

**Decision Maker:** Executive

**Date:** 15<sup>th</sup> June 2016

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

**Title:** CAPITAL PROGRAMME OUTTURN 2015/16

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**Chief Officer:** Director of Finance

**Ward:** All

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1. Reason for report

1.1 This report sets out the final outturn on capital expenditure and receipts for 2015/16. Capital expenditure in the year was £76.2m, compared to the final approved budget of £81.3m, agreed in February 2016 (adjusted for the further £3.7m property acquisitions approved in March 2016), resulting in a total net variation of Cr £5.1m. For funding purposes, £2.5m slippage was assumed in Quarter 3 capital monitoring report, so there was an overall variation of Cr £2.6m in the use of capital receipts and external and revenue contributions.

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2. **RECOMMENDATION(S)**

2.1 **The Executive is requested to:**

- (a) note the report; and
- (b) approve the carry forward of the unspent capital budget (£8k) on the block provision for emergency works to surplus sites, as detailed in paragraphs 3.10 and 3.11.

## 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 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: Not Applicable: No additional cost.
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head: £81.3m in 2015/16
  5. Source of funding: Capital receipts, external grants/contributions & revenue contributions
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## Staff

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours: N/A
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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 Programme Outturn 2015/16**

- 3.1 The final capital outturn for the year was £76.2m, compared to the revised budget of £81.3m approved by Executive in February 2016 (adjusted for the £3.7m further property acquisitions approved by Executive in March 2016). The total net variation of Cr £5.1m is mainly due to slippages which will be re-phased into 2016/17 as shown in Appendix 2. The main variations are Cr £1.2m relating to the Glebe expansion works, a note on which is included in paragraph 3.4, and Cr £1.6m relating to the various TfL schemes. The remaining net variation of Cr £2.3m is mainly due to delays in commencing projects. The variations detailed in paragraphs 3.4 to 3.9 have all arisen since the 3rd quarter capital monitoring report.
- 3.2 As set out in the Capital Programme Monitoring (quarter 3) report to Executive on 10<sup>th</sup> February 2016, further slippage of £2.5m was assumed for financing purposes, so the net variation in the overall use of capital receipts, external grants/contributions and revenue contributions is Cr £2.6m.
- 3.3 Appendices 1 and 2 provide a breakdown of the overall capital expenditure in 2015/16 analysed between Portfolios and schemes. Appendix 3 provides a breakdown of the Original Capital Programme for 2015/16 and changes agreed during 2015/16 to arrive at the Latest Approved Capital Programme.

#### **Education Portfolio**

- 3.4 There was total slippage of £2.2m on schemes in the Education Portfolio compared to a total Portfolio budget of £31.9m. This was mainly due to £1.2m slippage on the Glebe expansion works. The works at Glebe School were due to complete in April, but are now due to complete in August 2016. There are a number of factors that have contributed to the delays by the contractor, and the responsible officer is monitoring the progress closely and ensuring that the Council is applying any actions available to it under the terms of the contract to minimise any further delays. The remaining £1.0m comprised a number of small variations on various schemes including £0.3m on Capital Maintenance in Schools, £0.2m on Seed Challenge Funding, £0.2m on Basic Needs, and £0.1m on Access Initiatives. All of these variations will be re-phased into 2016/17.

#### **Care Services Portfolio**

- 3.5 There was an overall slippage of £0.9m on schemes in the Care Services Portfolio compared to a total Portfolio budget of £4.0m. This comprised a number of small variations including £0.3m Social Care Grant, £0.2m Mental Health Care Grant, and £0.2m on Star Lane Traveller Site. There were minor delays on the Star Lane Traveller Site due to investigation on the internal pipes within the site to ensure that it was compliant with Thames Water requirements. The Social Care Grant and Mental Health Care Grant are allocated each year to local authorities to support the reconfiguration and modernisation of social care services. The expenditure in 2015/16 was slightly lower than anticipated in the 3<sup>rd</sup> quarter monitoring as projects are only identified in year in order to maximise the benefit of the grants for one off expenditure.

#### **Environment Portfolio**

- 3.6 There was an overall net variation of Cr £1.3m on schemes in the Environment Portfolio compared to a total Portfolio budget of £7.8m. This was mainly due to slippage of £1.4m on Highway & Traffic schemes fully funded by Transport for London (against a budget of £5.5m). This was partly offset by overspends on other schemes, primarily the Beckenham Town Centre Improvements scheme, for which the available budget in 2016/17 will be reduced accordingly. Grant allocations from TfL change frequently, often due to changes in project specification, and

any variations are reported in the subsequent capital monitoring reports. Since the 3rd quarter capital monitoring report, there has been a reduction of £0.2m to the 2015/16 grant from TfL, mainly due to various schemes that were re-phased into 2016/17.

### Public Protection & Safety Portfolio

- 3.7 There was slippage of £0.1m on the only scheme in the Public Protection & Safety Portfolio (total budget £0.3m). There were minor delays on the CCTV control room refurbishment scheme due slight changes on the specification, as one of the lower cost options was adopted. Once all the outstanding works have been completed, the residual balance will be removed from the programme as part of the quarterly capital monitoring during 2016/17.

### Renewal & Recreation Portfolio

- 3.8 There was an overall slippage of £0.4m on schemes in the Renewal & Recreation Portfolio compared to a total Portfolio budget of £1.9m. This comprised a number of small variations including £0.1m on Bromley North Village Public Realm Improvement scheme.

### Resources Portfolio

- 3.9 There was an overall variation of Cr £0.2m on schemes in the Resources Portfolio compared to a total Portfolio budget of £35.4m. This is due to £0.1m lower associated cost (mainly legal fees) on property acquisitions (against a budget of £33.9m), and £0.1m slippage on the SharePoint Productivity Platform upgrade scheme.

### Block Capital Provisions

- 3.10 There was a net underspend of £87k in respect of block capital provisions for 2015/16, which is broken down in the table below:-

	Estimate 2015/16 £'000	Actual 2015/16 £'000	Variation 2015/16 £'000
<b>Renewal &amp; Recreation</b>			
Emergency Work on Surplus Sites	8	0 Cr	8
<b>Education &amp; Care Services</b>			
Disabled Facilities Grants (DFG)	1,000	1,030	30
Disabled Facilities Grants - Loan Repayments	0 Cr	109 Cr	109
	1,000	921 Cr	79
<b>TOTAL</b>	<b>1,008</b>	<b>921 Cr</b>	<b>87</b>

- 3.11 The number of surplus sites/properties being held by the Property Division has increased in recent years, with a consequent increase in management and health and safety costs being incurred prior to disposal. The Executive is asked to approve the carry forward of the underspend of £8k relating to emergency works on surplus sites. A carry-forward is not requested in respect of the net DFG underspend of £79k. The unapplied portion of the DFG capital grant received to 31<sup>st</sup> March 2016 (a total of £69k) will be available to fund expenditure in 2016/17.

### Financing of the Capital Programme

- 3.12 The financing of 2015/16 capital expenditure is compared below with the latest estimates reported in February capital monitoring (adjusted for the subsequent variation approved by Executive in March).

Source of Finance	Estimate £m	Actual £m	Variation £m
Approved Qtr. 3 Capital Programme (Executive 10/02/16)	77.6		
Further property acquisitions (Executive 23/03/16)	3.7		
Total Approved Capital Programme	81.3		
Less: assumed slippage for financing purposes	Cr 2.5		
Total Capital Expenditure (net of slippage)	78.8	76.2	Cr 2.6
Financed By			
Usable Receipts	4.4	3.4	Cr 1.0
Revenue Contributions	37.3	38.6	1.3
Government Grants	29.4	28.5	Cr 0.9
Other Contributions	7.7	5.7	Cr 2.0
Total	78.8	76.2	Cr 2.6

3.13 During 2015/16, capital monitoring reports have been considered by the Executive on a quarterly basis, in July 2015, December 2015 and February 2016, and reported changes have been incorporated in revised approved Capital Programmes. These have similarly been reported quarterly to the individual PDS Committees. For information, Appendix 3 provides a comparison between the latest approved budget and the original approved budget for the year (agreed in February 2015).

### Capital Receipts

3.13 Under the “prudential” capital system in operation from 1<sup>st</sup> April 2004, most capital receipts are “usable” and may be applied to finance capital expenditure. The final outturn in 2015/16 for new capital receipts from asset disposals was £3.8m, matching the estimated figure reported to the Executive in February 2016. In addition, other capital receipts (mainly loan repayments and Right to Buy (RTB) receipts from Affinity Sutton Housing Association) totalling £3.6m were received during the year.

3.15 The table below provides a breakdown of the unapplied capital receipts totalling £32.8m that will be carried forward to finance expenditure in 2016/17 and later years. Only £3.4m was applied during 2015/16 as the total revenue contributions and external contributions were almost sufficient to cover total capital expenditure. As has been the case for the last twelve years, no contribution from the General Fund was required in 2015/16. To date, £16.2m of capital receipts has been earmarked to supplement the Investment Fund for the purchase of investment properties, so a total of £16.6m remains available to finance capital expenditure in future years.

	Usable Receipts £'000
Unapplied Balance b/f April 2015	28,850
Total receipts during 2015/16	7,361
Receipts applied to finance expenditure	Cr 3,412
Unapplied Balance c/f at 31 March 2016	<b>32,799</b>
Receipts earmarked for Investment Properties	Cr 16,216
Balance available to fund future expenditure	<b>16,583</b>

### Section 106 Receipts

3.16 In addition to capital receipts, the Council is holding a significant sum in respect of Section 106 capital contributions received from developers in recent years. 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. Section 106 receipts are held as a receipt in advance on the Council's balance sheet, the balance of which increased from £6,447k as at 31<sup>st</sup> March 2015 to £8,063k as at 31<sup>st</sup> March 2016, as new receipts in the year exceeded those that were used to finance actual capital expenditure. The remaining balance will be used to finance capital expenditure from 2016/17 onwards. Balances and in-year movements are shown in the following table.

Agreed Service Area	Balance	Income	Expenditure	Balance
	b/f			c/f
	01/04/15			31/03/16
	£'000	£'000	£'000	£'000
Housing Provision	4,856	934	609	5,181
Education	1,591	1,210	0	2,801
Highways	0	295	214	81
	<b>6,447</b>	<b>2,439</b>	<b>823</b>	<b>8,063</b>

## Investment and Growth Funds

- 3.17 To help support the achievement of sustainable savings and income, the Council has set aside funding in the Investment Fund 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. Council approved an additional allocation of £6.5m in December 2015 and £6m in April 2016 to the Growth Fund.
- 3.18 Appendix 4 provides a detailed analysis of the Funds dating back to their inception in September 2011. A total of £67.2m has been spent to date, and schemes totalling £78.5m have been approved (£68.5m on Investment Fund, and £10m on Growth Fund). The Provisional Final Accounts 2015/16 report elsewhere on the agenda recommends that a further sum of £7m to be added to the Growth Fund. If this is approved, the uncommitted balance as at 31st March 2016 will be £18.6m for the Investment Fund and £19.5m for the Growth Fund. This includes the £16.2m total funding from capital receipts that has been approved to date.
- 3.19 On 22nd February 2016, Council approved additional £7.4m funding from New Homes Bonus for the Investment Fund as part of 2016/17 budget. In addition, on 18th May 2016, in considering the Growth Fund Review report, Executive approved £180k expenditure from the Growth Fund to carry out a feasibility study for an enterprise centre in Bromley and a strategic assessment of potential growth sites.

## 4. POLICY IMPLICATIONS

- 4.1 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 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".

## 5. FINANCIAL IMPLICATIONS

- 5.1 There was no requirement for a General Fund contribution to finance capital expenditure in 2015/16, although there was an earmarked revenue contribution of £38.6m towards the cost of

specific capital schemes. This comprised contributions in respect of a number of capital schemes, including £33.8m from the Investment Fund for property acquisitions, and £1.6m from the Invest to Save Fund for the street lighting replacement programme. Capital receipts totalling £32.8m were available as at 31<sup>st</sup> March 2016 to finance future capital spending priorities compared to an estimate of £28.3m in February. This is mainly due to the RTB capital receipts from Affinity Sutton Housing Association. The provisional revenue outturn is reported elsewhere on the agenda.

- 5.2 Post-completion reports on capital schemes have been (and will continue to be) submitted to PDS Committees within 12 months of completion. A revised Capital Programme and capital financing statement will be included in the next quarterly monitoring report to be considered at the July meeting of the Executive.

<b>Non-Applicable Sections:</b>	Legal & Personnel Implications
Background Documents: (Access via Contact Officer)	Approved Capital Programme (Executive 10/02/16). Acquisition of Investment Property (Executive 23/03/16)