

PART ONE - PUBLIC

Decision Maker:	Executive Council
Date:	15 th July 2015 19 th October 2015
Decision Type:	Non-Urgent Executive Non-Key
Title:	CAPITAL PROGRAMME MONITORING – 1ST QUARTER 2015/16
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

This report summarises the current position on capital expenditure and receipts following the 1st quarter of 2015/16 and seeks the Executive's approval to a revised Capital Programme.

2. **RECOMMENDATION(S)**

The Executive is requested to:

- (a) Note the report, including the rephrasing of £2,123k from 2014/15 into 2015/16 and £9,049k from 2015/16 into 2016/17 (see paragraph 3.3.11) and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
 - (i) Addition of £638k in 2015/16 re. annual revenue contributions to Bromley Mytime Investment Fund (see para 3.3.1);
 - (ii) Addition of £289k in 2015/16 for Gosshill Road, Chislehurst – Private Street Works (funded by S106 receipts (£209k) and Transport for London (£80k)) (see para 3.3.2);
 - (iii) Addition of £130k in 2015/16 for Oprington Railway Station (funded by S106 receipts (£80k) and Transport for London (£50k)) (see para 3.3.3);
 - (iv) Addition of £18k re. Autism Capital grant received from Department of Health (see para 3.3.4);
 - (v) Addition of £18k in 2015/16 to the Churchill Theatre & Central Library Chiller scheme to reflect the additional contract cost (see para 3.3.5);

- (vi) A net reduction of £156k over four years 2015/16 to 2018/19 in respect of reduced Schools Formula Devolved Capital grant support (see para 3.3.6);
- (vii) Reduction of £220k in 2015/16 to reflect revised grant support from Transport for London (TfL) for highway schemes (see para 3.3.7);
- (viii) Transfer (virement) of £43k from the budget for Financial Systems Upgrade to Rollout of Windows 7 budget (see para 3.3.8);
- (ix) Inclusion of £5.7m Housing Zone Bid (Site G) (Executive 24/03/15) into the Capital programme (see para 3.3.9);
- (x) Section 106 receipts from developers - net increase of £2,827k (£2,760k in 15/16 and £67k in 16/17) to reflect the funding available and remaining unallocated balance (see para 3.3.10);

Full Council is requested to:

- (a) Approve the inclusion of the £5.7m Housing Zone Bid into the Capital Programme (see para 3.3.9)

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. 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 £11.4m over the 4 years 2015/16 to 2018/19, mainly due to rephasing of expenditure from 2014/15 into 2015/16, the Housing Zone Bid (Site G) and the revised S106 schemes to reflect the funding available.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £152.9m over 4 years 2015/16 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): 1fte
 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? 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 2015/16. The base position is the revised programme approved by the Executive on 11th February 2015, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report are approved, the total Capital Programme 2015/16 to 2018/19 would increase by £11.4m, mainly due to rephasing from 2014/15 into 2015/16 (£2.1m), the inclusion of the Housing Zone Bid (Site G) (£5.7m) and an increase of £2.8m in the S106 unallocated budget to reflect the current funding available.

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

	2015/16	2016/17	2017/18	2018/19	TOTAL 2015/16 to 2018/19
	£000	£000	£000	£000	£000
Programme approved by Executive 11/02/15	64,215	46,737	4,612	4,610	120,174
Variations approved at subsequent Executive meetings	11,599	909	8,838		21,346
Approved Programme prior to 1st Quarter's Monitoring	75,814	47,646	13,450	4,610	141,520
Variations requiring the approval of the Executive	9,316	50	-17	-105	9,244
Variations not requiring approval:					
Net underspendings in 2014/15 rephased into 2015/16	2,123	0	0	0	2,123
Net rephasing from 2015/16 into 2016/17	-9,049	9,049	0	0	0
Total Amendment to the Capital Programme	2,390	9,099	-17	-105	11,367
Total Revised Capital Programme	78,204	56,745	13,433	4,505	152,887
Assumed Further Slippage (for financing purposes)	-10,000	2,000	2,000	2,000	-4,000
Assumed New Schemes (to be agreed)	0	0	2,500	2,500	5,000
	-10,000	2,000	4,500	4,500	1,000
Projected Programme for Capital Financing Forecast (see appendix C)	68,204	58,745	17,933	9,005	153,887

3.2 Variations approved at subsequent Executive meetings

- 3.2.1 As detailed in Appendix A, variations of £21.3m have been approved since the February meeting of Executive. This mainly comprises £8.8m on the 2017/18 allocation for Basic Need to support the provision of school places, £8.7m for further property acquisitions funded by the Investment Fund, £1.5m for additional School Capital Maintenance Grant, and £1.3m for Penge and Orpington Town Centre schemes funded by the New Homes Bonus and the High Street Fund.

3.3 Variations requiring the approval of the Executive (£9,244k net increase)

3.3.1 Bromley Mytime Investment Fund (£638k increase in 2015/16):

There is annual provision in the revenue budget for a contribution towards capital investment in Council leisure centres by Bromley MyTime and Members are asked to approve the inclusion of £638k in 2015/16, which will bring the total contribution to £1,892k in 2015/16.

3.3.2 Gosshill Road, Chislehurst – Private Street Works (£289k increase in 2015/16)

Members are asked to approve the inclusion of the Gosshill Road scheme into the Capital Programme. On 1st July 2014, the Environment Portfolio Holder received the first resolution report regarding the use and condition of Gosshill Road, Chislehurst (under the Private Street Works code). The estimated cost of the implementation works is £289k of which £209k is funded from S106 and £80k is funded from the TfL budget for Public Transport Interchange and Access. This was agreed by the Portfolio Holder in the second resolution report to the Environment PDS Committee on 23rd September 2014.

3.3.3 Orpington Railway Station – Improved Access and Bus stop Enhancement (£130k increase in 2015/16)

Members are asked to approve the inclusion of the Orpington Railway Station scheme into the Capital Programme. On 4th November 2014, the Environment Portfolio approved the allocation of £80k of S106 monies towards access and bus stop improvements as part of the Orpington railway station car park and forecourt scheme. The estimated implementation cost of the proposal is £130k and the remaining £50k is funded from the TfL allocation for Public Transport Interchange and Access.

3.3.4 Autism Capital Grant (£18k increase in 2015/16)

Confirmation has been received from Department of Health of a new capital grant of £18k, which will be used to support work on implementing Think Autism, the recent update to the 2010 Adult Autism Strategy for England. Although the grant is not ring fenced, conditions are included in a supporting memorandum of understanding.

3.3.5 Churchill Theatre & Central Library Chillers (£18k increase in 2015/16)

The Churchill Theatre & Central Library Chiller scheme aims to replace the existing mechanical plant at the Central Library / Churchill Theatre Site. This is required for Health & Safety reasons (legionella) and to mitigate the risk of financial claims from the theatre in the event of equipment failure. The contract for the chiller replacements has been recently awarded to East West Connect Ltd. It is anticipated that the total cost of the scheme will vary slightly from the original estimated budget (within the 5% threshold) and Members are asked to approve an additional £18k to the existing budget of £457k.

3.3.6 Formula Devolved Capital Grant (net reduction of £156k in 2015/16 to 2018/19)

The level of funding received from the Department for Education for 2015/16 Formula Devolved Capital Grant (£285k) is lower than anticipated due to the increasing level of Academy conversion as Academies receive separate devolved capital funding from the Education Funding Agency. The capital programme has been adjusted to reflect an overall reduction of £156k. (£17k in 2015/16, £17k 2016/17, £17k in 2017/18 and £105k in 2018/19).

3.3.7 Transport for London (TfL) – Revised Support for Highway Schemes (£220k reduction in 2015/16)

Provision for transport schemes to be 100% funded by TfL was originally included in the Capital Programme 2015/16 to 2018/19 on the basis of the bid in our Borough Spending Plan (BSP). Notification of an overall reduction of £220k in the 2015/16 grant has been received from TfL. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

3.3.8 Virement of £43k from Financial Systems Upgrade to Rollout of Windows 7

Due to the impact of moving to Windows 7, additional works are required to upgrade older dependent systems and software along with service improvements to bring the system into line with recognised industry best practice. £43k from the budget for the Financial Systems Upgrade scheme has been allocated to contribute towards upgrading Version One. Members are asked to approve a virement of £43k to the Rollout of Windows 7 budget to ensure the funding is located where the actual spend is.

3.3.9 Housing Zone Bid (Site G) – (increase of £5.7m in 2015/16)

On 24th March 2015, the Executive approved the Housing Zone Bid (Site G) proposal to support the delivery policy objectives set out within the Council's adopted Bromley Town Centre Area Action Plan. Members are asked to approve the inclusion of the £5.7m Housing Zone Bid (Site G) into the Capital Programme of which £3m is funded from the Housing Payment In Lieu Fund (S106) and £2.7m is funded from the Growth Fund. This will also require the approval of Full Council.

3.3.10 Section 106 receipts (uncommitted balance) – net increase of £2,827k (£2,760k in 2015/16 and £67k in 2016/17)

In previous years, the Capital Programme budget for Section 106 receipts has been adjusted as and when new spending plans receive approval. In future, however, it seems sensible to match the Capital Programme budget with the total of S106 receipts available to fund expenditure and it is proposed, therefore, that the Capital Programme be increased by a total of £2,827k (£2,760k in 2015/16 and £67k in 2016/17). As per the table below, this would leave a total budget of £6,948k in 2015/16 and 2016/17, which matches the total of available S106 receipts in paragraph 3.7.

	Total Approved S106 Budget £000	Actuals upto FY14/15 £000	Budget FY15/16 £000	Budget FY16/17 £000
Housing:				
Purchase of Properties	1,120	1,016	104	0
Site K	672	0	605	67
Site G (£5.7m - £3m PIL £2.7m Growth Fund)	3,000	0	3,000	0
Uncommitted balance (as at May 2015)	1,286	0	1,286	0
Housing Total	6,078	1,016	4,995	67
Education:				
Basic Need	706	456	250	0
Uncommitted balance (as at May 2015)	1,341	0	1,341	0
Education Total	2,047	456	1,591	0
Highways:				
Gosshill Road	209	0	209	0
Orpington Railway Station	80	0	80	0
Uncommitted balance (as at May 2015)	6	0	6	0
Highways Total	295	0	295	0

3.3.11 Scheme Rephasing

The 2014/15 Capital Outturn was reported to the Executive on 10th June 2015. The final capital outturn for the year was £50.5m compared to a revised budget of £52.5m. After allowing for other net variations of £0.1m, a total of £2.1m has been re-phased from 2014/15 into 2015/16.

In the quarter 1 monitoring exercise, slippage of £9,049k has been identified and this has been re-phased from 2015/16 into 2016/17 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 B.

Capital Receipts

- 3.4 Details of the receipts forecast in the years 2015/16 to 2018/19 are included elsewhere on the agenda in a confidential appendix to this report (Appendix D). Actual receipts from asset disposals totalled some £7.1m in 2014/15, compared to a forecast of £9.2m reported to the February meeting. The latest estimate for 2015/16 has increased to £9.8m from £6m reported in February. Estimates for 2016/17, 2017/18 and 2018/19 remain at £6.5m, £1.0m and £1.0m respectively, as was reported in February. 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 C reflect prudent assumptions for capital receipts.

Financing of the Capital Programme

- 3.5 A capital financing statement is attached at Appendix C and 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 £48.9m (General Fund £20.0m and capital receipts £28.9m) at the end of 2014/15 to £37.8m by the end of 2018/19 and would then reduce further to £31.3m by the end of 2023/24. It is estimated that the General Fund would not be required to make any contributions to the funding of capital expenditure in any year.

	Balance 1/4/15	Estimated Balance 31/3/19	Estimated Balance 31/3/20
	£m	£m	£m
General Fund	20.0	20.0	20.0
Capital Receipts	28.9	17.8	11.3
	<hr/>	<hr/>	<hr/>
	48.9	37.8	31.3

Investment Fund and Growth Fund

(formerly Economic Development and Investment Fund)

- 3.6 Full details of the Investment Fund and Growth Fund were reported to the June meeting of the Executive in the Capital Programme Outturn 2014/15 report. A total of £41.4m has been spent to date, and schemes totalling £46.2m have been approved. The uncommitted balance currently stands at £27.6m for the Investment Fund and £7.0m for the Growth Fund

<u>Investment Fund:</u>	£'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
Approved by Executive 10th June 2014	13,792
Approved by Executive 15th October 2014	90
New Home Bonus (2014/15)	5,040
Approved by Executive 11th February 2015	4,400
Approved by Executive 10th June 2015	10,165
	80,783
Less: Allocated to Growth Fund (Executive 26/11/14)	10,000
Total spend to 25th June 2015	41,385
<u>Actual Fund balance 25th June 2015</u>	29,398
<u>Schemes Approved, but not spent</u>	
Approved by Executive 12th June 2013 (Growth & Delivery Plans)	85
Approved by Executive 20th November 2013 (Queens's Garden)	893
Approved by Executive 16th October 2013 (Crystal Palace Park exclusivity agreement)	163
Approved by Executive 15th January 2014 & 26th November 2014 (Bromley BID Project)	245
Approved by Executive 12th February 2014 (147 - 153 High St)	38
Approved by Executive 24th March 2015 (Morrisons)	67
Approved by Executive 24th March 2015 (Civic Centre for the future)	50
Valuation for Biggin Hill and Westmoreland Rd	5
Strategic Property cost	258
Total further spending approvals	1,804
Uncommitted Balance on Investment Fund	27,594
In addition to the sum identified above, Members have approved a further provision of £15m to supplement the Investment Fund in 2016/17 (to be met from capital receipts)	
<u>Growth Fund:</u>	£'000
<u>Funding:</u>	
Transfer from Investment Fund (Executive 26/11/14)	10,000
<u>Schemes Approved, but not spent</u>	
Approved by Executive 24th March 2015 (Housing Zone Bid (Site G))	2,700
Renewal Team Cost	310
Total further spending approvals	3,010
Uncommitted Balance on Growth Fund	6,990

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 £6,447k as at 31st March 2015, and will be used to finance capital expenditure from 2015/16 onwards. The current position on capital Section 106 receipts (excluding commitments) is shown below:

Specified capital works	Balance 31/03/15 £000	Receipts 2015/16 £000	Expenditure 2015/16 £000	Balance 30/06/15 £000
Housing	4,856	206	-	5,062
Education	1,591	-	-	1,591
Highways	0	295	-	295
TOTAL	6,447	501	-	6,948

The Council's budgets are limited and, where a developer contribution (S106) can be secured consistent with the national Community Infrastructure Levy Regulations, this will be required as a contribution towards projects, notwithstanding any other allocation of resources contained in the Council's spending plans.

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 2015/16:

Bellegrave – reduce temporary accommodation

The Hill Car Park – strengthening works

Bromley Town Centre – increased parking capacity

Former Chartwell Business Centre – improvement works

Increasing Network Security

Civic Centre Cabling Renewal

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 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 and if all the planned receipts were achieved. 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)	Departmental monitoring returns July 2015. Approved Capital Programme (Executive 11/02/15) Q3 Monitoring report (Executive 11/02/15). Capital Programme Outturn 2014/15 report (Executive 10/06/15). List of potential capital receipts from Valuation & Estates as at 12/06/15. Housing Zone Bid (Executive 24/03/15) Gosshill Road, Chislehurst - Private Street Works (Environmental PDS 23/09/14) Orpington Railway Station: Improved Access and Bus Stop Enhancement (Environmental PDS 04/11/14)