

Capital Monitoring Report 2023/24 – Quarter 3 (to 31 December 2023)

REPORT TO EXECUTIVE



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| DATE | 12 February 2024 |
| 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 net increase of £69,936 giving a revised capital budget for 2023/24 totalling £41,727,259 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £41,727,259 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £3,553,100 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),

and second in-year monitoring report at Q2 (24 January 2024) revising the approved 2023/24 capital budget to £41,657,323.

This is the third of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 31 December 2023 on expenditure, along with an update on the progress of delivery of the individual schemes.

Budget adjustments in the sum of £744,054 are proposed in addition to re-profiling (£674,118) into 2024/25. Total adjustments therefore equating to a net increase to the Capital Programme in 2023/24 of £69,936.

The net result is a newly revised Capital Programme for 2023/24 of £41,727,259.

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 2023. The expenditure to date is £20,161,816 which is 48% of the proposed revised budget.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £41,727,259 along with identifying the recommended financing elements on a scheme by scheme basis. As above, this is a net increase to the 2023/24 Capital Programme approved in January 2024 of £69,936 owing to 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, not previously reported to Council, and these are included at Appendix 2, in the sum of £744,054 (net) and are also summarised below.

| Scheme | Funding Source | £'000 |
|-----------------------------------|-------------------------------|------------|
| Vehicle & Machinery Replacement | Revenue | 19 |
| Play Zones | Cap Receipts/Football Fndtn | (165) |
| Safer Streets | Other Local Authority | 11 |
| Lower St James St HAZ | Owner Contributions | 10 |
| Vision Park | LEP | (17) |
| Building Infrastructure | Prudential Borrowing/Receipts | 254 |
| Better Care Grant/DFGs | Better Care Grant | 492 |
| Affordable Warmth | Affordable Warmth Grant | 140 |
| Total Additional Proposals | | 744 |

- 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 £3,553,100.

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 to programme. The west wing is complete and works are progressing on the south wing and great hall ceiling. The contract completion date is now projected 8 weeks later (26/02/25) because the Regency rooms are being used for storage of art works which will delay redecoration of these rooms.

Town Hall (and Audio Visual upgrade)

The status of repair works at the Town Hall remain as previously reported. These are now well under way but continue to have an impact on the timetable for installation of the Audio Visual upgrade, with tenders from interested parties due to be received mid-January.

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 £3,328,657 being:

| Scheme | Funded | £'000 |
|---|-----------------------------------|--------------|
| Vehicle & Machinery Replacement | Transport Reserve | 143 |
| Vehicle & Machinery Replacement | Revenue | 72 |
| Worsthorne Recreation Ground Improvements | Revenue Support Reserve | 22 |
| Refill Fountains | Revenue Support Reserve | 5 |
| Cremator Relining | Revenue/Revenue Support Reserve | 53 |
| Lower St James Street Historic Action Zone | Growth Reserve | 520 |
| Building Infrastructure | Growth Reserve/Covid-19 | 44 |
| 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 | | 3,329 |

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 £13,154,323.

The revenue implications of borrowing £13,154,323 are a Minimum Revenue Provision (MRP) of £1,409,540 and an interest charge, assuming 3% on the borrowing, of £395k 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 £69,936 to the 2023/24 Capital Programme giving a revised Capital Investment Programme of £41,727,259.

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