

Capital Monitoring Report 2023/24 – Quarter 2 (to 30 September 2023)

REPORT TO EXECUTIVE



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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 an increase of £2,467,058 giving a revised capital budget for 2023/24 totalling £41,657,323 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £41,657,323 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £3,307,353 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.

Since approval of the 2023/24 original capital budget, subsequent reports have been presented to Council to approve the final 2022/23 capital outturn position (19 July 2023) and budget adjustments from the first in-year monitoring cycle at Q1 (27 September 2023), revising the 2023/24 capital budget to £39,190,265.

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

Budget adjustments in the sum of £2,519,058 are proposed in addition to re-profiling (£52,000) into 2024/25. Total adjustments therefore equating to a net increase to the Capital Programme in 2023/24 of £2,467,058.

The net result is a newly revised Capital Programme for 2023/24 of £41,657,323.

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 2023. The expenditure to date is £11,640,781 which is 28% of the proposed revised budget.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £41,657,323 along with identifying the recommended financing elements on a scheme by scheme basis. As above, this is an increase to the 2023/24 Capital Programme approved in September of £2,467,058 owing to budget adjustments in year and re-profiling sums into 2024/25. It also recognises the retention of three Empty Homes properties originally earmarked for disposal, but which have been retained for temporary accommodation purposes, reducing estimated Vacant Property receipts. Financing of the Empty Homes programme will therefore be supplemented by General Capital receipts.
- c. Included within the in-year adjustments are additional items for approval in the 2023/24 Capital Programme, not previously reported to Council, and these are included at Appendix 2, in the sum of £401,564 (net) and are also summarised below.

Scheme	Funding Source	£'000
Vehicle & Machinery Replacement	Revenue	(10)
Play Area Improvement Programme	Section 106	55
Cremator Relining	Revenue	53
River Training Walls	Capital Receipts	(52)
Windermere Ave Footpath works	Section 106	8
Disabled Facilities	Better Care Grant	238
Building Infrastructure	Third Party Contribution	110
Total Additional Proposals		402

- 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 £3,307,353.

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. The revised budget includes an increase of £133k approved as part of the first monitoring cycle to replace and improve the fire and intruder alarm systems and climate control system.

Town Hall (and Audio Visual upgrade)

The status of repair works at the Town Hall remain as reported in Q1 with the main works to the Town Hall having been completed. Unfortunately, the dry rot works in the Council Chamber have proven to be more extensive than first anticipated. These are now well under way but continue to have an impact on the timetable for installation of the Audio Visual upgrade.

At the time of this report, and in response to a separate question raised at Council of 27th September 2023, the tender for Audio Visual equipment is live, with the aim of the equipment installation taking place once the building work is complete in the Council Chamber and the construction equipment has been removed. However, interested parties have indicated that they need to carry out detailed physical and sound survey works in order to suggest the most appropriate solutions and pricing.

This work cannot be completed at the moment as equipment and scaffolding related to the building works is obstructing access. Therefore, the tender period has been extended to allow surveys to take place on removal of the obstructions.

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.

Members will be aware that the site was subject to a separate report to the Executive on 16th August 2023, where it was resolved to proceed with re-development proposals for this surplus building and to accept the offer of grant funding via Urgent Executive Decision.

This scheme (Brownfield Land Release) is included in the revised Capital Investment Programme.

6. **Revenue Implications**

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

- b. The Capital Programme includes Revenue Contributions / Reserves of £3,267,325 being:

Scheme	Funded	£'000
Vehicle & Machinery Replacement	Transport Reserve	143
Vehicle & Machinery Replacement	Revenue	53
Worsthorne Recreation Ground Improvements	Revenue Support Reserve	22
Refill Fountains	Revenue Support Reserve	5
Cremator Relining	Revenue/Revenue Support Reserve	53
Building Infrastructure	Revenue Support Reserve	2
Lower St James Street Historic Action Zone	Growth Reserve	520
Audio & Visual Upgrade to Facilitate On-line Meetings	Covid-19 / Cost of Living Reserve	100
Pioneer Place	Transformation Reserve	665
Charter Walk	Charter Walk (Regen) Reserve	1,180
Local Authority Housing Fund	Dispersal Accommodation Reserve	170
Building Control IT Procurement	Transformation Reserve	60
Burnley Leisure Gym replacement	Revenue Contribution	295
Total Revenue Contributions		3,268

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 £13,312,390.

The revenue implications of borrowing £13,312,390 are a Minimum Revenue Provision (MRP) of £1,413,518 and an interest charge, assuming 3% on the borrowing, of £399k 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 increase of £2,467,058 to the 2023/24 Capital Programme giving a revised Capital Investment Programme of £41,657,323.

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