

**Decision Maker:** RESOURCES PORTFOLIO HOLDER

**Date:** For pre-decision scrutiny by the Executive & Resources PDS Committee on 12th March 2015

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

**Title:** CAPITAL PROGRAMME MONITORING - 3<sup>ND</sup> QUARTER 2014/15 & ANNUAL CAPITAL REVIEW 2015 TO 2019

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**Chief Officer:** Director of Finance

**Ward:** (All Wards);

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1. Reason for report

On 11th February 2015, the Executive received a report summarising the current position on capital expenditure and receipts following the 3rd quarter of 2014/15 and presenting for approval the new capital schemes supported by Council Directors in the annual capital review process. The Executive agreed a revised Capital Programme for the five year period 2014/15 to 2018/19. This report highlights changes agreed by the Executive in respect of the Capital Programme for the Resources Portfolio. The revised programme for this portfolio is set out in Appendix A, detailed comments on individual schemes are included at Appendix B and the new schemes approved for this Portfolio are set out in paragraph 3.8.

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2. **RECOMMENDATION(S)**

**The Portfolio Holder is asked to note and confirm the changes agreed by the Executive on 11<sup>th</sup> February 2015.**

## Corporate Policy

1. Policy Status: Existing Policy: Capital Programme monitoring and review 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; Supporting Independence
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## Financial

1. Cost of proposal: Total increase of £9.7m, mainly due to additional £15m to Investment Fund funded by Capital Receipts.
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head: £44.5m for the Resources Portfolio over five 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: 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? N/A
2. Summary of Ward Councillors comments: N/A

### 3. COMMENTARY

#### Capital Expenditure

3.1 A revised Capital Programme was approved by the Executive on 11th February, following a detailed monitoring exercise carried out after the 3rd quarter of 2014/15. The Executive also considered and approved new capital schemes supported by Council Directors in the annual capital review process. This report identifies changes relating to the Resources Portfolio and the table in paragraph 3.2 summarises the overall position following the Executive meeting.

#### Capital Monitoring – variations agreed by the Executive on 11th February 2015

3.2 The base position prior to the 3<sup>rd</sup> quarter's monitoring exercise was the revised programme approved by the Executive on 26<sup>th</sup> November 2014, as amended by variations approved at subsequent Executive meetings. Changes to the Resources Portfolio Programme approved by the Executive in February are shown in the table below and further details are included in paragraphs 3.3 to 3.8. The revised Programme for the Resources Portfolio (including new schemes) is attached as Appendix A and detailed comments on individual schemes are included at Appendix B.

	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	21,387	8,910	470	0	0	30,767
Property Investment Fund						
- additional acquisition (Exec 19/12/14)	3,968	0	0	0	0	3,968
Approved Programme prior to Q3 Monitoring	25,355	8,910	470	0	0	34,735
<u>Variations approved by Executive 11/02/15</u>						
Deletion of residual budgets (see para 3.3)						
- Increasing Network Security	-3	0	0	0	0	-3
Property Investment Fund (see para 3.4)						
- acquisition not progressing / reduced costs	-264	-6,030	0	0	0	-6,294
Additions to Investment Fund (see para 3.5)	0	0	15,000	0	0	15,000
Schemes rephased from 2014/15 into 2015/16 (see para 3.6)	-1,804	1,804	0	0	0	0
Total Q3 Monitoring variations	-2,071	-4,226	15,000	0	0	8,703
New schemes (see para 3.8)	0	930	30	30	30	1,020
<b>Revised Resources Capital Programme</b>	<b>23,284</b>	<b>5,614</b>	<b>15,500</b>	<b>30</b>	<b>30</b>	<b>44,458</b>

#### 3.3 Deletion of residual balance for completed schemes (£3k reduction):

At the February meeting of the Executive, Members approved the deletion of the £3k residual budget in respect of the Increasing Network Security scheme that reached completion in 2014/15.

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

In February the Executive was informed that costs on the acquisition of 145 – 153 High Street were £264k lower than expected and that a planned acquisition (£6,030k) approved by the Executive on 10<sup>th</sup> September 2014 would not progress further as the owners have decided not to sell. The Executive approved the overall reduction of £6,294k in the Property Investment Fund.

### 3.5 Addition to Council's Investment Fund (£15m in 2016/17)

A detailed analysis of the Investment Fund and Growth Fund was reported to the Executive in February. The former Economic Development and Investment Fund has been renamed Investment Fund and £10m of that Fund has been set aside in a new reserve, The Growth Fund, and is earmarked for growth schemes in Biggin Hill, Bromley Town Centre and the Cray Valley. An additional £15m was approved for further investment property acquisitions in 2016/17 to be funded by capital receipts. The uncommitted balance in the Investment Fund currently stands as £36.7m with a further £10m in the Growth Fund.

### 3.6 Schemes rephased from 2014/15 into later years

In the final outturn report to the meeting in June 2014, the Executive was informed of the final outturn for capital expenditure in 2013/14 and noted that the overall level of unanticipated slippage into later years was £8.4m (£5.4m of which was due to delays in completing the acquisition of High Street properties) . Slippage of capital spending estimates has been a recurring theme over the years and Members were pleased to note that improvements made in 2011/12 following a review of the system of capital monitoring and for estimating the phasing of expenditure were continuing to result in a more realistic approach towards anticipating slippage.

£6.0m of the overall slippage from 2013/14 into 2014/15 related to Resources Portfolio schemes, including the £5.4m referred to above, and this was analysed in the 1<sup>st</sup> quarter's monitoring report to the PDS Committee meeting in September 2014. After allowing for minor adjustments that were not re-phased, a total of £5.9m was re-phased into 2014/15. In the 2<sup>nd</sup> quarterly report to the PDS Committee in January, Members were advised that £1.2m had been re-phased from 2014/15 into later years by the Executive in November and, as is shown in the table in paragraph 3.2, a total of £1.8m was re-phased by the Executive in February to reflect revised estimates of when expenditure on Resources schemes was likely to be incurred. This is itemised in the table below and comments on scheme progress are provided in Appendix B.

Capital Expenditure – Rephasing in Q3 monitoring	2014/15	2015/16
	£000	£000
Upgrade of Core Network Hardware	-189	189
Replacement of MD110 telephone switch	-651	651
Server Virtualisation	-14	14
Replacement of Storage Area Network	-338	338
Rollout of Windows & Office 2000	-441	441
SharePoint Productivity Platform upgrade / replacement	-130	130
Former Chartwell Business Centre	-11	11
FIS upgrade / replacement of unsupported software	-30	30
<b>Total Resources Programme rephasing</b>	<b>-1,804</b>	<b>1,804</b>

### **Annual Capital Review – new scheme proposals**

3.7 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 31<sup>st</sup> March 2014. Whilst opportunities to dispose of property assets are being rigorously pursued, the level of receipts is not as high as in the past and new capital spending will effectively have to be met from our remaining revenue reserves.

3.8 As part of the normal annual review of the Capital Programme, Council Directors were invited to come forward with bids for new capital investment. 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. Apart from the normal annual capital bids relating to school and highway schemes, two bids were approved with a total value of £1.02m, all of which will require funding from the Council's resources. These included

- Emergency Works on Surplus Sites (£120k) – £30k p.a for the four years 2015/16 to 2018/19 for emergency works that may arise to facilitate the sale of surplus properties and to ensure the Council complies with its statutory obligations.
- Windows Server 2003 replacement program (£900k) – To migrate from Windows Server 2003 to a supported version of the operating system. Microsoft Window Server 2003 will reach end its life in July 2015 and will then no longer meet the Public Service Network requirement. During Window 7 rollout preparation, it has become clear that the proposed upgrade plan will not work in all cases and we will need to migrate the servers and services to a supported version of the operating system (namely server 2008r2 or server 2012r2).

## 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. After major slippage of expenditure in recent years, Members confirmed the importance of these as part of the overall capital monitoring framework. These reviews should compare actual expenditure against budget and evaluate the achievement of the scheme's non-financial objectives. One post-completion report (on the improvement works scheme at the Former Chartwell Business Centre) is currently due for the Resources Portfolio and this will be reported in 2015/16. This quarterly report will monitor the future position and will highlight any further reports required.

## 4. POLICY IMPLICATIONS

4.1 Capital Programme monitoring and review is part of the planning and review process for all services. The capital review process requires Chief Officers to ensure that bids for capital investment provide value for money and match Council plans and priorities.

## 5. FINANCIAL IMPLICATIONS

5.1 These were reported in full to the Executive on 11th February 2015. Changes agreed by the Executive for the Resources Portfolio Capital Programme are set out in paragraph 3.2.

<b>Non-Applicable Sections:</b>	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Departmental monitoring returns January 2015. Approved Capital Programme (Executive 26/11/14). Capital Q3 monitoring report (Executive 11/02/15). Capital appraisal forms submitted by Chief Officers in November 2014. Report to Council Directors' meeting 10/12/14