
Decision Maker: Executive

Date: 20th July 2016

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – 1ST QUARTER 2016/17

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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 1st quarter of 2016/17 and seeks the Executive's approval to a revised Capital Programme.

2. **RECOMMENDATIONS**

The Executive is requested to:

- (a) Note the report, including the rephasing of £4,816k from 2015/16 into 2016/17 and £24,909k from 2016/17 into 2017/18 (see paragraph 3.3.13) and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
 - (i) Reduction of £600k over four years 2016/17 to 2019/20 on School Access Initiative (see para 3.3.1);
 - (ii) Reduction of £76k on the Property Investment Fund scheme to reflect reduced associated costs on completed acquisitions. (see para 3.3.2);
 - (iii) Reduction of £19k on Manorfields – Temporary Accommodation scheme and reduction of £11k on Woodland Improvements Programme to reflect funding received (see para 3.3.3);
 - (iv) Transport for London (TfL) – Revised Support for Traffic and Highways Schemes (£19k additions in 2016/17) (see para 3.3.4);

- (v) Inclusion of £116k funding from Historic England on Crystal Palace Park Improvements scheme (see para 3.3.5);
- (vi) Inclusion of £309k funding from Education Funding Agency for Basic Need (see para 3.3.6);
- (vii) Addition of £644k in 2016/17 relating to the annual revenue contributions to Bromley Mytime Investment Fund (see para 3.3.7);
- (viii) Increase of £739k in 2016/17 on Disabled Facilities Grant funded scheme to reflect the latest grant approvals (see para 3.3.8);
- (ix) Transfer (virement) of £50k from the budget for Social Care Grant to Performance Management/Children's Services - information technology to support the Eclipse system (see para 3.3.9);
- (x) Deletion of £13k residual balance on the Joint Web Platform scheme and Former Chartwell Business Centre scheme, which have both reached completion (see para 3.3.10);
- (xi) Increase of £434k in 2016/17 on Carbon Management Programme (Invest to Save funding) to reflect the latest total repayment and funding available (see para 3.3.11);
- (xii) Section 106 receipts from developers - net increase of £329k in 2016/17 to reflect the funding available and remaining unallocated balance (see para 3.3.12);
- (c) To set aside capital receipts from the sale of Banbury House for the Council's Investment Fund to generate alternative revenue income (see para 3.7);
- (d) Note that a report elsewhere on the agenda requests approval of £110k from the Growth Fund to fund the costs associated with establishing Business Improvement Districts.

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". 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 £1.9m over the 4 years 2016/17 to 2019/20, mainly due to £739k additional Disabled Facilities grant and inclusion of £644k revenue contribution to Bromley Mytime Investment Fund
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £120.9m over 4 years 2016/17 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): 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 1st quarter of 2016/17. The base position is the revised programme approved by the Executive on 10th February 2016, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report are approved, the total Capital Programme 2016/17 to 2019/20 would increase by £6,687k, mainly due to £739k additional Disabled Facilities grant and the inclusion of £644k revenue contribution to Bromley Mytime Investment Fund.

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

	2016/17	2017/18	2018/19	2019/20	TOTAL 2016/17 to 2019/20
	£000	£000	£000	£000	£000
Programme approved by Executive 10/02/16	82,722	14,549	4,486	4,456	106,213
Variations approved at subsequent Executive meetings	7,625	0	0		7,625
Approved Programme prior to 1st Quarter's Monitoring	90,347	14,549	4,486	4,456	113,838
Variations requiring the approval of the Executive	2,321	-150	-150	-150	1,871
Variations not requiring approval:					
Net underspendings in 2015/16 rephased into 2016/17	4,816	0	0	0	4,816
Net rephasing from 2016/17 into 2017/18	-24,909	24,909	0	0	0
Total Amendment to the Capital Programme	-17,772	24,759	-150	-150	6,687
Total Revised Capital Programme	72,575	39,308	4,336	4,306	120,525
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)	62,575	41,308	8,836	8,806	121,525

3.2 Variations approved at subsequent Executive meetings

- 3.2.1 As detailed in Appendix A, variations of £7.6m have been approved since the February meeting of Executive. This mainly comprises £6.5m for further property acquisitions funded by the Investment Fund and £958k additional 2016/17 Capital Maintenance Grant from Department for Education.

3.3 Variations requiring the approval of the Executive (£1,871k net increase)

3.3.1 School Access Initiative (net reduction of £600k in 2016/17 to 2019/20)

As part of the savings required to balance the 2016/17 Schools Budget (DSG), agreed by the Portfolio Holder for Education, the Direct Revenue Financing for Schools Access Initiative has been ceased. Any future funding for this scheme will need to be vired from other schemes e.g. Basic Need.

3.3.2 Property Investment Fund (£76k reduction in 2016/17)

Members are asked to approve a reduction of £76k in 2016/17 on the Property Investment Fund scheme due to lower than expected costs (mainly legal) associated with the completed acquisitions of Newbury House, Unit G Hubert Road, and British Gas Training Centre.

3.3.3 Manorfields - Temporary Accommodation (£19k reduction in 2016/17) and Woodland Improvement Programme (£11k reduction in 2016/17)

In December 2015, Members approved the inclusion of £450k grant funding from GLA on the Manorfields refurbishment scheme to meet the additional cost of works required on replacement of the boiler and associated building works in order to meet with current regulations. Members are asked to agree a £19k reduction on the scheme to reflect the revised expenditure and funding received from GLA.

The Woodland Improvements Programme is funded from the Forestry Commission to enhance and sustain 30 of Bromley's woodland sites. Members are asked to approve a £11k reduction on the scheme to reflect the revised expenditure and funding received from the Forestry Commission.

3.3.4 Transport for London (TfL) – Revised Support for Traffic and Highways Schemes (£19k increase in 2016/17)

Provision for transport schemes to be 100% funded by TfL was originally included in the Capital Programme 2016/17 to 2019/20 on the basis of the bid in the Borough Spending Plan (BSP). Notification of an overall increase of £19k in the 2016/17 grant has been received from TfL. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

3.3.5 Crystal Palace Park Improvements (£116k increase in 2016/17)

In February 2016, the Council was awarded £116k grant from Historic England towards conservation works at Crystal Palace Park. The grant will fund the conservation of the South Terrace Steps and the works will be completed at the same time as the Sphinxes conservation. Members are asked to agree the inclusion of £116k in 2016/17 on the Crystal Palace Park Improvements scheme.

3.3.6 Basic Need (£309k increase in 2016/17)

The updated Basic Need Programme was approved by Executive on 23rd March 2016. The works at Trinity (Princes Plain) School includes £309k grant funding for Education Funding Agency (EFA) for a multi-use games area (MUGA). Members are asked to agree the inclusion of £309k into the Capital Programme to reflect the total funding available.

3.3.7 Bromley Mytime Investment Fund (£644k increase in 2016/17)

There is an annual provision in the revenue budget for a contribution towards capital investment in Council leisure centres managed by Bromley MyTime, and Members are asked to approve the inclusion of £644k in 2016/17, which will bring the total contribution to £2,514k.

3.3.8 Disabled Facilities Grant (£739k increase in 2016/17)

The Disabled Facilities Grant (DFG) and Adult Social Care Grant became part of the Better Care Fund in 2015/16 rather than being funded under separate funding streams. This totalled £1,605k in 2015/16, split £942k DFG and £663k Adult Social Care Grant.

In 2016/17 the overall allocation from BCF for capital increased. The BCF allocation for Adult Social Care grant ceased and the funding was transferred to the Disabled Facilities Grant. The overall capital allocation for 2016/17 totals £1,681k. BCF grant is ringfenced and subject to consultation with our health partners. Members are requested to approve this increase of £739k in 2016/17.

3.3.9 Social Care Grant and Performance Management/Children's Services – I.T

On 12th January 2016, the Care Service Portfolio Holder reviewed the renewal of the Carefirst System and external hosting options available. Following the outcome of the works on the potential implementation of the new Eclipse platform for the Children's Social Care system, Executive are requested to agree to vire £50k from the Social Care Grant to Performance Management/Children's Service – I.T scheme to support works on the new Eclipse System..

3.3.10 Former Chartwell Business Centre Improvement Works and Joint Web Platform (£13k reduction in 2016/17)

Following the completion of the Former Chartwell Business Centre improvement works and Joint Web Platform schemes, it is recommended that the residual balances on these schemes (£11k and £2k respectively) be deleted from the Capital Programme. The Former Chartwell Business Centre improvement works post completion report was submitted to the Executive & Resource PDS Committee on 7th July 2016, and as required by the Capital Programme Procedures a post completion report for Joint Web Platform scheme will be submitted to the same committee within one year of completion.

3.3.11 Carbon Management Programme - Invest to Save funding (£434k increase in 2016/17)

The Carbon Management programme is an Invest to Save scheme approved by Members in February 2008. The scheme is funded from a revolving loan (£250k by Salix and £250k by the Council), and aims to reduce both the Council's energy use and its impact on the climate. As at 31st March 2016, the total expenditure is £907k, with total repayment of £841k. Executive is asked to approve an increase of £434k on the Carbon Management scheme to reflect the remaining funding available.

3.3.12 Section 106 receipts – net increase of £329k in 2016/17 (£328k increase on uncommitted balance and £1k increase on Orpington Station)

In July 2015, the Executive agreed that the Capital Programme budget should reflect the total of S106 receipts available to fund expenditure. Members are asked to agree a net increase of £329k in the Capital Programme budget for Section 106 in respect of additional receipts since the last report to match the total funding available. This includes an additional £328k to the uncommitted balance and £1k interest on the Orpington Station scheme.

3.3.13 Scheme Rephasing

The 2015/16 Capital Outturn was reported to the Executive on 15th June 2016. The final capital outturn for the year was £76.2m compared to a revised budget of £81.3m. After allowing for other net variations of £0.3m, a total of £4.8m has been re-phased from 2015/16 into 2016/17.

In the quarter 1 monitoring exercise, slippage of £24.9m has been identified and this has been re-phased from 2016/17 into 2017/18 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 2016/17 to 2019/20 are included in Appendix E to this report to be considered under part 2 proceedings of the meeting. Actual receipts from asset disposals totalled some £3.8m in 2015/16 (excluding “other” capital receipts), matching the estimated figure reported to the Executive in February 2016. The latest estimate for 2016/17 has decreased to £10.6m from £13.4m reported in February (again excluding “other” capital receipts). Estimates for 2017/18, 2018/19 and 2019/20 remain at £5.0m, £1.0m and £1.0m respectively, as was reported in February. A total of £1m per annum is assumed for receipts yet to be identified in later years. The financing and balances projections shown in Appendix E reflect prudent assumptions for capital receipts. Subject to the approval of Council on 4th July 2016, there will be a significant further receipt relating to the Civic Centre development strategy. This and the associated capital expenditure will be included in the second quarter Capital Monitoring report.

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 £49.6m (General Fund £20.0m and capital receipts £29.6m) at the end of 2015/16 to £34.0m by the end of 2019/20 and would then reduce further to £29.4m by the end of 2023/24.

	Balance 01/04/16	Estimated Balance 31/03/20	Estimated Balance 31/03/24
	£m	£m	£m
General Fund	20.0	14.1	14.1
Capital Receipts	29.6	19.9	15.3
	49.6	34.0	29.4

Investment Fund and Growth Fund

- 3.6 To date, total funding of £124.1m has been placed in the Investment Fund and Growth Fund earmarked reserves to contribute towards the Council’s economic development and investment opportunities. In November 2014, £10m was set aside in the Growth Fund to support growth initiatives in Biggin Hill, the Cray Valley and Bromley Town Centre. Council approved additional allocations of £6.5m in December 2015, £6m in March 2016 and £7m in June 2016 to the Growth Fund. Appendix D 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 £87m have been approved (£76.8m on Investment Fund, and £10.2m on Growth Fund). The uncommitted balance as at June 2016 stands at £17.8m for the Investment Fund and £19.3m for the Growth Fund.
- 3.7 Following scrutiny by Executive and Resources PDS Committee on 6th January 2016, the Resources Portfolio holder approved the sale of Banbury House. The existing property generated an income of £88k per annum which would no longer be received. As requested in that report, Executive is asked to agree that the capital receipt is set aside to increase the Council’s Investment Fund to help generate alternative revenue income. If approved, the uncommitted balance on the Investment Fund will increase by the capital receipt from the sale.

- 3.8 A report elsewhere on the agenda requests the approval of £110k to fund the cost associated with establishing Business Improvement Districts in Penge and Beckenham Town Centres, which, if approved, will reduce the uncommitted balance on the Growth Fund to £19.2m.

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 as a receipt in advance on the Council's Balance Sheet, the balance of which stood at £8,064k as at 31st March 2016, and will be used to finance capital expenditure from 2016/17 onwards. The current position on capital Section 106 receipts (excluding commitments) is shown below:

Specified capital works	Balance 31/03/16 £000	Receipts 2016/17 £000	Expenditure 2016/17 £000	Balance 01/06/16 £000
Housing	5,181	-	-	5,181
Education	2,801	-	-	2,801
Highways	82	-	-	82
TOTAL	8,064	-	-	8,064

A separate report requesting the allocation of £106k Section 106 receipts to the Orpington Town Centre – Walnut Centre was submitted on 5th July 2016 to the Recreation and Renewal PDS. Subject to the approval of the Portfolio Holder, a request will be made to Executive in the Quarter 2 Capital Monitoring report for the inclusion of £106k into the Capital Programme.

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 are due to be submitted to the relevant PDS Committees:

Increasing Network Security

Civic Centre Cabling Renewal

Joint Web Platform

Server Virtualisation

Financial systems upgrade/replacement of unsupported software

Office Accommodation Strategy

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 for the current approved programme. They also assume approval of the revised capital programme recommended in this report, together with an estimated £2.5m per annum 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 10/02/16) Q3 Monitoring report (Executive 10/02/16). Capital Programme Outturn 2015/16 report (Executive 15/06/16). List of potential capital receipts from Valuation & Estates as at 11/01/16. Basic Need Programme (Executive 23/03/16) Social Care Electronic Information Update (Care Service PDS 12/01/16)