

Decision Maker: RESOURCES PORTFOLIO HOLDER

Date: For pre-decision scrutiny by the Executive & Resources PDS Committee on 16th March 2016

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

Title: CAPITAL PROGRAMME MONITORING - 3ND QUARTER 2015/16 & ANNUAL CAPITAL REVIEW 2016 TO 2020

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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for report

On 10th February 2016, the Executive received a report summarising the current position on capital expenditure and receipts following the 3rd quarter of 2015/16 and presenting for approval the new capital schemes in the annual capital review process. The Executive agreed a revised Capital Programme for the five year period 2015/16 to 2019/20. 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 and detailed comments on individual schemes are included at Appendix B.

2. **RECOMMENDATION(S)**

The Portfolio Holder is asked to note and confirm the changes agreed by the Executive on 10th February 2016.

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. 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". 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 reduction of £6.3m to reflect latest updates on investment property acquisitions
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: £51.2m for the Resources Portfolio over five 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: 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 10th February, following a detailed monitoring exercise carried out after the 3rd quarter of 2015/16. The Executive also considered and approved new capital schemes 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 10th February 2016

3.2 The base position prior to the 3rd quarter's monitoring exercise was the revised programme approved by the Executive on 2nd December 2015, 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 3.6. The revised Programme for the Resources Portfolio is attached as Appendix A and detailed comments on individual schemes are included at Appendix B.

	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	29,987	17,986	30	30	0	48,033
Property Investment Fund						
- additional acquisition (Exec 15/12/15)	9,411	0	0	0	0	9,411
Approved Programme prior to Q3 Monitoring	39,398	17,986	30	30	0	57,444
<u>Variations approved by Executive 10/02/16</u>						
Property Investment Fund (see para 3.3)						
- acquisition not progressing / reduced costs	-6,347	0	0	0	0	-6,347
Schemes rephased from 2015/16 into 2016/17 (see para 3.4)	-1,307	1,307	0	0	0	0
Total Q3 Monitoring variations	-7,654	1,307	0	0	0	-6,347
Review of Corporate Customer Service I.T System (Exec 10/02/16)	0	100	0	0	0	100
Revised Resources Capital Programme	31,744	19,393	30	30	0	51,197

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

In February, the Executive agreed a net reduction of £6,347k on the Property Investment Fund scheme. This was due to lower associated costs than expected on the acquisition of two properties (£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.

3.4 Schemes rephased from 2015/16 into 2016/17

As part of the 3rd quarter monitoring exercise, £1,307k has been rephased from 2015/16 into 2016/17 to reflect revised estimates of when expenditure on Resources schemes 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.

Capital Expenditure – Rephasing in Q3 monitoring	2015/16 £000	2016/17 £000
Emergency Works on Surplus Sites	-40	40
Performance Management/Children's Services - information technology	-132	132
Replacement of MD110 telephone switch	-193	193
Replacement of Storage Area Networks	40	-40
Rollout of Windows 7 and Office 2010	-104	104
SharePoint Productivity Platform upgrade/replacement	-339	339
Upgrade of Core Network Hardware	-129	129
Windows Server 2003 replacement program	-410	410
Total Resources Programme rephasing	-1,307	1,307

Annual Capital Review – new scheme proposals

- 3.5 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.
- 3.6 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), no additional bids were submitted. 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.

Post-Completion Reports

- 3.7 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. Post-completion reports on the following schemes are currently due for the Resources Portfolio before the end of the 2015/16 monitoring cycle:

- Former Chartwell Business Centre – improvement works
- Increasing Network Security
- Civic Centre Cabling Renewal

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 10th February 2016. Changes agreed by the Executive for the Resources Portfolio Capital Programme are set out in paragraph 3.2.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Approved Capital Programme (Executive 02/12/15). Capital Q3 monitoring report (Executive 10/02/16).