

Capital Monitoring Report 2019/20 – Quarter 3 (to 31 December 2019)

REPORT TO EXECUTIVE



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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 £2,134,195 giving a revised capital budget for 2019/20 totalling £15,347,289 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £15,347,289 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £1,712,632 at 31 March 2020 as shown in Appendix 3.
 - d. Note that non-earmarked Ward Opportunities Fund monies will not be rolled forward into 2020/21 budgets, unless they are subject to spending plans submitted by 31st March 2020. These commitments must be spent by 30th June 2020. There will be no new commitments accepted after 31st March 2020. Any unspent and unearmarked monies will then be used to contribute to the Council's capital programme.

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 £17,481,484 (as at 29 October 2019).

This is the last of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 31 December 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 December 2019. The expenditure to date is £8,155,703 which is 53% of the proposed revised budget.

Those schemes with large variances as at Quarter 3 are:

- Prairie Artificial Turf Pitch – Will be complete by March 2020
- Sandygate Square – Spend on track with budget profile
- NW Growth Corridor – Budget based on Lancashire County Council and Environment Agency projections
- Building Infrastructure Works – Spend on track with budget profile for roof
- Better Care Grant – Spend on track with revised budget
- Empty Homes Programme – Spend on track with revised budget

- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £15,347,289, along with identifying the recommended financing elements on a scheme by scheme basis. This is a reduction of £2,134,195.
- 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 £1,712,632. The resources are reducing each financial year, to an estimated negative balance on general capital receipts by March 2022. 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.
- d. **Ward Opportunities Fund**
Non-earmarked Ward Opportunities Fund monies will not be rolled forward into 2020/21 budgets. There will only be carry-over of funding that is subject to spending plans. Any unspent and unearmarked monies will then be used to contribute to the Council's capital programme.

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.

A reduction of £551,247 on the Building Infrastructure Works scheme, revised the borrowing as at Quarter 2, to £8,787,067.

This report has reprofiled £25k for the Extension of Burnley Cemetery and £250k on the Town Centre & Weavers Triangle Project Work, into 2020/21. Therefore, as at Quarter 3, the Borrowing is £8,512,067.

The revenue implications of borrowing £8,512,067 are a Minimum Revenue Provision (MRP) of £152k and an interest charge, assuming 3% on the borrowing, would equate to £255k for a full year.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. A decrease in the 2019/20 capital programme of £2,134,195 to give a revised budget of £15,347,289 and a reduction in the borrowing requirement of £275,000, from £8,787,067 to £8,512,067.

POLICY IMPLICATIONS

8. None arising directly from this report.

DETAILS OF CONSULTATION

9. None.

BACKGROUND PAPERS

10. None.

FURTHER INFORMATION

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ALSO

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