approved by Executive 7th September 2011	10,000
Approved by Council 27th February 2013	16,319
Approved by Council 1st July 2013	20,977
Approved by Executive 10th June 2014	13,792
New Home Bonus (2014/15)	5,040
	66,128
Expenditure:	
<i>Property Investment Fund</i>	
Approved by Executive 7th September 2011	1,620
Approved by Executive 6th December 2012	2,167
Approved by Executive 5th June 2013	2,888
Approved by Executive 12th June 2013	3,150
Approved by Executive 12th February 2014	18,755
Approved by Executive 19th December 2014	3,968
	32,548
<i>Other</i>	
Growth Fund Study	170
Crystal Place Development work	200
Bromley Town Centre	245
Queens Gardens Bromley	990
Strategic Property Costs	258
	1,863
Less: Allocated to Growth Fund (Executive 26/11/14)	-10,000
Uncommitted Balance on Investment Fund	21,717

3.12 In addition to the sums identified above, a further sum of £4.4m will be added to the Investment Fund as part of the 2015/16 budget proposals and Members are also asked to approve a further addition of £15m to the Capital Programme (to be met from capital receipts) to supplement the Fund in 2016/17. This would bring the uncommitted balance on the Investment Fund up to £36.7m.

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. Attached as Appendix D 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 and if all the planned receipts were achieved. 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 and service developments from 2017/18 onwards.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	<p>Departmental monitoring returns January 2015. Approved Capital Programme (Executive 26/11/14). A New Approach for Bromley Museum (Executive 11/02/15) Q2 Monitoring report (Executive 26/11/14). Capital appraisal forms submitted by Chief Officers in November 2014. Report to Council Directors' meeting 10/12/14. List of potential capital receipts from Valuation & Estates as at 08/01/15.</p>