

REPORT TO THE EXECUTIVE



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PORTFOLIO	Resources
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Capital Budget Monitoring Report 2011/2012 - Cycle 1 (to 30th June 2011)

PURPOSE

1. To provide Members with the current capital expenditure and resources position along with highlighting any variances. Recommend to Full Council, a revised 2011/2012 capital budget after incorporating the adjustments highlighted within this cycle of budget monitoring.

RECOMMENDATION

2. The Executive recommend to Full Council a revised capital budget for 2011/2012 totalling £11,378,838 as outlined in Appendix 4.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2011/2012 capital programme.

SUMMARY OF KEY POINTS

4. BACKGROUND

On the 24th February 2011 Full Council approved the 2011/2012 original capital budget, totalling £9,099,141. Since February, a number of individual reports have been approved by the Executive, along with approvals under delegation powers, resulting in revising the 2011/2012 capital budget to £11,752,548 [as at the 26th July Executive Meeting].

5. MONITORING INFORMATION:

This is the first round of quarterly monitoring and as is expected, expenditure incurred to-date is relatively low in comparison to the approved capital programme [9% of the overall budget defrayed at the time of writing this report]. However Members are aware due to the nature of capital schemes and the lead in time required in establishing a contractor on site, delivery of work and raising payments against interim claims etc, results in the first half of each financial year showing spend to be low as a percentage against approved budget. This year is no exception.

6. **Adjustments Required:**

Under this first round of capital budget monitoring Members are asked to note the following amendments;

Fire and Asbestos Works:

As part of the revenue carry forward requests approved by the Executive last month, £20,000 from the Markets revenue budget was approved to finance Fire and Asbestos Works identified at the Market Hall. This contribution needs to be added to the capital budget to cover the works identified to be carried out this year. Revising this capital scheme's budget from £65,000 to £85,000.

CCTV System & Facility Upgrade [Main System]:

When financing 2010/2011 expenditure additional prudential borrowing was utilised for this scheme. Resulting in the third party contributions totalling £60,000 being carried forward from 2010/2011 into 2011/2012. Under this round of monitoring, the financing for this scheme's 2011/2012 approved budget needs to be adjusted to incorporate the third party contributions, thereby replacing £60,000 financing originally approved under prudential borrowing. The overall budget for 2011/2012 remains unchanged at £70,000.

Ward Opportunities Fund [WOF]:

Full Council in February 2011 approved a budget of £100,000 to be financed from Revenue Contributions / Reserves. Members are being asked to note that the original funding assumption is no longer sustainable and an adjustment has been made in Appendix 1 utilising £100,000 of usable capital receipts. The July Executive approved a carry forward figure of £73,585 from 2010/11 underspends financed from capital receipts revising the WOF programme to £173,585.

Play Area Improvement Programme [PAIP]:

During this first quarter, £6,523 WOF funding has been identified from Brunshaw ward and £5,000 from Gawthorpe ward towards the PAIP project. As a result of these approvals, Members are asked to note the virement of £11,523 between these two schemes as detailed in Appendix 4, resulting in revising the WOF budget down to £162,062 and increasing the PAIP budget to £120,032.

Budgets Reprofiled into Future Years:

Iworld Integration Project [£50,000]:

The Council is reviewing its position with the current Customer Relationship Management system, as the contract is due for renewal by the end of November. It is unlikely therefore that any development will be undertaken with regard to Iworld integration until next financial year.

Burnley Open Market Investment Programme [£343,710]:

This scheme is dependent upon the Curzon Square development going ahead. In light of further delays in progressing the retail development site. It is envisaged that any

investment in the Open Market will at the earliest, be likely to be considered next financial year.

7. Appendix 1 shows the movements to date for the various elements of resources required to finance the capital programme, from the original capital budget position totalling £9,099,141, along with listing all the changes approved to date, totalling £11,752,548 [as at 26th July Executive]. As well as, outlining the proposed changes detailed within this cycle 1 monitoring report, resulting in revising the capital budget to £11,378,838.

8. **Forecast Programme Delivery:**

Appendix 2 provides Members with a graph presentation of the anticipated delivery profile of the individual capital schemes approved within the capital programme.

This information has been introduced as a new performance indicator into the quarterly monitoring process with the aim of providing Members with a “forecast” of capital expenditure anticipated to be delivered per month, throughout the financial year.

Members are asked to note that the reason the first three months expenditure are identical to the budget delivery forecasts, is due to the information enabling this graph to be produced wasn't made available to Finance staff until late June. The forecasts for July onwards will be compared to the expenditure incurred, per month end and reported through to Members under each of the cycle monitoring reports.

9. **EXPENDITURE MONITORING:**

Appendix 3 provides Members with a detailed breakdown of the capital budget, scheme by scheme, presented under each of the relevant service unit areas who are responsible for delivering the capital works. Appendix 3:

- Indicates whether the scheme has been released as at the 26th July Executive
- Shows expenditure recorded on the radius financial system, as at the end of June
- Provides Members with narrative received in Finance from individual project officers outlining where their respective capital schemes are at, in terms of progress delivery.

Capitalised Salaries:

As part of balancing the revenue budget for 2011/2012 an assumption was made that a level of £300,000 would be recharged through capitalised salaries to the capital programme. This budget assumption was estimated against the original capital budget, totalling £9,099,141.

Members may recall when the Housing Investment Programme [HIP] was presented to the April Executive the report not only identified the individual projects to be delivered but also confirmed that the original assumptions surrounding capitalised recharges associated with the HIP remained unchanged. The programme adjustments identified within this report resulting in a revised capital budget position of £11,378,838 also have no bearing on the level of capitalised salaries assumed to be recharged to the capital programme. The original projection of £300,000 remains unchanged.

This assumption remains unchanged under this round of monitoring. Members are assured that as part of monitoring expenditure, the actual time charged through to individual capital schemes will be monitored monthly and any adjustments required to the budget projection will be reported through to Members as part of the quarterly corporate budget monitoring process.

At the time of writing this report the expenditure figure as at 30th June 2011, totalling £1,024,705 shown in appendix 3 does not reflect any capitalised recharges for staff time as this information was not available and hence posted onto the financial system.

10. Appendix 4 provides at a glance details of the revised capital programme totalling £11,378,838, after taking into account all the adjustments outlined in this report.

11. **COUNCIL RESOURCES POSITION;**

During the quarterly monitoring process 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 through the monitoring reports presented to the Executive periodically, when these assumptions need to be amended.

12. **Prudential Borrowing:**

Budget Assumptions:

Members were advised within the Minimum Revenue Provision [MRP] Report presented to the Executive on the 14th February 2011 then subsequently Full Council on the 24th of the limit set for the Revenue Budget for 2011/2012, totalling £1,196,549, as detailed below;

The Capital Financing Requirement [CFR] as at 31st March 2010 stood at £26,534,743.

	£
Apply 4% to the CFR	1,018,934
Add:	
Capital Expenditure undertaken since 2008/2009 smoothed over asset life method	177,615
MRP Charge for 2011/2012	1,196,549

All new capital expenditure undertaken from 2008/2009 onwards will be subject to the asset life method, which will be charged over a period which is reasonably similar to the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method.

At the time of setting this years MRP charge, the final outturn position of capital expenditure had not been finalised nor financed. Ensuring that this budget projection was not exceeded, the level of borrowing utilised at year end for capital expenditure incurred during **2010/2011** relating to Council owned assets totalled £655,359. As a result of the “type” of assets the 2010/2011 expenditure related to, the above **budget** assumption of **£1,196,549** was not exceeded and the **actual** charge was **£1,195,120**.

Within the **2012/2013** Corporate Revenue Budget Projections, is an MRP charge of **£1,250,816**. The element relating to estimated “new” capital expenditure to be incurred during 2011/2012 was assumed at a level of £106,617 being charged through to the revenue budget as a result of the “planned” capital expenditure to be financed from prudential borrowing at year end “smoothed” over the estimated life of the related assets [in 2010/2011 this figure was £177,615 as outlined in the table above].

Members will recall a new scheme was approved at the April Executive, thereby establishing a capital scheme for the Burnley Bridge Business Park. Members approved a loan [up to £500,000] being granted to a development company to undertake infrastructure works and utilise this loan as leverage for European funding [as identified within the April Executive report, paragraph 13].

Members are asked to note that **if** this interest free loan remains financed from prudential borrowing this will result in significantly increasing the actual 2012/2013 MRP charge made at year end to the Corporate Revenue Budget.

13. **Capital Receipts:**

Budget Assumptions:

Members were informed when the original budget was approved in February 2011 that the level of local resources being generated, year on year are becoming scarce. The 2011/2012 forecast for capital receipts generated from disposal of Council owned assets is minimal.

As was reported when setting the original budget for 2011/2012 there are sufficient resources in hand to finance this years approved capital programme, however Members are asked to note that unless “new” receipts are generated during the current financial year there will be insufficient resources available to assist in financing any future years capital investment works, requiring local resources.

Capital Receipts Received To Date [as at 30th June 2011]:

During this first round of capital budget monitoring, a vacant property sale has been completed resulting in proceeds of £111,420 having been received during the month of June. This receipt will be incorporated within the HIP programme earmarked for 2012/2013. No further receipts from the sales of assets have been generated during this quarter.

As a result of the cessation of the Housing Market Renewal [Regenerate Pennine Lancashire / former Elevate] programme, the “generated” capital receipts brought forward figure from 2010/2011 has been “pooled” together within the General Capital Receipts “Pooled” figure, totalling £2,288,607 and any future sales of assets originally acquired under the HMR programme will be classified as general capital receipts.

14. Appendix 5 summaries the resources position for the current financial year. Detailing balances brought forward as at 1st April 2011, resources received to date, the level of resources required to finance the revised capital programme and future years commitments. As at the end of this first round of budget monitoring, the assumed level of “surplus available” local resources totals £393,634.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

15. As set out in the body of the report.

POLICY IMPLICATIONS

16. None arise directly from this report.

DETAILS OF CONSULTATION

17. No external consultation required.

BACKGROUND PAPERS

18. Finance working papers for closure of capital accounts and statement of accounts working papers.

FURTHER INFORMATION

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PLEASE CONTACT:

ALSO: