

Decision Maker: Executive
Council

Date: Executive 10th February 2016
Council 22nd February 2016

Decision Type: Non-Urgent Executive Key

Title: CAPITAL PROGRAMME MONITORING Q3 2015/16 & ANNUAL
CAPITAL REVIEW 2016 TO 2020

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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 2015/16 and presents for approval the new capital schemes 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 and no new bids are 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 rephrasing of a total of £5,456k from 2015/16 into 2016/17 (see paragraph 3.3.6) and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
 - (i) Increase of £79k in 2015/16 to reflect revised grant support from Transport for London for Highways and Traffic schemes (see para 3.3.1);
 - (ii) A net reduction of £6,347k in 2015/16 on the Council's Property Investment Fund scheme to reflect the latest update on successful property acquisitions (see para 3.3.2);

- (iii) Deletion of £13k residual balance on The Hill Multi-Storey Car Park and Bromley Town Centre Car Parking capacity schemes, which have both reached completion. (see para 3.3.3)**
- (iv) To allocate the remaining Highways Section 106 balance of £6k to the relevant schemes; Gosshill Road (£4k) and Orpington Railway Station scheme (£2k) (see para 3.3.4);**
- (v) Section 106 receipts from developers - net increase of £283k to reflect the funding available and the remaining unallocated balance (see para 3.3.5);**

Recommend to Council that:

- (i) The new scheme proposals listed in Appendix C be included in the Capital Programme (see para 3.4 & 3.5).**

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 decrease of £1,442k over the 5 years 2015/16 to 2019/20, mainly due to the overall net reduction of £6,347k in the Properties Investment Fund scheme and the schemes proposed in the 2016 annual review (£4,456k).
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £183.9 m over 5 years 2015/16 to 2019/20
 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 2015/16 and also seeks approval to the new capital schemes in the 2015 annual capital review process. The report is divided into two distinct parts; the first (paragraphs 3.3.1 to 3.3.6) 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 2015/16. The base position is the revised programme approved by the Executive on 2nd December 2015, as amended by variations approved at subsequent Executive meetings. If all the changes proposed in this report are approved, the total Capital Programme 2015/16 to 2019/20 would decrease by £1,442k, mainly due to the net reduction of £6,347k in the scheme Properties Investment Fund scheme, offset by the schemes proposed in the 2016 annual review (£4,456k). Estimated expenditure in 2015/16 would reduce by £5,456k due to the re-phasing of expenditure from 2015/16 into 2016/17. 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.

	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL 2015/16 to 2019/20
	£000	£000	£000	£000	£000	£000
Programme approved by Executive 02/12/15	79,925	75,271	14,549	4,486	0	174,231
Variations approved at subsequent Executive meetings (Appendix A)	9,451	1,612	0	0	0	11,063
Approved Programme prior to 3rd Quarter's Monitoring	89,376	76,883	14,549	4,486	0	185,294
Variations identified in Q3 monitoring exercise						
Variations requiring the approval of the Executive (Appendix A)	-6,281	283	0	0	0	-5,998
Variations not requiring approval:						
Scheme rephasings from 2015/16 to 2016/17 (Appendix B)	-5,456	5,456	0	0	0	0
Total Q3 Monitoring variations	-11,737	5,739	0	0	0	-5,998
New schemes (Appendix C)	0	0	0	0	4,456	4,456
Review of Corporate Customer Services I.T System (included elsewhere on the agenda)	0	100	0	0	0	100
Revised Capital Programme	77,639	82,722	14,549	4,486	4,456	183,852
Assumed Further Slippage (for financing purposes)	-2,500	-5,000	2,000	2,000	2,000	-1,500
Assumed New Schemes (to be agreed in future years)	0	0	0	2,500	2,500	5,000
	-2,500	-5,000	2,000	4,500	4,500	3,500
Total revised expenditure to be financed	75,139	77,722	16,549	8,986	8,956	187,352
Rounded for financing statement (Appendix D)	75,140	77,720	16,550	8,990	8,960	187,360

Q3 Capital Monitoring

3.3 Variations requiring the approval of the Executive (£5,998k net decrease)

3.3.1 Transport for London (TfL) – Revised Support for Highways and Traffic Schemes (£79k 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 £79k in 2015/16 has been received from TfL. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

3.3.2 Property Investment Fund (£6,347k reduction in 2015/16):

Members are asked to approve a net reduction of £6,347k in 2015/16 on the Property Investment Fund scheme. This is due to lower associated costs than expected on the acquisition of 33 - 35 Old Christchurch Road, and 4 Tilgate Forest Business Park, (£78k) and a reduction of £6,269k as a planned acquisition approved by the Executive on 7th August 2015 is not progressing now. Several issues related to the tenant's covenant, planning permission and repairs have come to light during the due diligence process and a decision was taken to withdraw from the acquisition.

3.3.3 The Hill Multi-Storey Car Park and Bromley Town Centre Car Parking capacity schemes (£13k reduction in 2015/16);

Following the completion of The Hill and Bromley Town Centre Car Parking schemes, it is recommended that the residual balance on The Hill Car Park scheme (£10k) and the Bromley Town Centre Car Parking scheme (£3k) be deleted from the Capital Programme. The post completion report for these two schemes was submitted to the Environment PDS Committee on 2nd February 2015.

3.3.4 Gosshill Road, Orpington Railway Station and Highways Section 106 unallocated balance:

On 15th July 2015, Members agreed to include the Gosshill Road (£289k) and Orpington Railway Station (£130k) schemes in the Capital Programme. The Gosshill Road project is funded by S106 receipts (£209k) and Transport for London grant (£80k) and the Orpington Railway Station project is funded by S106 receipts (£80k) and Transport for London grant (£50k). In the Capital Programme, there is an unallocated balance of S106 Highways receipts of £6k which relates to the interest on the S106 receipts for these two schemes. Members are asked to allocate the funding to the relevant schemes; £4k to Gosshill Road and £2k to Orpington Railway Station.

3.3.5 Section 106 receipts from developers (uncommitted balance) – (net increase of £283k):

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 £283k in the Capital Programme budget for Section 106 in respect of additional receipts since the last report to match the total funding available. As per the table below, this would leave a total budget of £8,559k (£1,248k in 2015/16 and £7,311k in 2016/17), compared with £8,276k

previously reported to December Executive, which matches the total of available S106 receipts (as at Dec 2015).

	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 (£5.9m - £3m PIL £2.9m Growth Fund)	3,000	0	0	3,000
Uncommitted balance (as at Dec 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 Dec 2015)	2,336	0	0	2,336
Education Total	3,042	456	250	2,336
Highways:				
Gosshill Road	213	0	209	4
Orpington Railway Station	82	0	80	2
Highways Total	295	0	289	6
Total Section 106:	10,031	1,472	1,248	7,311

3.3.6 Scheme Rephasing

As part of the 3rd quarter monitoring exercise, £5,456k has been re-phased from 2015/16 into 2016/17 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 £48.9m (including unapplied capital receipts) as at 31st March 2015. 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 and Traffic schemes and feasibility studies) as summarised in Appendix C, no additional bids were submitted. Apart from the budget for feasibility studies (£40k) the bids in this report will not require funding from Council resources. However, a separate report 'Review of Corporate Customer Services I.T system' elsewhere on the agenda asks Members to approve the inclusion of £100k in the capital programme. The figures in this report have taken this into account. 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 2015/16 to 2019/20 are included elsewhere on the agenda in a confidential appendix to this report (Appendix E). The latest estimate for 2015/16 has decreased to £3.8m from £9.2m as reported in December, mainly due to estimated slippage on the disposal of three properties from 2015/16 to 2016/17. Estimates for 2016/17, 2017/18 and 2018/19 are now £13.4m, £5.0m and £1.0m respectively (£7.5m, £1.0m and £1.0m were reported in December). A total of £1m per annum is assumed for receipts yet to be identified in later years.

A net increase of £4.5m on anticipated property receipts in the years 2015/16 to 2019/20 (£23.2m compared with £18.7m reported in December 2015) is mainly due to a significant increase in the estimated receipts for five properties, offset by a reduction in the estimated capital receipt for Beaverwood Depot. It was originally intended to change the Site's planning designation as part of the Local Plan process, but this has not progressed and will now be reassessed. As a result of the current uncertainty the estimated receipt for this property has been reduced to zero. 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 £48.9m (General Fund £20.0m and capital receipts £28.9m) at the end of 2014/15 to £45.7m by the end of 2018/19 and would then reduce further to £41.1m 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	25.3	20.7
	<u>48.9</u>	<u>45.7</u>	<u>41.1</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.

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total Capital Expenditure	<u>75,140</u>	<u>77,720</u>	<u>16,550</u>	<u>8,990</u>	<u>8,960</u>	<u>187,360</u>
Financed by:						
Usable Receipts	4,417	18,849	2,904	4,454	4,424	35,048
Revenue Contributions	33,567	7,882	420	270	270	42,409
Government Grants	29,416	33,123	9,226	266	266	72,297
Other Contributions	7,740	17,866	4,000	4,000	4,000	37,606
Total	<u>75,140</u>	<u>77,720</u>	<u>16,550</u>	<u>8,990</u>	<u>8,960</u>	<u>187,360</u>

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 £6,447k 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 31/12/15 £000
Housing	4,856	822	5	5,673
Education	1,591	995	0	2,586
Highways	0	295	100	195
TOTAL	6,447	2,112	105	8,454

Investment Fund and Growth Fund

(formerly Economic Development and Investment Fund)

- 3.9 To date, total funding of £87.4m has been placed in the earmarked reserves (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. Members approved an additional allocation of £6.5m to the Growth Fund in December 2015. A total of £62.8m has been spent to date, and schemes totalling £68.1m have been approved (£64.9m on Investment Fund, and £3.2m on Growth Fund). The uncommitted balances currently stand at £6.0m for the Investment Fund and £13.3m for the Growth Fund. In addition Members have previously approved a further £15m for investment property acquisitions, to be funded by capital receipts.

Investment 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
Approved by Executive 15th October 2014	90
Approved by Executive 26th November 2014 (Transfer to Growth Fund)	-10,000
New Home Bonus (2014/15)	5,040
Approved by Executive 11th February 2015	4,400
Approved by Executive 10th June 2015	10,165
Approved by Executive 2nd December 2015 (New Homes Bonus)	141
Total funding approved	70,924
Total spend to 21st January 2016	(62,846)
Schemes Approved, but not spent	
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 2nd December 2015 (Bromley Centre Town)	(270)
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 15th January 2016 (Newbury House)	(38)
Approved by Executive 15th January 2016 (Unit G Hubert Rd)	(80)
Valuation for Biggin Hill and Westmoreland Rd	(5)
Strategic Property cost	(258)
Total further spending approvals	(2,076)
Uncommitted Balance on Investment Fund	6,002
In addition to the sum identified above, on 11th February 2015 Members have approved a further provision of £15m to supplement the Investment Fund in 2016/17 (to be met from capital receipts)	
Growth Fund:	£'000
Funding:	
Approved by Executive 26th November 2014 (Transfer from Investment Fund)	10,000
Approved by Executive 2nd December 2015	6,500
Total funding approved	16,500
Schemes Approved, but not spent	
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	13,290

3.10 In addition to the sums identified above, a report elsewhere on the agenda recommends that a further sum of £7.4m be added to the Investment Fund as part of the 2016/17 budget proposals. This would bring the uncommitted balance on the Investment Fund up to £13.4m (excluding the £15m set aside from capital receipts).

Post-Completion Reports

- 3.11 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 are due to be submitted to the relevant PDS Committees before the end of the 2015/16 monitoring cycle:

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 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 financing projections continue to estimate that no General Fund support to the revenue budget will be required in future years. They 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 2018/19 onwards.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Approved Capital Programme (Executive 02/12/15). Q2 Monitoring report (Executive 02/12/15). List of potential capital receipts from Valuation & Estates as at 11/01/16.