

REPORT TO EXECUTIVE



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PORTFOLIO	Resources
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2010/2011 Capital Budget Monitoring - Cycle 3

PURPOSE

1. To provide Members with the current capital expenditure and resources position for 2010/2011 and highlight any variances.

RECOMMENDATION

2. That Full Council be recommended to approve a revised capital budget totalling £14,070,467 as outlined in Appendix 1.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2010/2011 capital programme.

SUMMARY OF KEY POINTS

4. **BACKGROUND:**

On the 24th February 2010 Full Council approved the 2010/2011 original capital budget, totalling £19,556,403. Since February, a number of individual reports have been approved by the Executive, along with approvals under delegation powers, resulting in revising the 2010/2011 capital budget to £19,057,725 [as at the 13th December Executive Meeting].

5. **MONITORING INFORMATION:**

This is the third round of quarterly monitoring, and as such heads of service / individual project officers responsible for delivering capital projects were asked to provide Finance staff with an update on where the schemes were at, in terms of budget commitments and whether they were still forecasting, delivering all the budget allocations by the end of the financial year. The appendices accompanying this report provide Members with the position to date on expenditure incurred along with presenting the narrative received from officers.

Specific areas of concern:

- There are schemes currently unreleased where project officers still anticipate spending the resources before the end of March 2011.
- After taking into account the budget adjustments detailed within this report expenditure to date stands at just 50% spend against budget.
- Capitalised salaries income of £1.4m within the Revenue Budget is based on an original capital programme of £20m. However, as a result of this round of capital budget monitoring, the revised capital budget totals just over £14m. This will affect the level of capital works staff will be delivering and hence be able to recharge time to. This may mean that income to the revenue budget may fall.
- The following programmes / projects are not proceeding at this stage and may have difficulty in being completed by the end of the financial year based on current progress delivery.
 - Housing Investment Programme
 - Ward Opportunities Fund
 - Works to Bus Station & Associated Highways
 - Play Area Improvement Programme
 - Cycling & Access

6. **Budget Approvals:**

Appendix 1 shows the movements to date for the various elements of resources required to finance the capital programme. Identifying the original capital budget position totalling £19,556,403, and then listing all the changes approved to date, totalling £19,057,725 [as at 13th December Executive].

As a result of this round of budget monitoring, after taking into account all the proposed changes outlined within this report, Members are asked to approve a revised capital budget figure of £14,070,467.

7. **New Schemes to be established:**

Outdoor Activity Development Programme:

Members are asked to approve a budget provision of £48,328 for this scheme. The Head of Green Spaces and Amenities has identified resources secured to finance the expenditure being incurred on this project. Utilising Communities for Health funding of £37,250 and £11,078 of council resources [S106 money of £10,078 and Ward Opportunities money of £1,000].

Virtualisation VOIP:

Members are asked to note that in line with the future vision of infrastructure replacement and desktop virtualisation the PC Replacement budget of £79,000 and Infrastructure budget of £91,159 have been merged and renamed as Virtualisation Voice over Internet

- Protocol [VOIP] totalling £170,159.
8. **Budget adjustments required:**

Ward Opportunities Fund:

As part of setting the 2009/2010 Revenue Budget £50,000 was introduced to be split over the fifteen wards and as a consequence the Capital Budget was reduced from £150,000 down to £100,000.

An update on the level of commitments on this scheme could not be obtained from the project officer for inclusion in this cycle of monitoring; however a budget adjustment is required to reflect the funding of work being delivered within Green Space's and Amenities capital projects, revising the WOF budget from £169,516 down to £154,218.

As part of cycle 4 capital monitoring, finance staff will endeavour to obtain from project officers an update on the capital commitments surrounding the fifteen wards and whether the £154,218 budget will be fully spent by the end of the financial year.

Energy Efficiency / Carbon Reduction Programme:

An Individual Member Decision dated 27th July 2010, approved an increase of £20,000 incorporating capital grant secured from North West Improvement & Efficiency Partnership, thereby revising the original budget from £100,000 up to £120,000. Since the date of this approval the arrangements surrounding the funding have now changed. Whereby, originally Burnley were due to receive the grant and be invoiced for the works carried out, it has since been agreed that the companies in question will liaise and invoice directly to Blackburn with Darwen Council. Consequently, Members are asked to approve the reduction in this scheme's budget down to the original level of £100,000.

A report on the Energy Efficiency Works programme was approved on the 10th December 2010 under Individual Member Decision. Approving a revised work programme, detailing that all work identified will be completed before the end of the financial year totalling £100,000.

Play Area Improvement Programme:

The Head of Green Spaces & Amenities has revised this scheme's delivery profile in line with the external funding criteria attached to the resources secured and, after incorporating a further £20,347 of resources, mainly from WOF resulting in revising this scheme's budget for 2010/2011 from £144,570 up to £164,917.

Bus Shelter Replacement:

A third party contribution has been secured of £1,745 towards costs, resulting in revising this scheme's budget from £12,500 up to £14,295.

CCTV Facility & Upgrade [General Provision]:

Since the installation of the new digital recording system a review of the camera provision has been undertaken. As a result of this review, a number of cameras will need to be replaced to ensure they are compliant with the new recording equipment.

These works will be commissioned as part of the mainframe upgrade and therefore Members are asked to note that to maximise the versatility of the new recording system this scheme's resources of £66,929 has been merged with the mainframe system upgrade resources of £224,000 resulting in a revised budget of £290,929 as shown in Appendix 2.

Resources adjustments:

Members are asked to note the following two schemes where elements of these scheme budgets need to be amended to reflect the correct accounting treatment of the funding secured. These adjustments do not change the overall budget allocations for these schemes.

- Tourist Information project, funding now shown as capital grant contribution as apposed to contribution from revenue reserves as previously reported.
- Cycling and Access project, funding secured from Sustrans recorded as a third party contribution instead of as a capital grant as was shown previously.

9. **Resources being deleted:**

Members are asked to note the following budgets totalling £208,704 are being deleted from the current year's capital programme as outlined in both Appendix 1 and 2 as a consequence of this round of budget monitoring, split between;

Schemes no longer going ahead:

Provision for Additional Car Parking [scheme budget of £200,000]:

The original budget of £466,240 was approved at the Executive on the 18th August 2009 to acquire land at Hart Street and develop a 120 space long stay car park. Subsequently this scheme's budget was revised during the last financial year down to £200,000, to reflect the estimated costs of re-structuring the lease arrangements with the owners, and £200,000 was reprofiled into the 2010/2011 financial year to cover the costs associated with developing a car park on site. However the original site is no longer viable and, as yet, an alternative site has yet to be identified.

Schemes completed within budget:

Pedestrianised Lighting remaining resources of £8,254:

The contractual work delivered was commissioned totalling £26,746 in comparison to the estimated budget provision approved of £35,000. The balance remaining of £8,254 is no longer required. The resources approved for this scheme were prudential borrowing as the type of expenditure incurred related to Council owned assets.

Safer Neighbourhoods Project remaining resources of £450:

The funding secured from Burnley Community Safety Partnership of £105,000 received during April 2010 was to be utilised on a serious acquisitive crime project, to be delivered over two years, commencing in 2009/2010. The capital aspects of this project are now complete and the remaining grant available of £450 originally approved within the capital budget needs to be deleted and transferred to the revenue budget to cover installation costs.

10. **Budget Reprofiled into Future Years:**

Housing Investment Programme £1,638,038:

Following the Comprehensive Spending Review there is now greater certainty on what

resources will be available for Housing interventions next year. There will be an as yet unknown allocation for Disabled Facilities Grant work. We also know that the Housing Market Renewal Programme [HMR] has ended, and we are currently at an advance stage of producing a submission into round one of the Regional Growth Fund that if successful would encompass some elements of the HMR programme related to Keepmoat's sites.

In the light of this, with no other Housing resources available, we are attempting to slow down this years programme to give the Council sum ability to carry out a much reduced Housing Investment Programme next year.

Weavers Triangle Programme [budget element of £1,896,372 being reprofiled]:

This budget now includes £900,000 transferred from the HMR market support budget. The urgent works programme currently being carried out is on schedule to complete next summer. By then we will have also procured a new private sector partner to work with the Council to regenerate the Weavers Triangle.

The reprofiled budget reflects the need to ensure we have the ability to support that partner in their early schemes.

Education & Enterprise Zone, Public Realm - Princess Way Gateway [budget element of £894,746 being reprofiled]:

This scheme will be delivered by September 2011 and as such although elements of the works are already committed the majority of the expenditure will be incurred in the next financial year. Resulting in revising the budget from £994,746 down to £100,000.

Education & Enterprise Zone, Princess Way Public Realm - Gateway Acquisitions [scheme budget of £245,000]:

This scheme was originally approved by the Executive on the 13th October 2009 to approve the acquisition of land at Stanhope Street to enable the implementation of the Princess Way Public Realm Scheme.

Education & Enterprise Park, Princess Way – Preliminary Works [budget element of £5,000 being reprofiled]:

The current year's anticipated delivery costs have been revised resulting in a reduction of £5,000 of the earmarked resources required within the 2010/2011 capital programme. Thereby reducing the budget from £70,000 down to £65,000.

Towneley Deer Pond Retaining Wall [scheme budget of £60,000]:

The Head of Streetscene has requested that this scheme, be reprofiled into 2011/2012 as a result of this work being delayed.

Alleygating [budget element of £74,520 being reprofiled]:

£65,000 of the original budget of £139,520 has been committed and no further submissions have been made.

11. **Expenditure Monitoring:**

Appendix 2 provides Members with a detailed breakdown of the capital budget, scheme by scheme, presented under each of the relevant service unit areas responsible for delivering the capital project. Appendix 2:

- Indicates whether the scheme has been released as at 13th December Executive
- Shows expenditure recorded on the radius financial system, as at mid December
- Includes those budget adjustments outlined above in paragraphs 7 - 10
- Shows narrative received from individual project officers outlining where their respective capital schemes are at, in terms of progress delivery.

12. **Capitalised Salaries:**

As part of balancing the revenue budget for 2010/2010 an assumption was made that a level of £1,379,777 would be recharged through capitalised salaries to the capital programme. This budget assumption was estimated against an original capital budget figure of £19,556,403 [being 6.9% of the overall budget financing capitalised recharges].

Given the overall capital programme reduction from £20m down to £14m of which the HIP element reduced from £14.8m down to £10.7m it seems unlikely that the £1.4m income will be capable of being charged in 2010/2011. Any reduction in the £1.4m income will impact on the Revenue Budget requiring additional resources in 2010/2011.

13. Appendix 3 provides at a glance details of the proposed revised capital programme after taking into account all the adjustments outlined in this report along with detailing the financing elements for each individual scheme, totalling £14,070,467.

14. **COUNCIL RESOURCES POSITION**

During the monitoring cycles the level of resources assumed to be available during the year, and the level required to finance the revised capital budget, will be continually reviewed and Members will be advised when these assumptions need to be amended.

15. **Prudential Borrowing:**

Throughout the financial year under the monitoring process, Members will be informed of the performance of those schemes identified as being financed from prudential borrowing, along with the level of borrowing required to finance the capital budget.

The table below shows the original borrowing position and adjustments made to date resulting in a revised borrowing level requirement of £651,153 to support financing the proposed capital programme being approved within this report of £14,070,467.

During the monitoring process Members will be notified of any changes which may need to be made to any schemes currently financed from capital receipts which could be switched to being financed from borrowing if the expenditure being incurred against those schemes

earmarked for prudential borrowing does not meet the new regulations.

<u>Type of Adjustment</u>	<u>£</u>
Original Budget	770,538
Reprofiled from 2009/10 [under cycle 4 monitoring]	230,929
Play Area Improvement Programme - financing switched to capital receipts [per 27 th July Executive]	(37,060)
Voice and Data Network Integration – scheme deleted, new scheme identified within future years' CIP	(45,000)
Provision for Additional Car Parking - deleted	(200,000)
Towneley Deer Pond Retaining Wall – reprofiled	(60,000)
Pedestrianised Lighting - scheme completed under budget	(8,254)
Total As Per Revised Budget [Prudential Borrowing]	651,153

16. **Capital Receipts:**

Budget Assumptions:

When Full Council approved the original capital budget back in February 2010 the assumed level of usable capital receipts anticipated to be generated from sales of assets during 2010/11 financial year stood at £629,101 with the estimated Right to Buy receipts to be received at £118,500, totalling £747,601.

17. **Capital Receipts Received To Date:**

As at December 2010, £154,000 of usable capital receipts has been generated from the disposal of land and commercial properties.

The levels of receipts anticipated in the rest of the year are not known but it is unlikely that the assumed level of £747k will be achieved. The current shortfall for the year is approximately £475k.

18. **Earmarked Receipts due:**

Members will be aware of the sale of the former Kwik Save site which has yielded a substantial capital receipt, which will support the Council's capital programme.

19. **Capital Receipts transferred to Earmarked Receipts:**

The level of general capital receipts in hand of £2.3m has been reduced to £1.4m as a result of transferring those elements of capital receipts identified as earmarked for specific capital schemes and endorsed by Members in previous Executive Committee meetings.

The schemes in question and the level of receipts approved are;

- Education & Enterprise Park, Preliminary Works £250,000 approved on the 29th

June 2010 Executive.

- Allegating Programme £50,000 approved on the 24th August 2010 Executive.
 - Weavers Triangle Programme £557,116 [balance remaining from the £600,000 approved on the 8th December 2009 Executive after financing expenditure in 2009/2010].
20. There are sufficient capital receipts in hand to finance the current year's capital programme, however the shortfall on the level of anticipated capital receipts expected to have been generated during 2010/2011 of £475,101 [original estimate of £747,601 - £272,500 revised estimate] has implications on the level of resources required to finance future years' capital investment needs as identified in Appendix 4.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

21. As set out in the report.

POLICY IMPLICATIONS

22. None arise directly from this report.

DETAILS OF CONSULTATION

23. None.

BACKGROUND PAPERS

24. None.

FURTHER INFORMATION

PLEASE CONTACT:

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