

Capital Monitoring Report 2023/24 – Quarter 1 (to 30 June 2023)

REPORT TO EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Craig Finn
TEL NO	01282 475811
EMAIL	CFinn@burnley.gov.uk

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 reduction of (£1,235,466) giving a revised capital budget for 2023/24 totalling £39,190,265 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £39,190,265 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £3,769,351 as at 31 March 2024 as shown in Appendix 3.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2023/24 capital programme.

SUMMARY OF KEY POINTS

4. Monitoring Information

On 22 February 2023 Full Council approved the 2023/24 original capital budget, totalling £41,357,215.

The 2022/23 Outturn report, presented to the Executive on 12 July 2023 obtained approval for slippage of £2,006,176 to be added **to** the Capital Programme 2023/24 and reverse slippage of £2,937,660 **from** the 2023/24 approved programme back into 2022/23 to match the actual timing of capital spend. The result is a net reduction to the approved Capital

Programme 2023/24 of £931,484, giving a revised Capital Programme 2023/24 of £40,425,731.

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 2023 on expenditure, along with an update on the progress of delivery of the individual schemes.

As part of this report, budget adjustments in year in the sum of £678,513 are proposed in addition to re-profiling £556,953 into 2024/25. Total adjustments therefore equating to a net reduction to the Capital Programme in 2023/24 of £1,235,466.

The net result is a newly revised Capital Programme for 2023/24 of £39,190,265.

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 2023. The expenditure to date is £6,146,555 which is 16% of the proposed revised budget, which is usual at this time of the year.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £39,190,265 along with identifying the recommended financing elements on a scheme by scheme basis. As above, this is a net reduction to the 2023/24 Capital Programme approved in July of £1,235,466 owing to reverse slippage on conclusion of the 2022/23 capital outturn position, budget adjustments in year, and re-profiling sums into 2024/25.
- c. Included within the in-year adjustments are additional items for approval in the 2023/24 Capital Programme and these are included at Appendix 2, in the sum of £295,950. These are to be financed from a mixture of resources: £35k (Climate Action Fund), £63k (revenue contributions), £65k (UK Shared Prosperity Fund) and £133k (capital receipts) and are summarised below.

Scheme	Funding Source	£'000
Vehicle & Machinery Replacement	Climate Action Fund/Revenue	98
Play Area Improvement Scheme	UKSPF	65
Towneley Hall Works	Capital Receipts	133
Total Additional Proposals		296

- d. More detail is also included within the narrative at Appendix 1.
- e. **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 forecast level of surplus available local resources at 31 March 2024, after taking into account the 2023/24 capital commitments, is estimated at £3,769,351.

The resources are reducing each financial year. 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 over the life of the medium-term Capital Investment Programme (CIP), some of which are considered high risk.

Asset disposals will be monitored throughout the year, with updates to Members included in these cyclical monitoring reports. Should these receipts not be received, we will need to source alternative financing.

f. **Building Infrastructure Works**

Towneley Hall

The contract to repair Towneley Hall is progressing on schedule. It is proposed to increase the repair budget by £133k to enable the fire and intruder alarm systems and climate control system to be replaced, taking advantage of financial savings of doing the work alongside the building repair contract. The existing fire and intruder alarm systems are old and unreliable, resulting in more frequent false activations. The new digital systems will be more reliable and facilitate more accurate identification of alarm activations when emergency services attend.

Town Hall

The main works to the Town Hall have been completed, including all roofing and stonework repairs and the structural issue above the main entrance. Structural repairs in the lightwell have been also completed with only the cosmetic works to the toilets to be done and external cladding to be installed in due course. Unfortunately, the dry rot works in the Council Chamber have proven to be more extensive than first anticipated however these are now well under way and are estimated to be completed during the Autumn of 2023. Progress is being made on accessibility and audio-visual equipment upgrades and work will commence once the dry rot works have been completed.

Nicholas Street

Outbreaks of dry rot continue to arise and are in the process of being treated. The building continues to be monitored pending its disposal or redevelopment.

6. **Revenue Implications**

a. **Revenue Contributions / Reserves 2023/24**

b. The Capital Programme includes Revenue Contributions / Reserves of £2,350,202:

Scheme	Funded	£'000
Vehicle & Machinery Replacement	Transport Reserve	143
Vehicle & Machinery Replacement	Revenue	63
Worsthorne Recreation Ground Improvements	Revenue Support Reserve	22
Refill Fountains	Revenue Support Reserve	5
Building Infrastructure	Revenue Support Reserve	2
Lower St James Street Historic Action Zone	Growth Reserve	170
Audio & Visual Upgrade to Facilitate On-line Meetings	Covid-19 Recovery Reserve	100
Pioneer Place	Transformation Reserve	665
Charter Walk Refurbishment	Charter Walk Reserve	1,180
Total Revenue Contributions		2,350

c. Prudential Borrowing 2023/24

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 2023/24.

The original capital budget for 2023/24 of £41,357,215 included a planned borrowing requirement of £15,223,050. The revised Capital Programme for 2023/24, including proposed budget adjustments and re-profiling schemes into 2024/25 now estimates the planned borrowing requirement for the year to be £13,661,817.

The revenue implications of borrowing £13,661,817 are a Minimum Revenue Provision (MRP) of £1,710,208 and an interest charge, assuming 3% on the borrowing, of £410k for a full year.

The above MRP estimate will apply to future years from 2024/25 where appropriate, in line with the Council's approved MRP Policy and regulations, to allow MRP to be charged in the year following practical completion of the asset.

The approved MRP charge for 2024/25 will be determined as part of the Council's annual budget setting process.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. A net reduction to the approved 2023/24 Capital Programme, including re-profiling schemes into 2024/25, of £1,235,466, to give a revised budget of £39,190,265.

POLICY IMPLICATIONS

8. None arising directly from this report. Any prudential borrowing will be undertaken in accordance with the Council's approved Treasury Management Strategy Statement (TMSS) as approved by Council in February 2023, for 2023/24. This includes the approved MRP policy and Capital Financing Requirement (CFR).

DETAILS OF CONSULTATION

9. None.

BACKGROUND PAPERS

10. None.

FURTHER INFORMATION

PLEASE CONTACT:

Craig Finn – Principal Accountant

