

Capital Monitoring Report 2019/20 – Quarter 2 (to 30 September 2019)

REPORT TO EXECUTIVE



DATE	29th October 2019
PORTFOLIO	Resources and Performance Management
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PURPOSE

1. To provide Members with an update on capital expenditure and the resources position along with highlighting any variances.

RECOMMENDATION

2. The Executive is asked to:
 - a. Recommend to Full Council, approval of net budget changes totalling a decrease of £2,809,717 giving a revised capital budget for 2019/20 totalling £17,481,484 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £17,481,484 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £1,741,843 at 31 March 2020 as shown in Appendix 3.
 - d. Recommend to Full Council, approval of a new Capital Scheme highlighted in Appendix 1.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2019/20 capital programme.

SUMMARY OF KEY POINTS

4. **Monitoring Information**

On 20 February 2019 Full Council approved the 2019/20 original capital budget, totalling £18,223,856. Since February, several reports have been approved by the Executive,

resulting in revising the 2019/20 capital budget to £20,291,201 (as at 25 September 2019 Executive).

This is the second of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 30 September 2019 on expenditure, along with providing Members with an update on the progress of the individual schemes delivery.

5. Executive Summary

- a. **Expenditure monitoring – Appendix 1** provides a detailed breakdown of the revised capital budget, scheme by scheme, presented under each of the relevant service unit areas responsible for delivering the capital projects. It shows the recommended revised budget position and expenditure as at the end of September 2019. The expenditure to date is £4,315,995 which is 25% of the proposed revised budget.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £17,481,484, along with identifying the recommended financing elements on a scheme by scheme basis. This is a reduction of £2,809,717, with the key changes being:
 - Padiham Townscape Heritage Initiative reprofile of £250,000 into future years
 - Building Infrastructure Works reprofile of £653,247 into future years
 - Better Care Grant reprofile of £1,394,007 into future years
 - Interventions, Acquisitions and Demolitions reprofile of £200,000 into future years
- c. **Council resources position – Appendix 3** shows the latest position on capital receipts, section 106 monies and third party contributions. As at the end of this round of budget monitoring the assumed level of surplus available local resources, after taking into account the 2019/20 capital commitments, totals £1,741,843. The resources are reducing each financial year, to an estimated negative balance on general capital receipts by March 2021. This is due to reduced opportunities to realise capital receipts, as the estate reduces, which will require prioritisation of future capital schemes in line with available resources.

6. Revenue Implications

a. Revenue Contributions / Reserves 2019/20

The Capital Programme includes Revenue Contributions / Reserves of £373,516, being:

Scheme	Funded	£
Vehicle & Machinery Replacement	Transport Reserve	113,000
CCTV Infrastructure	Revenue	9,850
Purchase Replacement Vehicle	Revenue	11,000
Pioneer Place	Growth Reserve	189,666
Lower St James Street	Growth Reserve	50,000
Total Revenue Contributions		373,516

Pioneer Place costs are to fund pre contract costs.

b. Prudential Borrowing 2019/20

The MRP cost is the charge to revenue for the repayment of the principal amount borrowed based on the estimated life of the asset and is not incurred until the year after the schemes are completed.

The interest cost will be dependent on the timing of the borrowing and is subject to the interest rate at the time the borrowing is undertaken. The full year costs will be included within the revenue budget for 2020/21.

The original capital budget for 2019/20 of £18,223,856 included a planned borrowing requirement of £7,452,936.

On the 18 June 2019, Executive approved an increase for the unavoidable additional works arising on the contract for capital works at Burnley Town Hall. This budget is to be funded via borrowing.

As at 10 July 2019 (Outturn Report), the planned borrowing requirement was £8,441,314. A separate report was approved on 10 July 2019 for the Wheeled Bins Equipment scheme, which included borrowing of £470k. Therefore, borrowing as at 10 July 2019 was £8,911,314.

An additional £427k Borrowing in the Quarter 1 report, was due to the financing on the Prairie Artificial Turf Pitch, moving from 3rd Party Contributions to borrowing. These borrowing costs will be paid for by Burnley Leisure, as previously approved.

Therefore, as at Quarter 1, the Borrowing was £9,338,314.

The proposed revised capital budget for 2019/20 includes a use of Prudential Borrowing totalling £8,787,067, a reduction of £551,247 on the Building Infrastructure Works scheme.

The revenue implications of borrowing £8,787,067 are a Minimum Revenue Provision (MRP) of £151k and an interest charge, assuming 3% on the borrowing, would equate to £264k for a full year.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION
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7. A decrease in the 2019/20 capital programme of £2,809,717 to give a revised budget of £17,481,484 and a reduction in the borrowing requirement of £551,247, from £9,338,314 to £8,787,067.

POLICY IMPLICATIONS

8. None arising directly from this report.

DETAILS OF CONSULTATION

9. None.

BACKGROUND PAPERS

10. None.

FURTHER INFORMATION**PLEASE CONTACT:****Asad Mushtaq – Head of Finance & Property****ALSO****Martin Dixon – Finance Business Partner**