

## REPORT TO EXECUTIVE



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|---------------|------------------------------------|
| DATE          | 11 <sup>th</sup> February 2019     |
| PORTFOLIO     | Resources & Performance Management |
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## CAPITAL BUDGET FOR 2019/20 AND 2019-24 CAPITAL INVESTMENT PROGRAMME

### PURPOSE

1. To recommend approval of the capital budget for 2019/20

### RECOMMENDATION

2. a) That Full Council be recommended to;
  - (i) Approve the 2019/20 Capital Budget, totalling £18,215,545, as set out in Appendix 1
  - (ii) Note the 2019-24 Capital Investment Programme as also set out in Appendix 1.
  - (iii) Note the estimated position on capital resources as set out in Appendix 2.
- b) That subject to 2a) i) above the Executive:
  - (i) Approve the release of capital scheme budgets including slippage from 2018/19, subject to compliance with the Financial Procedure Rules and that there will be full compliance with Standing Orders for Contracts.
- c) Approve the Capital Strategy 2019-24, as set out in Appendix 3

### REASONS FOR RECOMMENDATION

3. To establish a capital budget that reflects the Council's overall priorities and provides a framework for capital spending to be undertaken during 2019/20.

### SUMMARY OF KEY POINTS

#### 4. **Background:**

In formulating the 2019/20 Capital Programme, Management Team declared that new bids would be limited, given the forecast position of available Capital Resources. The existing schemes and new bids were prioritised in accordance with the Council's Strategic Objectives as identified within the Council's Strategic Plan.

5. **Capital Budget / Programme Review Process:**

Officers have been asked to submit information for inclusion in the proposed 2019/20 capital budget and the 2019-24 CIP.

The review process has included:

- A review and revision of the existing schemes approved in the 2018-21 CIP, in February 2018.
- Provision of a breakdown of the type of capital expenditure to be incurred for each scheme to assist in estimating the level of capitalised staff recharges involved in delivering capital works.
- A review of the level of Resources within the Council.

Any use of Prudential Borrowing must be based upon the creation of an asset, repayment over the useful life of the asset, and the production of a business case outlining any income generation and future revenue costs.

6. **2019/20 Capital Budget:**

Appendix 1 provides Members with a summary of the capital investment programme for 2019/20 to 2023/24 and a list of those schemes being proposed for the 2019/20 capital budget totalling £18.215m showing the financing elements for each individual scheme. It also shows draft capital budgets for 2020/21 to 2023/24 along with the financing elements for those years.

Members are asked to note that the level of estimated capital receipts is sufficient to finance the £974,784 required for all the schemes put forward for 2019/20.

7. **Capital Resources:**

Appendix 2 provides Members with an analysis of the capital receipts and S106 / 3<sup>rd</sup> Party Contributions balances as follows;

- balances in hand as at the 1<sup>st</sup> April 2018
- 2018/19 commitments approved to date
- level of resources assumed to be available as at 31<sup>st</sup> March 2019
- estimated “new” receipts to be received during 2018/19 to 2023/24
- resources required to finance part of the 2019/20 proposed capital budget
- resources required to finance the schemes proposed for future years
- anticipated balance as at 31<sup>st</sup> March 2024.

The resources are reducing each financial year, to an estimated negative balance by March 2021. This is due to reduced opportunities to realise capital receipts, as the estate reduces, which will leave a lesser capital programme going forward.

Please note, all capital schemes that are committed after 2019/20, do not require capital resources after March 2020.

## 8. **Revenue Budget Implications:**

### Capitalised Salaries

Members will be already aware that capitalised salaries are a major element in balancing the Council's revenue budget. The expected revenue income for staff time recharged against identified capital projects is £224k in 2019/20

### Costs of Prudential Borrowing

Of the proposed £7,452,936 prudential borrowing requirement for 2019/20, there is 1 new scheme requiring additional borrowing of £5,705,736 by the Council. This scheme is Sandygate Square

The estimated full year interest cost for the additional borrowing is £228k. This cost may not be required until 2020/21, dependant on the timing of the borrowing.

The additional Minimum Revenue Provision (notional debt repayment) charge for the £5,705,736 additional borrowing on Sandygate Square, would be £190k, and would not be required until 2022/23, when the schemes are anticipated to complete.

Details of the new scheme and prudential borrowing requirements are shown in Appendix 1.

### Additional Information –Pioneer Place

It should be noted that before the Pioneer Place construction commences the scheme requires:

- i. a pre-let to be completed for the new supermarket on Manchester Road;
- ii. a pre-let to be completed for the new cinema on Pioneer Place; and
- iii. pre-lets to be completed for 75% of the remaining units on Pioneer Place including Unit 2 adjacent the cinema, with the said pre-lets achieving a minimum of 75% of the estimated full rent payable.

### Additional Information – Sandygate Square

In order to effectively access, in a timely manner, the full range of specialist services required to deliver phase 4 of this development the intended procurement route to directly appoint Mace Ltd is to be amended from access via the Crown Commercial Services Framework to the NHS Shared Business Services (SBS) Framework. This change does not impact on the financial business case of this project; it remains fully compliant with financial regulation, and continues to negate the need for a costly tender exercise. It is therefore recommended that the direct appointment of Mace Ltd be made through the NHS SBS Framework.

## 9. **2019-24 Capital Investment Programme:**

As previously stated, Appendix 1 outlines a summary of the proposed 2019-24 capital investment programme. These schemes are listed in priority order, in line with the approved methodology for ranking proposed capital scheme bids, reflecting the priorities of the Council's strategic objectives.

## 10. **2019-24 Capital Strategy:**

Appendix 3 provide Members with the 2019-24 proposed Capital Strategy.

The Council is committed to ensuring that the investment of capital resources reflects

the Council's corporate priorities and is affordable, financially prudent and sustainable. This Capital Strategy is designed to assist in the delivery of that commitment.

The Capital Strategy is a key document and forms part of the Council's corporate strategic and planning framework with links to the overarching Strategic Plan, the Asset Management Strategy, the Treasury Management Strategy and individual Service Plans which, in turn, link the Strategic Plan to service delivery on the ground.

Providing a high level overview of how capital expenditure and capital financing contribute to the provision of Council services, the strategy also addresses the management of related risks and the implications for future financial sustainability. It outlines the governance processes for prioritisation and approval of capital scheme bids and the monitoring of the approved capital programme.

The preparation and publication of a capital strategy is a requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code of Capital Finance in Local Authorities (the Prudential Code).

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

11. As referred to in the body of the report.

## **POLICY IMPLICATIONS**

12. The Capital programme gives authority for a number of policy decisions to be actioned in meeting the Council's corporate objectives.

## **DETAILS OF CONSULTATION**

13. None.

## **BACKGROUND PAPERS**

14. None.

## **FURTHER INFORMATION**

**PLEASE CONTACT:**

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**ALSO**

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