

Capital Monitoring Report 2021/22 – Quarter 1 (to 30 June 2021)

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 £4,284,007 giving a revised capital budget for 2021/22 totalling £16,243,296 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £16,243,296 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £1,985,183 at 31 March 2022 as shown in Appendix 3.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2021/22 capital programme.

SUMMARY OF KEY POINTS

4. Monitoring Information

On 24 February 2021 Full Council approved the 2021/22 original capital budget, totalling £18,792,347.

The 2020/21 Outturn report, presented to Executive on 14 July 2021 seeks approval for slippage of £1,803,384, and reverse slippage of £68,428, revising the capital budget to £20,527,303.

This is the first of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 30 June 2021 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 June 2021. The expenditure to date is £2,071,374 which is 13% of the proposed revised budget.

Members will note that several schemes have nil spend incurred to date. As in previous years, capital spend in Q1 tends to be low while preparatory work is undertaken to allow the schemes to commence. We will also be waiting for some of the work undertaken to be invoiced and the payments processed.

- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £16,243,296, along with identifying the recommended financing elements on a scheme by scheme basis. This is a decrease of £4,284,007.
- 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 2021/22 capital commitments, totals £2,857,989.

The resources are reducing each financial year, to an estimated balance on general capital receipts of £1.985m 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.

Please note, the general receipts position requires a number of properties to be sold before 31st March 2022, some of which are high risk (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.

- d. **Building Infrastructure Works**

Towneley Hall

The majority of expenditure in the current financial year will be around survey costs, consultancy fees and preparatory works. Works are to be tendered and are expected to start from April 2022.

Town Hall

Work on the Stone works is progressing and is on target to complete within budget by the end of the current financial year.

Nicholas Street

An area of dry rot was first identified in a rear first floor office and below in a ceiling/corridor wall. A specialist timber company was instructed to produce a strip out

and treatment schedule. The roof was also inspected and temporary repairs carried out to an isolated area where a damaged lead lined gutter and cracked hopper outlet was letting water in. The general condition of the roof coverings and high level gutters/rain water goods is poor and there are signs of historic 'temporary' repairs over the roof area and gutters.

Following the initial strip out works, additional areas of dry rot damage were identified over suspended ceilings and wall areas on the front elevation and in an area on the ground floor and basement adjacent the party wall with the neighbouring property. There is evidence of previous timber replacement in the initial outbreak area where dry rot had been removed and treated over 10 years ago.

A further strip out and treatment schedule has been prepared, which includes for replacement of dry rot affected timber lintols and further plaster and timber floor strip out. This work requires immediate action to halt the spread of the rot and mitigate the risk of it spreading to the neighbouring property.

6. Revenue Implications

a. Revenue Contributions / Reserves 2021/22

The Capital Programme includes Revenue Contributions / Reserves of £777,099 being:

Scheme	Funded	£
Vehicle & Machinery Replacement	Transport Reserve	108,975
Vehicle & Machinery Replacement	Revenue	66,025
Refill Fountains	Revenue	20,500
Pioneer Place	Growth Reserve	63,599
Lower St James Street Historic Action Zone	Growth Reserve	185,000
Finsley Wharf & Canal Towpath Improvements	Business Support Reserve	33,000
Burnley/Pendle Growth Corridor	Growth Reserve	300,000
Total Revenue Contributions		777,099

Pioneer Place costs are to fund pre contract costs.

b. Prudential Borrowing 2021/22

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 2021/22.

The original capital budget for 2021/22 of £18,792,347 included a planned borrowing requirement of £8,792,580.

The Outturn report dated 14 July 2021 seeks approval for slippage on borrowing of £686,125, revising the planned borrowing requirement to £9,478,705.

Following changes identified during Cycle 1 monitoring, the borrowing requirement has decreased to £7,478,705.

The revenue implications of borrowing £7,478,705 are a Minimum Revenue Provision (MRP) of £227k and an interest charge, assuming 3% on the borrowing, would equate to £224k for a full year.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. A decrease in the 2021/22 capital programme of £4,284,007 to give a revised budget of £16,243,296 and a decrease in the borrowing requirement of £1,313,875 from £8,792,580 to £7,478,705.

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

Amy Johnson – Finance Manager