

Decision Maker: Executive

Date: 2nd December 2015

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – 2nd 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 2nd 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 £19,680k from 2015/16 into later years (see paragraph 3.3.11) and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
 - (i) Increase of £200k on the reinstatement of the Phoenix Centre scheme (see para 3.3.1);
 - (ii) Reduction of £3k on the Woodland Improvements Programme and reduction of £15k on the Bromley North Village to reflect revised funding received (see para 3.3.2)
 - (iii) A reduction of £122k on the Property Investment Fund scheme due to a reduction in associated costs on completed acquisitions. (see para 3.3.3);
 - (iv) A net reduction of £91k over the four years 2015/16 to 2018/19 in respect of Schools Formula Devolved Capital grant support (see para 3.3.4);
 - (v) Inclusion of an additional £450k funding from GLA on Manorfields – Temporary accommodation refurbishment works (see para 3.3.5);

- (vi) Increase of £710k in 2015/16 to reflect revised grant support from Transport for London for Highways and Traffic schemes (see para 3.3.6);**
- (vii) Increase of £170k in 2015/16 on the Empty Homes Property scheme to reflect the total funding received from the GLA (see para 3.3.7)**
- (viii) Deletion of £23k residual balance on the Biggin Hill Leisure Centre scheme which has reached completion. (see para 3.3.8)**
- (ix) Increase of £74k in 2015/16 on the London Private Sector Renewal scheme to reflect the total funding available (see para 3.3.9)**
- (x) Section 106 receipts from developers - net increase of £1,328k to reflect the funding available and the remaining unallocated balance (see para 3.3.10);**
- (c) To set aside capital receipts from sale of Egerton Lodge for the Council's Investment Fund to generate alternative revenue income (see para 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. Effective 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 £2.7m over the 4 years 2015/16 to 2018/19, mainly due to increase on TfL funded Highways & Traffic schemes 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 £174.2m 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: 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 2015/16. The base position is the revised programme approved by the Executive on 15th July 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 £2.7m, mainly due to a £450k grant allocation from the GLA for Manorfields – temporary accommodation refurbishment works, a £710k increase on TfL funded Highway & Traffic schemes and an increase of £1,328k in the S106 unallocated budget to reflect the current funding available.

The variations are summarised in the table below with further details 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 15/07/15	90,400	56,745	13,433	4,505	165,083
Variations approved at subsequent Executive meetings	6,470	0	0	0	6,470
Approved Programme prior to 2nd Quarter's Monitoring	96,870	56,745	13,433	4,505	171,553
Variations requiring the approval of the Executive	2,735	-19	-19	-19	2,678
Variations not requiring approval:					
Net rephasing from 2015/16 into later years	-19,680	18,545	1,135	0	0
Total Amendment to the Capital Programme	-16,945	18,526	1,116	-19	2,678
Total Revised Capital Programme	79,925	75,271	14,549	4,486	174,231
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 Forecast (see Appendix C)	74,925	77,271	19,049	7,986	179,231

3.2 Variations approved at subsequent Executive meetings

3.2.1 As detailed in Appendix A, variations of £6.5m have been approved since the July meeting of Executive. This mainly comprises £6.3m for further property acquisitions funded by the Investment Fund.

3.3 Variations requiring the approval of the Executive (£2,678k net increase)

3.3.1 Phoenix Centre (£200k increase in 2015/16)

The Council has an outstanding liability to NHS Property Services of £200k arising from works carried out to the Phoenix Centre in 2006/07. On 10 April 2006, the Executive agreed a proposal to contribute towards the cost of the extension of the Phoenix Centre, in return for additional space at the centre and favourable rental terms. The sum of £208k then remained in the Education Capital Programme until July 2014, when the residual balance was deleted following a review of all old dormant schemes. NHS Property Services has now asked for payment of this outstanding debt, before they can agree to the extension of our lease on the

Phoenix Centre. Members are asked to approve the reinstatement of the Phoenix Centre Scheme back into the Capital Programme.

3.3.2 Woodland Improvements Programme (£3k reduction in 2015/16) and Bromley North Village (£15k reduction in 2015/16)

The Woodland Improvements Programme was funded by £126k grant from the Forestry Commission to enhance and sustain 30 of Bromley's woodland sites. Members are asked to approve a £3k reduction on the scheme to reflect the revised expenditure and funding received from the Forestry Commission.

The Bromley North Village scheme was funded by £3.3m from TfL, £1,829k from GLA, £38k from Private Sector and £1.5m match funding from the Council. The total value of the scheme was £6,667k (£5,548k for Bromley North Village works and £1,119k for Outer London commission funded works at Market Square). The work commissioned by local businesses was lower than anticipated and a reduced total of £25k was received from the private sector (reduction of £13k). During 2011/12 to 2014/15 total funding of £3,298k was received from TfL instead of £3.3m (reduction of £2k). Members are asked to approve a £15k reduction on the Bromley North Village scheme to reflect the total funding received. The revised total value of the scheme is £6,652k (£5,546k for Bromley North Village works and £1,106k for Outer London commission funded works at Market Square).

3.3.3 Property Investment Fund (£122k reduction in 2015/16)

Members are asked to approve a reduction of £122k in 2015/16 on the Property Investment Fund scheme due to lower associated costs (mainly legal costs) than expected on the acquisition of 145-153 High Street, 27 Holmesdale Road and Morrisons.

3.3.4 Formula Devolved Capital Grant (net reduction of £91k in 2015/16 to 2018/19)

Confirmation has been received from Department for Education on the 2015/16 Formula Devolved Capital Grant (£266k). This 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 £91k (£34k in 2015/16, £19k 2016/17, £19k in 2017/18 and £19k in 2018/19).

3.3.5 Manorfields – Temporary Accommodation (£450k increase in 2015/16)

Members are asked to approve the inclusion of £450k additional funding from GLA on the Manorfields refurbishment scheme. The funding will meet the cost of additional works required following the planning decision, replacement of the boiler and associated building works in order for the system to meet with current regulations.

3.3.6 Transport for London (TfL) – Revised Support for Highways and Traffic Schemes (£710k increase 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 increase of £710k 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.

3.3.7 Empty Homes Property Scheme (£170k increase in 2015/16)

An additional allocation of £120k was received from GLA on the Empty Homes Property Scheme. In conjunction with our bid to GLA for funding on Manorfields (para. 3.3.5), GLA have

accepted our bid for a further allocation of £50k on an additional 5 privately owned properties on the same basis as the previous year's bid, limited to £10k per unit. Members are asked to approve a net increase of £170k in 2015/16 on the Empty Homes Property scheme to reflect the funding available.

3.3.8 Biggin Hill Leisure Centre (£23k reduction in 2015/16)

Following the completion of the outstanding works relating to flat roof issues and cladding defects, the final payment of £72k (including retention) was paid to the contractor in June 2015. It is recommended that the residual budget of £23k on the Biggin Hill Leisure Centre scheme be deleted.

3.3.9 London Private Sector Renewal Scheme (£74k increase in 2015/16)

The London Private Sector Renewal Scheme is a revolving loan fund provided by the GLA and South East London Housing Partnership (SELHP) to allow Authorities to assist vulnerable home owners to maintain their properties to an adequate condition to allow them to remain safely in their own homes. There is no longer any new money provided by the funders and the scheme now functions on recycled funding. Members are asked to approve a net increase of £74k in 2015/16 on the London Private Sector Renewal Scheme to reflect the total funding available. This includes repayments of £1k on Home repair assistance grant, £12k on Home improvement loan, £4k on Handy person plus grant, and £57k on SELHP grant.

3.3.10 Section 106 receipts (uncommitted balance) – (net increase of £1,328k)

In July 2015, the Executive agreed that the Capital Programme budget should agree with the total of S106 receipts available to fund expenditure. Members are asked to agree a net increase of £1,328k in the Capital Programme budget for Section 106 to match the total funding available. As per the table below, this would leave a total budget of £8,276k (£1,248k in 2015/16 and £7,028k in 2016/17), which matches the total of available S106 receipts (as at Oct 2015) 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	0	3,000
Uncommitted balance (as at Oct 2015)	1,902	0	0	1,902
Housing Total	6,694	1,016	709	4,969
Education:				
Basic Need	706	456	250	0
Uncommitted balance (as at Oct 2015)	2,053	0	0	2,053
Education Total	2,759	456	250	2,053
Highways:				
Gosshill Road	209	0	209	0
Orpington Railway Station	80	0	80	0
Uncommitted balance (as at Oct 2015)	6	0	0	6
Highways Total	295	0	289	6
Total Section 106:	9,748	1,472	1,248	7,028

3.3.11 Scheme Rephasing

In the quarter 2 monitoring exercise, slippage of £19,680k has been identified and this has been re-phased from 2015/16 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 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). The latest estimate for 2015/16 has decreased to £9.2m from £9.8m reported in July. Estimates for 2016/17, 2017/18 and 2018/19 are now £7.5m, £1.0m and £1.0m respectively (£6.5m, £1.0m and £1.0m were reported in July). A total of £1m per annum is assumed for later years. The financing and balances projections shown in Appendix C reflect prudent assumptions for capital receipts.

Financing of the Capital Programme

3.5.1 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 £35.5m by the end of 2018/19 and would then reduce further to £32.9m 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 31/3/24
	£m	£m	£m
General Fund	20.0	20.4	20.4
Capital Receipts	28.9	15.1	12.5
	<hr/> 48.9	<hr/> 35.5	<hr/> 32.9

Investment Fund and Growth Fund

(formerly Economic Development and Investment Fund)

3.6 On 3rd September 2015 the Resources Portfolio holder approved the sale of Egerton Lodge 1 & 2 Park Road. The existing property generates an income of £34k per annum which would no longer be received. Members are asked to agree to set aside the capital receipts to increase the Council's Investment Fund to enable the purchase of investment properties to generate alternative revenue income.

3.7 To date, total funding of £80.8m 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 £53.5m has been spent to date, and schemes totalling £64.8m have been approved. The uncommitted balance currently stands at £9.2m for the Investment Fund and £6.8m for the Growth Fund.

In addition to the sums identified below, Members are asked to approve a further sum of £6.5m to be added to the Growth Fund, and to allocate £270k from the unallocated balance on the

Investment Fund to the Bromley Town Centre. Details are included in separate reports 'Budget Monitoring', and 'Bromley Town Centre Public Realm Improvements detailed design' elsewhere on the agenda.

<u>Investment Fund and Growth 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
Funding for Investment Fund	70,783
Funding for Growth Fund	10,000
	80,783
<u>Investment Fund</u>	
Total spend to 22nd September 2015	53,523
<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 (Bromley BID Project)	110
Approved by Executive 26th November 2014 (BCT Development Strategy)	135
Approved by Executive 12th February 2014 (147 - 153 High St)	38
Approved by Executive 24th March 2015 (Civic Centre for the future)	1
Approved by Executive 15/07/15 (Old Christchurch)	36
Approved by Executive 15/07/15 (Tilgate)	72
Approved by Executive 07/08/15 (L W Architectural Glass, Beaconsfield Rd)	6,269
Valuation for Biggin Hill and Westmoreland Rd	5
Strategic Property cost	258
Total further spending approvals	8,065
Uncommitted Balance on Investment Fund	9,195
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>Schemes Approved, but not spent</u>	
Approved by Executive 24th March 2015 (Housing Zone Bid (Site G))	2,700
Approved by Executive 24th March 2015 (Site G) - Specialist)	200
Renewal Team Cost	310
Total further spending approvals	3,210
Uncommitted Balance on Growth Fund	6,790

Section 106 Receipts

3.9 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) in Oct 2015 is shown below:

Specified capital works	Balance 31/03/15 £000	Receipts 2015/16 £000	Expenditure 2015/16 £000	Balance 23/10/15 £000
Housing	4,856	822	-	5,678
Education	1,591	712	-	2,303
Highways	0	295	16	279
TOTAL	6,447	1,829	16	8,260

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

3.10 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:

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)	Approved Capital Programme (Executive 15/07/15) Q1 Monitoring report (Executive 15/07/15). List of potential capital receipts from Valuation & Estates as at 11/09/15.