Report No.
FSD17053

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Executive**
Date:	**20th June 2017**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**CAPITAL PROGRAMME OUTTURN 2016/17**
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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 2016/17. Capital expenditure in the year was £53.0m, compared to the final approved budget of £59.9m, agreed in February 2017 (adjusted for the further £6.2m investment property acquisition approved in March 2017), resulting in a total net variation of Cr £6.9m. For funding purposes, £3.5m slippage was assumed in the Quarter 3 capital monitoring report, so there was an overall variation of Cr £3.4m in the use of capital receipts and external and revenue contributions.

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2. RECOMMENDATIONS

2.1 The Executive is requested to:

(a) Note the report; and

(b) Approve the following amendments to the Capital Programme:

(i) Section 106 receipts from developers – net increase of £577k to the unallocated balance to reflect the funding available, as detailed in paragraph 3.2; and

(ii) Carry forward of the unspent capital budget (£10k) on the block provision for emergency works to surplus sites, as detailed in paragraphs 3.11 and 3.12.

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. For each of our portfolios and service priorities, the Council reviews its main aims and outcomes through the AMP process and identify those that require the use of capital assets. The 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:

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: £59.9m in 2016/17

5. Source of funding: Capital receipts, external grants/contributions & 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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Capital Programme Outturn 2016/17

3.1 The final capital outturn for the year was £53.0m, compared to the revised budget of £59.9m approved by Executive in February 2017 (adjusted for the £6.2m further property acquisition approved by Executive in March 2017). The total net variation is Cr £6.9m, the majority of which (Cr £5.0m) relates to uncommitted Section 106 balances. In July 2015 Executive agreed that the total funding available from Section 106 receipts from developers should be reflected in the capital programme, and as at the end of March 2017, the uncommitted balance of S106 receipts for Education and Housing was £2.8m and £2.2m respectively. The remaining net variation of Cr £1.9m is mainly due to slippages which will be re-phased into 2017/18 as shown in Appendix 2. The variations detailed in paragraphs 3.5 to 3.10 have all arisen since the 3rd quarter capital monitoring report.

3.2 Since the last capital monitoring report, an additional £577k of Section 106 receipts has been received; £77k relating to Education and £500k relating to Housing. Members are asked to agree the additional S106 receipts be reflected in Capital Programme budget for 2017/18 to match the total funding available.

3.3 As set out in the Capital Programme Monitoring (3rd quarter) report to Executive on 8th February 2017, further slippage of £3.5m was assumed for financing purposes, so the net variation in the overall use of capital receipts, external grants/contributions and revenue contributions is Cr £3.4m.

3.4 Appendices 1 and 2 provide a breakdown of the overall capital expenditure in 2016/17 analysed between Portfolios and schemes. Appendix 3 provides a breakdown of the Original Capital Programme for 2016/17 and changes agreed during 2016/17 to arrive at the Latest Approved Capital Programme.

Education Portfolio

3.5 The slippage for Education schemes, excluding unallocated Section 106, is £0.7m against a budget of £13.3m. This is mainly due to £0.6m on the Glebe expansion works and £0.5m on Beacon House refurbishment in which both projects are now in defect period and will be reviewed as part of the quarterly capital monitoring during 2017/18. Other slippages include £0.5m on Capital Maintenance in schools and £0.2m on a number of other minor variations on other schemes. This was partly offset by a £1.1m overspend in Basic Need where projects have accelerated and overspends will be deducted accordingly in 2017/18 budgets. All variations have been re-phased into 2017/18. There is also slippage of £2.8m on the unallocated S106 balance, resulting in an overall variation of £3.5m for the Education portfolio, compared to a total budget of £16.1m.

Care Services Portfolio

3.6 The variation for Care Services schemes excluding unallocated Section 106 is £0.6m against a budget of £2.1m. This comprised a number of variations including £0.3m PIL – Housing Zone Bid and Site G where a property purchase completed in late February, after the 3rd quarter capital monitoring, and a number of minor variations totalling £0.1m on other schemes. These overspends will be deducted accordingly from the 2017/18 budgets. There was also a £0.2m variation relating to Disabled Facilities Grants, which have increased since the 3rd quarter capital monitoring, and this will be funded from the additional grant received during 2016/17. The slippage of £2.2m on the unallocated S106 balance for Housing, results in an overall variation of £1.6m in the Care Services Portfolio, compared to a total portfolio budget of £4.3m.

Environment Portfolio

3.7 There was overall slippage of £0.7m on schemes in the Environment Portfolio compared to a total portfolio budget of £8.9m. This was mainly due to slippage of £0.3m on Beckenham Town Centre improvements, £0.3m on Street Lighting Invest to Save, and a number of small variations totalling £0.3m on other schemes. This was partly offset by £0.2m overspend on Land Acquisition Cornwall Drive (ex-Waste4Fuel site) which has been financed from a further revenue contribution. There was no slippage on Highway and Traffic schemes funded fully by Transport for London (against a budget of £4.8m). Grant allocations from TfL change frequently, often due to changes in project specification, and any variations are reported in subsequent capital monitoring reports.

Public Protection & Safety Portfolio

3.8 There was no variation on the capital scheme in the Public Protection & Safety Portfolio (total budget £0.1m). The CCTV Control room refurbishment project has been completed and is now in defect period. There will be a retention sum to the contract which will be paid once the whole system has been running successfully for a period of 12 months. This scheme will be reviewed and the residual balance will be removed from the programme as part of the quarterly capital monitoring during 2017/18.

Renewal & Recreation Portfolio

3.9 There was overall slippage of £0.2m on schemes in the Renewal & Recreation Portfolio compared to a total portfolio budget of £2.3m. This comprised a number of small variations including £0.1m on Crystal Palace Park Improvements, £0.1m on Orpington Town Centre - Walnut Centre & New Market infrastructure, and a total of £0.1m on various other schemes. This was partly overall offset by £0.1m overspend in Bromley MyTime Investment Fund for which the available budget for 2017/18 will be reduced accordingly. All of these variations will be re-phased into 2017/18.

Resources Portfolio

3.10 There was an overall variation of Cr £0.9m on schemes in the Resources Portfolio compared to a total portfolio budget of £28.2m. This is mainly due to £0.7m slippage on Investment Fund – Property Acquisitions where there was lower associated cost such as legal fees, and survey expenses, on various property acquisitions during the year. The remaining £0.2m slippage comprised a number of minor variations on various other schemes. These variations will be re-phased into 2017/18.

Block Capital Provisions

3.11 The outturn position for 2016/17 block capital provisions is shown in the table below:-

	Estimate 2016/17 £'000		Actual 2016/17 £'000		Variation 2016/17 £'000
Resources					
Emergency Work on Surplus Sites	10		0	Cr	10
Care Services					
Disabled Facilities Grants (DFG)	820		977		157
Disabled Facilities Grants - Repayments	0	Cr	33	Cr	33
	820		944		124
TOTAL	**830**		**944**		**114**

3.12 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 underspend of £10k relating to emergency works on surplus sites. The overspend of £157k relating to Disabled Facilities Grants will be funded from the £33k repayments, and the additional grant received during 2016/17. The remaining unapplied portion of the DFG capital grant received to 31st March 2017 (a total of £773k) will be available to fund expenditure in 2017/18 and later years.

Financing of the Capital Programme

3.13 The financing of 2016/17 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 08/02/17)		**53.7**			
Further property acquisitions (Executive 14/03/17)		**6.2**			
Total Approved Capital Programme		**59.9**			
Less: assumed slippage for financing purposes	**Cr**	**3.5**			
Total Capital Expenditure (net of slippage)		**56.4**	**53.0**	**Cr**	**3.4**
Financed By					
Usable Receipts		7.5	9.9		2.4
Revenue Contributions		27.5	26.6	Cr	0.9
Government Grants		8.9	9.9		1.0
Other Contributions		12.5	6.6	Cr	5.9
Total		**56.4**	**53.0**	**Cr**	**3.4**

3.14 During 2016/17, capital monitoring reports have been considered by the Executive on a quarterly basis, in July 2016, November 2016 and February 2017, and reported changes have been incorporated in revised approved Capital Programmes. These have similarly been reported quarterly to 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 2016).

Capital Receipts

3.15 Under the "prudential" capital system in operation from 1st April 2004, most capital receipts are "usable" and may be applied to finance capital expenditure. The final outturn in 2016/17 for new capital receipts from asset disposals was £0.6m, and was lower than the estimated figure reported to the Executive in February 2017 (£4.7m), mainly due to the sale of the Old Town Hall not completing. In addition, other capital receipts (mainly loan repayments and Right to Buy (RTB) receipts from Affinity Sutton Housing Association) totalling £3.8m were received during the year.

3.16 The table below provides a breakdown of the unapplied capital receipts totalling £24.1m that will be carried forward to finance expenditure in 2017/18 and later years. £9.9m was applied for financing capital expenditure during 2016/17 as revenue contributions and external contributions covered the majority of the total capital expenditure. As has been the case for the last thirteen years, no contribution from the General Fund was required in 2016/17. To date, £16.2m of capital receipts have been earmarked to supplement the Investment Fund for the purchase of investment properties, of which £7.3m has been committed, leaving £8.9m, so a total of £15.2m remains available to finance capital expenditure in future years.

		Usable Receipts £m
Unapplied Balance b/f April 2016		29.6
Total receipts during 2016/17		4.4
Receipts applied to finance expenditure	Cr	9.9
Unapplied Balance c/f at 31 March 2017		**24.1**
Receipts earmarked for Investment Properties	Cr	8.9
Balance available to fund future expenditures		**15.2**

Section 106 Receipts

3.17 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 reduced from £8,063k as at 31st March 2016 to £7,980k as at 31st March 2017, as receipts used to finance actual capital expenditure exceeded those that were received. The remaining balance will be used to finance capital expenditure from 2017/18 onwards. Balances and in-year movements are shown in the following table.

Agreed Service Area	Balance b/f 01/04/16 £'000	Receipts 2016/17 £'000	Expenditure 2016/17 £'000	Balance c/f 31/03/17 £'000
Housing Provision	5,181	737	1,007	4,911
Education	2,801	339	250	2,890
Highways	81	1	0	82
Local Economy	0	106	9	97
	8,063	**1,183**	**1,266**	**7,980**

Investment and Growth Funds

3.18 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. To date, total funding of £128.1m 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, £7m in June 2016 and £4m in March 2017 to the Growth Fund.

3.19 On 22nd March 2017, Executive approved £3.6m scheme funded from the Growth Fund in relation to a report considering the proposed public realm project and market reorganisation for Bromley High Street. Should S106 funding be received from developers, the scheme would be funded from S106 monies, and the amount will be returned to Growth Fund. In addition, Executive approved £40k from the Growth Fund to meet the cost of a temporary project officer for Bromley High Street scheme, and £15k to support community initiative where funding will be used to provide upfront infrastructure costs.

3.20 Appendix 4 provides a detailed analysis of the Funds dating back to their inception in September 2011. To date schemes totalling £114.2m have been approved (£85.7m on Investment Fund, and £28.5m on Growth Fund), and the uncommitted balances as at end of March 2017 stand at £8.9m for the Investment Fund and £5.0m for the Growth Fund.

3.21 As set out in the Provisional Final Accounts 2016/17 report elsewhere on the agenda, members are requested to transfer a further £3.3m to the Growth Fund, which will increase the uncommitted balance on the fund to £8.3m.

3.22 The Treasury Management Annual Report 2016/17 reported to Executive and Resources PDS Committee on 14th June 2017 requests a change to the strategy to permit the loan of up to £2.7m relating to the provision of temporary accommodation, which was originally agreed to be made from the Investment Fund, be met from treasury management resources. If agreed, this would increase the uncommitted balance on the Investment Fund to £11.6m.

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. For each of the portfolios and service priorities, the Council reviews its main aims and outcomes through the AMP process and identify those that require the use of capital assets. The 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 2016/17, although there was an earmarked revenue contribution of £26.6m towards the cost of specific capital schemes, mainly from the Investment Fund for property acquisitions. Capital receipts totalling £24.1m were available as at 31st March 2017 to finance future capital spending priorities compared to an estimate of £21.5m in February. This is mainly due to a reduction in the use of receipts for capital financing, partly offset by a reduction in the level of actual receipts during 2016/17. 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.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Approved Capital Programme (Executive 08/02/17) Acquisition of Property (Executive 14/03/17) Approved Capital Programme (Executive 15/07/15)