

# **Capital Budget for 2020/21 and Capital Investment Programme 2020-25**

## **REPORT TO EXECUTIVE**



<b>DATE</b>	<b>17 February 2020</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
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### **PURPOSE**

1. To recommend approval of the capital budget for 2020/21

### **RECOMMENDATION**

2.
  - a) That Full Council be recommended to:
    - (i) Approve the 2020/21 Capital Budget, totalling £19,437,603, as set out in Appendix 1
    - (ii) Note the 2020-25 Capital Investment Programme as 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 2019/20, subject to compliance with the Financial Procedure Rules and that there will be full compliance with Standing Orders for Contracts.
    - (ii) Delegate Authority to the Strategic Head of Economy & Growth to enter into funding agreements with the LEP and Historic England, for the Padiham Town Hall Improvements and Lower St James Street Historic Action Zone schemes, as detailed in Appendix 1.
    - (iii) Approve tendering of the work for Padiham Town Hall Improvements.
    - (iv) Delegates authority to the Strategic Head of Economy & Growth to evaluate and accept the winning tender and contractor to undertake the work, in 2b) iii).
  - c) Approve the Capital Strategy 2020-25, as set out in Appendix 4

### **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 2020/21. Delegation to officers to evaluate and accept the Padiham Town Hall works tender is needed to enable the scheme to commence and be completed before the funding programme deadlines

## **SUMMARY OF KEY POINTS**

This report has been updated from the Scrutiny version to incorporate the impact of the revised estimates received on the Town Hall Capital Works

### **4. Background:**

In formulating the 2020/21 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 2020/21 capital budget and the 2020-25 CIP.

The review process has included:

- A review and revision of the existing schemes approved in the 2019-24 CIP, in February 2019.
- 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. 2020/21 Capital Budget:**

Appendix 1 provides Members with a summary of the capital investment programme for 2020/21 to 2024/25 and a list of those schemes being proposed for the 2020/21 capital budget totalling £19.438m, showing the financing elements for each individual scheme. It also shows draft capital budgets for 2021/22 to 2024/25 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 £619,684 required for all the schemes put forward for 2020/21.

It should be noted, that of the £70,421,994 within the proposed CIP 2020-25, external funding totalling £25,005,222 (36%) is to be used as financing of the schemes.

## **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 2019
- 2019/20 commitments approved to date
- level of resources assumed to be available as at 31<sup>st</sup> March 2020
- estimated “new” receipts to be received during 2019/20 to 2024/25
- resources required to finance part of the 2020/21 proposed capital budget
- resources required to finance the schemes proposed for future years
- anticipated balance as at 31<sup>st</sup> March 2025.

The resources are reducing each financial year, to an estimated negative balance by March 2022. 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 2020/21, do not require capital resources after March 2021.

## **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 £305k in 2020/21

### Costs of Prudential Borrowing

Of the proposed £6,638,330 prudential borrowing requirement for 2020/21, there is 1 new scheme for Mechanics Lighting Equipment, totalling £55k. This Borrowing is to be repaid by Burnley Leisure, over 5 financial years.

### 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.

## **9. 2020-25 Capital Investment Programme:**

As previously stated, Appendix 1 outlines a summary of the proposed 2020-25 capital investment programme, by Service Unit.

There are 5 new schemes within the Capital Budget for 2020/21, being:

- Playing Pitch Improvements – Drainage Improvements on Lockyer Ave playing fields and Burnley High School/Fennyfold playing fields funded by the S106 contribution from the McDermott housing development on Kidrow Lane.
- Lower St James Street Historic Action Zone - Historic building restoration scheme with funding from Historic England (Subject to approvals), involving conservation works to key buildings within the conservation area, public realm improvements and a wider community/cultural engagement programme.
- Padiham Town Hall Improvements - LEP grant funded scheme to provide refurbished office space to let
- Finsley Wharf & Canal Towpath Improvements - Contribution of £100k over 3 years to the Finsley Gate Wharf project, led by the Canals & River Trust, to transform and regenerate this area with restoration works and to the Wharf to create new businesses and facilities and improvements to 4 km of the canal corridor across Burnley. The overall cost of the project is £3.3 million.
- Mechanics Lighting Equipment - To replace obsolete lighting and controllers on the stage at the Mechanics. Funded by Borrowing repaid by Burnley Leisure

Appendix 3 provides Members with a brief scheme narrative, for all Capital Schemes within the 2020/21 proposed budget.

## 10. **2020-25 Capital Strategy:**

Appendix 4 provide Members with the 2020-25 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:**

**Asad Mushtaq - Head of Finance & Property**

### **ALSO**

**Martin Dixon - Finance Business Partner**