

REPORT TO THE EXECUTIVE



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PORTFOLIO	Resources & Performance Management
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Capital Budget Monitoring Report 2017/18 Cycle 1 (to 30th June 2017)

PURPOSE

- 1 To provide Members with an update on capital expenditure and resources position along with highlighting any variances.

RECOMMENDATION

- 2 The Executive is asked to:
 - Recommend to Full Council, approval of the revised capital budget for 2017/18 totalling £15,589,217, as outlined in Appendix 2.
 - Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £15,589,217 as shown in Appendix 3.
 - Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £2,231,605 at 31st March 2018, in Appendix 4.
 - Recommend to Full Council, approval of a new Capital Scheme for the Calder Park Sport & Play Equipment, totalling £13,700, funded from 3rd Party Contributions and Ward Opportunities Fund.
 - Recommend to Full Council, approval of a new Capital Scheme for the Brun Valley Forest Park, totalling £10,486, funded from 3rd Party Contributions.

REASONS FOR RECOMMENDATION

- 3 To effectively manage the 2017/18 capital programme.

SUMMARY OF KEY POINTS

2017/18 CAPITAL PROGRAMME:**4 MONITORING INFORMATION:**

On the 22nd February 2017 Full Council approved the 2017/18 original capital budget, totalling £12,027,721. Since February, a number of reports have been approved by the Executive, resulting in revising the 2017/18 capital budget to £13,936,309 [as at the 4th

July 2017 Executive Meeting].

This is the first round of in-year cyclical monitoring, and as such the appendices accompanying this report provide Members with the position as at 30th June 2017 on expenditure, along with providing Members with an update on the progress of the individual schemes delivery.

5 **EXECUTIVE SUMMARY:**

a) Burnley Town Centre Pedestrianisation Upgrade – Appendix 1

At its joint project meeting with LCC on 22 March 2017, LCC officers reported that there was a significant cost increase to the project. This was despite the Council being informed at the four previous project meetings that the project was on budget (see Appendix 1 for timeline of meetings and relevant minutes).

The current position is that in order to complete the scheme as envisaged, a shortfall of £650k must be met. LCC have confirmed that they will provide 50% of the shortfall (£325k) subject to this Council increasing its contribution by the same amount. Our concerns about the poor financial management of the project have been raised with the Council who have offered that the full costs and financial records can be inspected. This offer will be taken up, however due to the fact that any delay in decision making would result in additional overhead costs and delays in the completion of the project, the Council needs to consider the issue of the additional costs now. LCC have reported that the main reasons for this increase are as follows:

- Changes to the scope and design of the works from the original concept
- Unforeseen ground conditions requiring additional preparation works
- Additional works to the existing drainage system
- Additional service ducts for street lighting infrastructure
- Material cost increases
- Works being more complex than anticipated, requiring more resources to deliver to programme
- Temporary works to accommodate businesses
- Additional works required by utility companies.

One option to reduce the additional cost would be to not undertake improvement work on Parker Lane, however due to the importance of this work to the continued viability of Burnley town centre and the need to ensure that the town centre pedestrianised area is all of the same high quality, it is recommended that this option is not followed.

In light of the above, the additional £325k increase to the budget is recommended.

- ### b) Expenditure Monitoring - Appendix 2 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 2017. The expenditure to date is £2,797,837 which is 18% of the proposed revised budget.

- c) Revised Budget and Financing Elements - Appendix 3 shows the revised budget of £15,589,217 along with identifying the recommended financing elements on a scheme by scheme basis.
- d) Council Resources Position - Appendix 4 shows the latest position on capital receipts, section 106 monies and 3rd 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 2017/18 capital commitments, totals £2,231,605.

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REVENUE IMPLICATIONS

Revenue Contributions 2017/18

The Capital Programme includes Revenue Contributions totalling £3,011,484, being:

Scheme Name	£
Thompson Park Restoration Project	164,759
Vehicle & Machinery Replacement	88,138
Lower St James Street	400,000
Chewing Gum Removal Machine	40,000
Vision Park	307,000
Market Safety Works	477,480
Land at Grove Lane; NW Burnley Growth Corridor	986,855
Padiham Townscape Heritage Initiative	36,373
Building Alteration Works	3,107
Padiham Town Hall - Flood Works	132,772
Contribution to Shopping Centre Redevelopment	375,000
Total Revenue Contributions	3,011,484

Prudential Borrowing 2017/18

The proposed revised capital budget for 2017/18 includes a use of Prudential Borrowing totalling £3,956,882.

The revenue implications of borrowing £3,956,882, are an increase in the Minimum Revenue Provision [MRP] of £135k and an interest charge, assuming 3% on the borrowing would equate to £119k.

The MRP costs are not incurred until 2018/19, and the interest cost will be dependent on the timing of the borrowing. The full year costs will be included within the revenue budget for 2018/19.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION
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7 As set out in the body of the report.

POLICY IMPLICATIONS

8 None arise directly from this report.

DETAILS OF CONSULTATION

9 None.

BACKGROUND PAPERS

10 None.

FURTHER INFORMATION

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Asad Mushtaq Head of Finance Ext 7173

Appendix 1 - Budget Extracts from Burnley Town Centre Programme Meetings

Programme Meeting No6. 8th July 2016

Item 4 Budget Review

LCC Operations Manager's view is that the scheme is currently on target. This will be reviewed more thoroughly against each phase at the next programme meeting. LCC Operations Manager to review costs and forecasts ahead of the next meeting.

Programme Meeting No7. 13th September 2016

Item 4 Cost Estimate and Funding

BBC to supply actual spend and forecast furniture costs as soon as possible after Streetscene Engineer returns from leave.

LCC Operations Manager to issue actual cost/revised forecast as soon as data available (target end of Sept 2016).

Programme Meeting No8. 20th October 2016

Item 3 Cost Estimate and Funding

LCC Operations Manager presented latest costs and estimates for the scheme up to phase 7. Forecast is currently on target against the scheme baseline (March 2016).

LCC Operations Manager to update the forecast for the remaining phases as soon as the design details for phase 10 have been agreed.

Programme Meeting No9. 12th December 2016

Item 3 Cost Estimate and Funding

LCC Operations Manager reported that the costs of the scheme is broadly on target.

Subject to receiving the latest plan and quantities for phase 1, LCC Operations Manager to reconcile costs to date and review the cost estimate to complete.....scheme cost estimate to be considered at the next Programme meeting in Jan 2017.

No Programme Meeting was convened by LCC in January 2017 due to minimal scheme activity over the Christmas period and the cost exercise not being completed at this time. Regular 'operational meetings' were maintained and no fundamental cost issues were raised. A date was set for March 2017.