

Capital Monitoring Report 2020/21 – Quarter 2 (to 30 September 2020)

REPORT TO EXECUTIVE



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|---------------|--|
| DATE | 8 th December 2020 |
| 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 £2,206,530 giving a revised capital budget for 2020/21 totalling £16,908,615 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £16,908,615 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £836,227 at 31 March 2021 as shown in Appendix 3.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2020/21 capital programme.

SUMMARY OF KEY POINTS

4. Monitoring Information

On 26 February 2020 Full Council approved the 2020/21 original capital budget, totalling £19,468,103. Since February, several reports have been approved by the Executive, resulting in revising the 2020/21 capital budget to £19,115,145 (as at 11 August 2020 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 2020 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 2020. The expenditure to date is **£5,821,965** which is **34%** of the proposed revised budget.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of **£16,908,615**, along with identifying the recommended financing elements on a scheme by scheme basis. This is a reduction of **£2,206,530**.
- 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 2020/21 capital commitments, totals **£836,227**.

The resources are reducing each financial year, to an estimated balance on general capital receipts of **£371k** 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.

Please note, the general receipts position requires a number of properties to be sold before 31st March 2021 (or the estimated balance will reduce).

We will monitor these sales throughout the year, and update through the cyclical monitoring reports. Should these receipts not be received, we will need to source alternative financing.

6. Revenue Implications

a. Revenue Contributions / Reserves 2020/21

The Capital Programme includes Revenue Contributions / Reserves of **£1,394,756** being:

| Scheme | Funded | £ |
|--|--------------------------------|------------------|
| Vehicle & Machinery Replacement | Transport Reserve & Revenue | 137,924 |
| Pioneer Place | Growth Reserve | 135,432 |
| Burnley-Pendle Growth Programme | Growth Reserve | 722,000 |
| Lower St James Street Historic Action Zone | Growth Reserve | 215,000 |
| Finsley Wharf & Canal Towpath Improvements | Business Support Reserve | 33,000 |
| Building Infrastructure Works | Growth Reserve & Crem Re-Align | 141,400 |
| Energy Efficiency | Revenue | 10,000 |
| Total Revenue Contributions | | 1,394,756 |

Pioneer Place costs are to fund pre contract costs.

b. **Prudential Borrowing 2020/21**

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 2020/21 of £19,468,103 included a planned borrowing requirement of £6,638,330.

The Outturn report dated 11 August 2020 approved slippage funded from borrowing of £610,647, revising the planned borrowing requirement to £7,248,977

The Cycle 1 report dated 11 August 2020 approved a reduction of £155k on borrowing, revising the planned borrowing requirement to £7,093,977

This Cycle 2 report seeks approval for £500k of the Building Infrastructure borrowing, for Stone Repairs, to be reprofiled into 2021/22. Along with a re-financing of £60,000 for works on Burnley Crematorium, from borrowing to Reserves in the current year.

This Cycle 2 report also seeks approval for £107,455 of the Lower St James Street Historic Action Zone scheme borrowing, to be reprofiled into 2021/22.

This revises the Borrowing to [£6,426,522](#).

The revenue implications of borrowing [£6,426,522](#) are a Minimum Revenue Provision (MRP) of [£44k](#) and an interest charge, assuming 3% on the borrowing, would equate to [£192k](#) for a full year.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. A decrease in the 2020/21 capital programme of [£2,206,530](#) to give a revised budget of [£16,908,615](#) and a decrease in the borrowing requirement of [£667,455](#), from £7,093,977 to [£6,426,522](#).

POLICY IMPLICATIONS

8. None arising directly from this report.

DETAILS OF CONSULTATION

9. None.

BACKGROUND PAPERS

10. None.

FURTHER INFORMATION

PLEASE CONTACT:

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ALSO

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