

PART 1 - PUBLIC

Decision Maker: Executive

Date: 20th July 2011

Decision Type: Non-Urgent Executive Key

Title: CAPITAL PROGRAMME MONITORING - 1ST QUARTER
2011/12

Contact Officer: Martin Reeves, Principal Accountant (Technical & Control)
Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk

Chief Officer: Director of Resources

Ward: All

1. Reason for report

This report summarises the current position on capital expenditure and receipts following the 1st quarter of 2011/12 and seeks the Executive's approval to a revised Capital Programme. The report also covers any detailed issues relating to the 2010/11 Capital Programme outturn, which was reported in summary form to the June meeting.

2. **RECOMMENDATION(S)**

The Executive is asked to:

Note the report and to agree a revised Capital Programme.

Approve the following amendments to the Capital Programme:

- (i) Total reduction of £16.6m over the years 2011/12 to 2014/15 to delete duplicated budgets for capitalised maintenance, modernisation and suitability works in schools and other educational establishments (see para 3.2);
- (ii) Virement of £600k in 2011/12 from capital maintenance in schools to security works (£150k), suitability/modernisation issues (£150k) and seed challenge (£300k) (see para 3.3);
- (iii) Total reduction of £12,450k over the years 2012/13 to 2014/15 to reflect reduced government support for Formula Devolved Capital (see para 3.4);

- (iv) Virement of £22k in 2011/12 from capitalised maintenance, modernisation and suitability works in schools and other educational establishments to cover the overspend on the Riverside Autistic Spectrum scheme (see para 3.5);
- (v) Reduction of £91k in 2011/12 to reflect revised grant receivable from Transport for London in respect of various highway schemes (see para 3.6);
- (vi) Deletion of Bromley Town Centre Variable Message Signing scheme (£93k) due to non-availability of external funding (see para 3.7);
- (vii) Reduction of £90k on Bromley North Village scheme to reflect reduced TfL funding (see para 3.8).

Corporate Policy

1. Policy Status: Existing policy. Capital Programme monitoring and review is part of the planning and review process for all services.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: Estimated cost Total reduction of £29.1m over the 4 years 2011/12 to 2014/15, mainly due to deletions / reductions in externally funded education schemes
 2. Ongoing costs: Non-recurring cost.
 3. Budget head/performance centre: N/A (Capital Programme)
 4. Total current budget for this head: £Total £106.5m over 4 years 2011/12 to 2014/15
 5. Source of funding: Mainly capital grants / receipts
-

Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: No statutory requirement or Government guidance.
 2. Call-in: Call-in is not 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? No.
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 2011/12. Further information is provided in paragraphs 3.2 to 3.9. The base position is the revised programme approved by the Executive on 2nd February 2011, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report were approved, the total Capital Programme 2011/12 to 2014/15 would reduce by £29.1m, mainly due to reductions in externally funded education schemes (see paragraphs 3.2 and 3.4) and the 2011/12 estimate would increase by £16.7m, mainly due to the rephasing of expenditure from 2010/11.

3.2 Planned maintenance/modernisation/suitability issues in schools, etc (total reduction of £16.6m)

For a number of years, the Capital Programme has included around £4m per annum for planned maintenance, modernisation and suitability issues in schools and other educational establishments. In the 2011/12 settlement, however, the government announced that it would give the Council grant support of £5.7m to fund capital maintenance in schools. This sum was included in the approved programme in February, but the previous provision was not removed as the maintenance budgets for 2011/12 had not been finalised at that time. Accordingly, there is currently an element of double-counting in 2011/12 and the Executive is asked to approve the deletion of the previous budgets totalling £16.6m over the years 2011/12 to 2014/15. Further Capital Programme approvals will be sought as and when the government makes any announcements for 2012/13 and later years.

3.3 Virement from capital maintenance in schools (£600k in 2011/12)

At its meeting on 15th March 2011, the CYP PDS Committee agreed that a total of £600k be allocated from the capital maintenance in schools budget to fund security works (£150k), suitability/modernisation issues (£150k) and seed challenge (£300k). The Executive is asked to confirm these budget adjustments.

3.4 Formula Devolved Capital (total reduction of £12.45m)

The current approved Capital Programme includes provision for Formula Devolved Capital grant of £845k in 2011/12 (based on the actual level of support announced by the government) and £5.0m per annum thereafter (based on the average level of support over recent years). It is recommended that the level of support from 2012/13 be reduced to £845k, which would reflect a more realistic assumption.

3.5 Virement in respect of Riverside Autistic Spectrum Disorder provision overspend (£22k in 2011/12)

The Riverside ASD scheme was overspent by £22k as at 31st March 2011 and it is proposed that this be funded by way of a virement from the carry-forward of £243k on the planned maintenance/modernisation budget that was approved at the last meeting.

3.6 Transport for London – revised support for highway schemes (reduction of £91k in 2011/12)

Provision for transport schemes to be 100% funded by TfL was originally included in the Capital Programme 2011/12 to 2014/15 on the basis of the bid in our Borough Spending Plan (BSP). Notification of an overall reduction of £91k in 2011/12 has been received from TfL. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

3.7 Bromley Town Centre – Variable Message Signing (deletion of scheme £93k in 2011/12)

The Bromley Town Centre VMS scheme has been in the Capital Programme for many years on the assumption that it would be funded by a contribution from Capital Shopping Centres. It has been confirmed that the funding is not available and the budget (£93k in 2011/12) can now be removed from the programme.

3.8 Bromley North Village (reduction of £90k)

Notification of a minor reduction of £90k in TfL support for the Bromley North Village scheme has been received and the programme has been amended accordingly.

3.9 Scheme Rephasing

There was major slippage of expenditure originally planned for 2010/11 and a total of £25.2m has been rephased into 2011/12. Further phasing adjustments have resulted in £4.6m being rephased from 2011/12 into 2012/13. The significant scale of Capital Programme slippage was highlighted in the June report and the monitoring process is currently being reviewed and will be strengthened in the coming months.

Capital Receipts

3.5 Details of the 2010/11 outturn for capital receipts and the receipts forecast in the years 2011/12 to 2014/15 are included elsewhere on the agenda in a confidential appendix to this report (Appendix C). Actual receipts from asset disposals totalled some £3.8m in 2010/11, which was exactly in line with the forecast reported to the February meeting. The latest estimate for 2011/12 has reduced to £5.2m from £5.8m reported in February, due to slippage of receipts into later years. Estimates for 2012/13, 2013/14 and 2014/15 are now £16.8m, £1.8m and £2.5m respectively (£17.7m, £0.2m and £2.7m were reported in February). These totals include estimated receipts in respect of the disposal of the three main sites in the disposal programme; Tweedy Road, Westmoreland Road and Bromley Town Hall. For illustrative purposes, two financing models have been prepared. One assumes we achieve all planned receipts and the other assumes we fail to achieve any of the three main disposals. These are summarised in paragraph 5.3. A total of £1m per annum is assumed for later years, in line with the target included in the Resources Portfolio Plan. The financing and balances projections shown in Appendix B reflect prudent assumptions for capital receipts in view of continuing uncertainties in the housing market and assume non-receipt of the three main disposals.

3.6 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 £3,337,000 as at 31st March 2011, and will be used to finance capital expenditure from 2011/12 onwards. The current position on capital Section 106 receipts (including commitments) is shown below.

Specified capital works	Balance 31/3/11 £000	Receipts 2011/12 £000	Expenditure 2011/12 £000	Balance 30/6/11 £000
Local Economy & Town Centres	39	-	-	39
Housing provision	2,074	-	445	1,629
Education	375	-	-	375
Community use	849	-	44	805
TOTAL	3,337	-	489	2,848

2010/11 Capital Programme outturn – other issues

- 3.7 A number of schemes were overspent as at 31st March 2011 and these continue to be investigated by officers. Brief details are given below and more detail will be included in future monitoring reports or in post-completion reports.

Biggin Hill Primary School amalgamation (total budget £180,000) – this scheme was overspent by £19,000 as at 31st March 2011. Officers are looking at funding options and it is likely that the overspend will be met by a contribution from the education capital maintenance budget in 2011/12.

Pupil Referral Unit (total budget £2,311,000) – scheme overspent by £41,000 as at 31st March 2011. This scheme has been beset by contractual problems and early warnings have been given to Members on previous occasions. It is likely that the overspend will be met by a contribution from the education capital maintenance budget in 2011/12.

Civic Centre – Emergency Back-up (total budget £293,000) – scheme overspent by £26,000 as at 31st March 2011. Officers are looking at funding options and it is likely that the overspend will be met by a contribution from the education capital maintenance budget in 2011/12.

Walnuts Leisure Centre - roof (total budget £650,000) – overspent by £57,000 as at 31st March 2011. Officers are looking at funding options and details will be brought to the Executive once the final position is known.

Post-Completion Reports

- 3.8 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 should be submitted to the relevant Portfolio Holders during 2011/12:

Biggin Hill Primary School – amalgamation

Riverside ASD provision

Pupil Referral Unit – new facilities

Mottingham Community Centre – refurbishment

Walnuts Leisure Centre – roof

Biggin Hill Leisure Centre

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. A summary of the changes to the Capital Programme detailed in this report is shown in Appendix A. If the proposed changes were approved, the total Capital Programme 2011/12 to 2014/15 would reduce by £29.1m, mainly due to reductions in externally funded education schemes (see paragraphs 3.2 and 3.4) and the 2011/12 estimate would increase by £16.7m to £72.1m, mainly

due to slippage of expenditure originally planned for 2010/11. Appendix C (on the Part 2 agenda) gives details of actual and anticipated capital receipts from asset disposals.

- 5.2 Attached as Appendix B 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. The phased transfer of rolling programmes of maintenance-type expenditure from capital to revenue was completed in the 2009/10 budget and the financing projections continue to assume no General Fund support to the revenue budget in future years. They also assume approval of the revised capital programme recommended in this report, together with an estimated £1.25m pa for new capital schemes from 2012/13 onwards (broadly in line with the average cost to the Council of new schemes approved in recent years). Further expenditure totalling £3m in 2011/12 and 2012/13 is assumed in respect of service investment priorities that have not yet been specified and £4m is included for flexible working.
- 5.3 The following table summarises the estimated impact on balances of the revised programme and revised capital receipt assumptions. Under Model 1 (non-achievement of three main disposals), total balances would reduce from £71.7m (General Fund £53.8m and capital receipts £17.9m) at the end of 2010/11 to £54.7m by the end of 2014/15 and would reduce further to £50.2m by the end of 2019/20. The General Fund would be required to contribute £1.7m to the funding of capital expenditure in 2015/16 and a further £2.0m in total over the following three years. This reflects prudent assumptions on the level of capital receipts in view of continuing uncertainty in the housing market. Under Model 2 (all planned receipts are achieved), total balances would reduce from £71.7m at the end of 2010/11 to £65.4m by the end of 2014/15 and would then reduce to £60.8m by the end of 2019/20.

	Balance 1/4/11	Estimated Balance 31/3/15	Estimated Balance 31/3/20
	£m	£m	£m
MODEL 1 (no big receipts)			
General Fund	53.8	53.8	50.1
Capital Receipts	17.9	0.9	0.1
	<u>71.7</u>	<u>54.7</u>	<u>50.2</u>
MODEL 2 (all receipts)			
General Fund	53.8	53.8	53.8
Capital Receipts	17.9	11.6	7.0
	<u>71.7</u>	<u>65.4</u>	<u>60.8</u>

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Departmental monitoring returns June 2011. Approved Capital Programme (Executive 2/2/11). Capital Programme Outturn 2010/11 report (Executive 22/6/11).