
Capital Financing Performance Report

Outturn Financial Year 2023/24

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| Committee considering report: | Executive |
| Date of Committee: | 25 July 2024 |
| Portfolio Member: | Councillor Iain Cottingham |
| Date Portfolio Member sent/agreed report: | 13 June 2024 |
| Report Author: | Shannon Coleman-Slaughter |
| Forward Plan Ref: | |

1 Purpose of the Report

The capital financing performance report provided to Members reports on the under or overspends against the Council's approved capital budget and proposed reprofiling of planned expenditure into subsequent financial years. This report presents the provisional outturn position for financial year 2023/24 against the approved capital programme and financing implications for financial year 2024/25.

2 Recommendation(s)

2.1 Members are asked to note:

- (a) The provisional outturn underspend against the 2023/24 capital programme of £47.7 million.
- (b) The impact of required capital financing on the Council's Capital Financing Requirement (CFR) and liability benchmark which identifies the Council as a long-term borrower of funding. (Appendix C).
- (c) £13.6 million of planned expenditure to be reprofiled into financial year 2024/25 (project details in Appendix B).
- (d) £1.7 million of funding proposed to be brought forward from approved expenditure from financial year 2024/25 into financial year 2023/24 (project details in Appendix B).

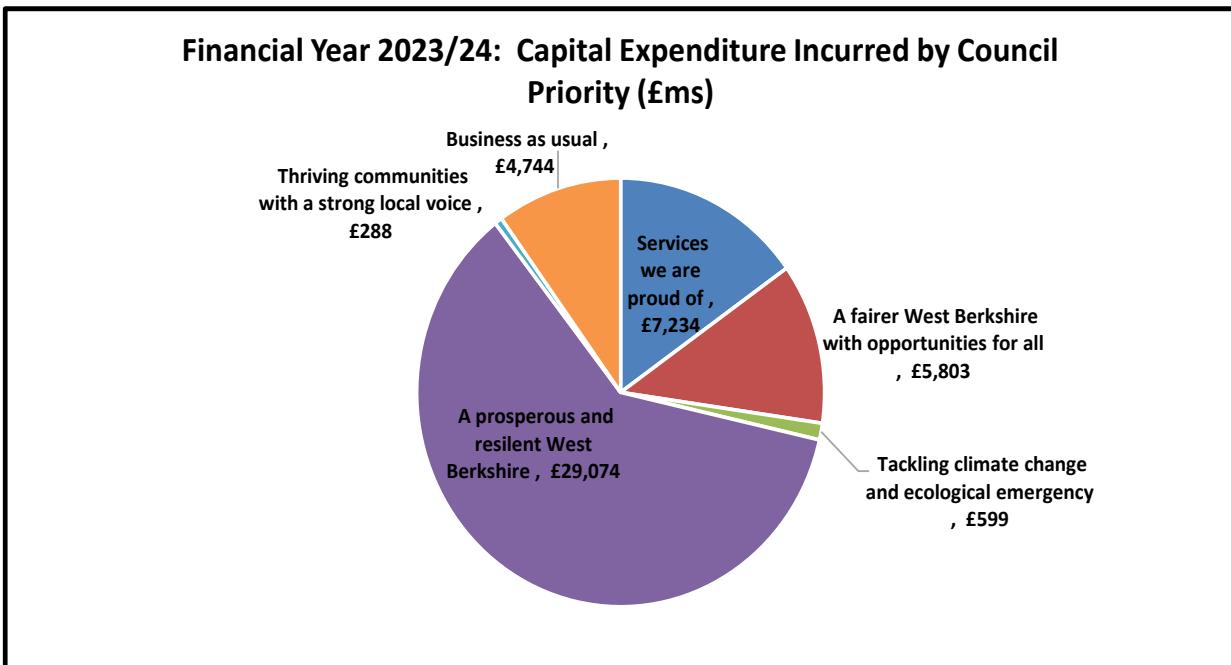
3 Implications and Impact Assessment

| Implication | Commentary | | | |
|--------------------|--|---------|----------|------------|
| Financial: | <p>The outturn position is expenditure of £47.7 million has been incurred against a revised budget of £70.9 million, an overall forecast underspend of £23.2 million. £13.6 million of future expenditure is proposed to be reprofiled into financial year 2024/25. £1.7 million of funding is proposed to be brought forward from financial year 2024/25 into financial year 2023/24.</p> | | | |
| Human Resource: | <p>Not applicable</p> | | | |
| Legal: | <p>Not applicable</p> | | | |
| Risk Management: | <p>The Council is also exposed to inflationary cost pressures across the capital programme as a whole. Furthermore, any changes in PWLB borrowing rates will impact on any new borrowing undertaken and the Council's weighted average cost of borrowing. Both of these external risks are largely outside the Council's ability to control, although the Council will take appropriate advice from our external treasury consultants, to determine the optimum time and structure for any new borrowing to be undertaken.</p> | | | |
| Property: | <p>Not applicable</p> | | | |
| Policy: | <p>Not applicable</p> | | | |
| | Positive | Neutral | Negative | Commentary |
| Equalities Impact: | | | | |

| | | | |
|--|---|---|--|
| A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality? | X | | |
| B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users? | X | | |
| Environmental Impact: | X | | |
| Health Impact: | X | . | |
| ICT Impact: | X | | |
| Digital Services Impact: | X | | |
| Council Strategy Priorities: | X | | |
| Core Business: | X | | |
| Data Impact: | X | | |
| Consultation and Engagement: | Joseph Holmes, Executive Director for Resources, s151 Officer | | |

4 Executive Summary

- 4.1 The capital programme enables delivery of key Council schemes focused on supporting the approved Capital and Council Strategies. As at the close of financial year 2023/24 £47.7 million of expenditure across capital schemes had been incurred.



- 4.2 As part of the outturn position £13.6 million of future planned expenditure is proposed to be reprofiled into financial year 2023/24, a detailed breakdown of which is included in Appendix B. This is comprised of £7 million of Council funded expenditure (i.e. to be financed through external borrowing) and £6.6 million of externally funded expenditure. A further £1.7 million of funding is proposed to be brought forward from financial year 2024/25 to fund project expenditure incurred in 2023/24 where projects are ahead of schedule, details are provided in Appendix B.
- 4.3 In respect of financing the capital programme, as at 31st March 2024, the Council's total level of long-term borrowing to fund capital spend stood at £207 million.
- 4.4 Capital financing costs are incurred a year in arrears; hence the cost of financing 2022/23 capital expenditure will fall into financial year 2024/25. The Council's liability benchmark (included in appendix C) identifies the Council as a long-term borrower. Hence there is a borrowing need within 2024/25 and the approved Investment & Borrowing Strategy for 2024/25 includes provision for financing of capital expenditure incurred in financial year 2023/24.

5 Supporting Information

Introduction

- 5.1 Capital expenditure and its supporting financing have financial consequences for the Council for many years into the future. Expenditure is therefore subject to both a national regulatory framework and to local policy framework.
- 5.2 The Prudential Code requires authorities to look at capital and investment plans in light of overall organisation strategy and resources to ensure that decisions are made with sufficient regard to the long-term financing implications and risks to the Council. To demonstrate that local authorities have fulfilled these objectives, the code sets out a number of indicators, although the Code does not include suggested indicative limits or ratios. Local Authorities are to set their own limits and ratios, subject to controls under

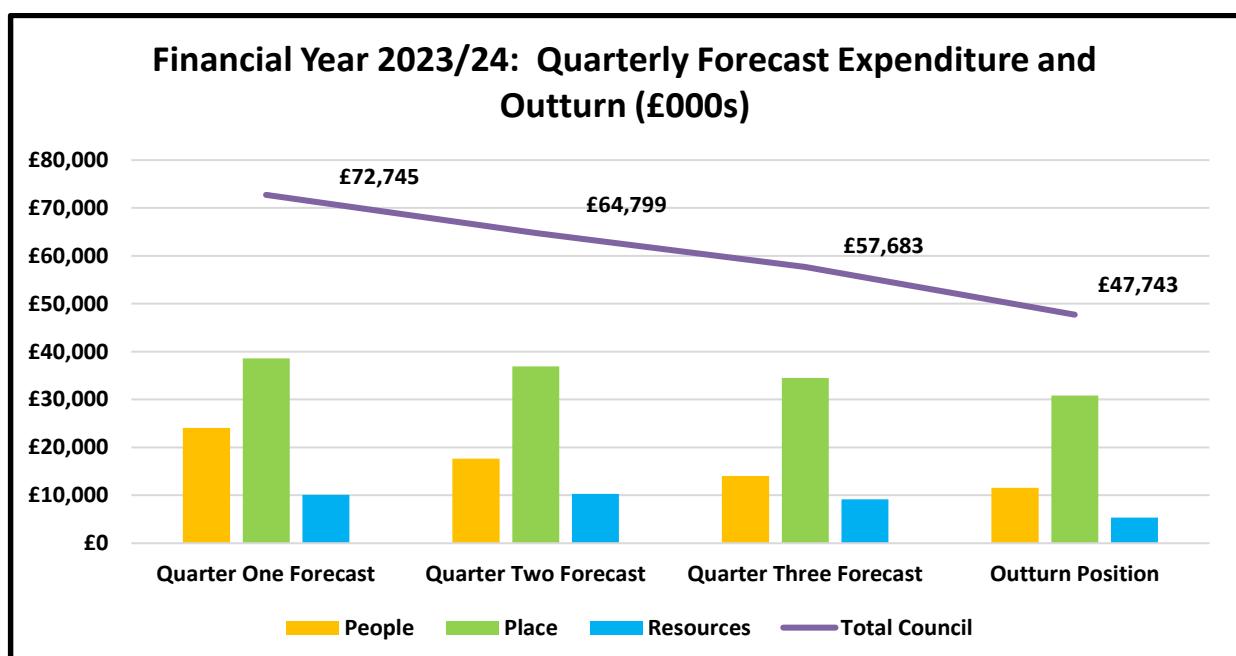
section 4 of the Local Government Act 2003. The Council's capital programme is a key driver of the treasury management activity.

Background

- 5.3 At outturn total expenditure of £47.7 million was incurred against the approved capital programme of £71.0 million generating a £23.2 million underspend. From a directorate perspective the outturn position is as follows:

| Directorates | Budget at Outturn | Expenditure at Outturn | (Underspend) / Overspend at Outturn |
|---------------|-------------------|------------------------|-------------------------------------|
| | £000s | £000s | £000s |
| People | £21,310 | £11,590 | -£9,721 |
| Place | £39,078 | £30,840 | -£8,238 |
| Resources | £10,584 | £5,313 | -£5,271 |
| Total Council | £70,972 | £47,743 | -£23,229 |

- 5.4 During financial year 2023/24 the Council's revenue budget was under significant financial pressure with the General Fund anticipated to be well below the s151 recommended level of £7 million at outturn. In response to the financial pressures, projects were slowed, vacant posts were held vacant, and recruitment was slowed to generate in year savings. The impact of these steps protected the Council's General Fund position but slowed delivery of the overall capital programme as key project management posts were held vacant and projects reprofiled into financial year 2024/25. During the financial year £24.7 million of planned expenditure was reprofiled into 2024/25. At outturn it is proposed that a further £13.6 million of planned expenditure is reprofiled into financial year 2024/25. The graph below details the forecasting of planned capital expenditure over the course of the 2023/24 financial year.

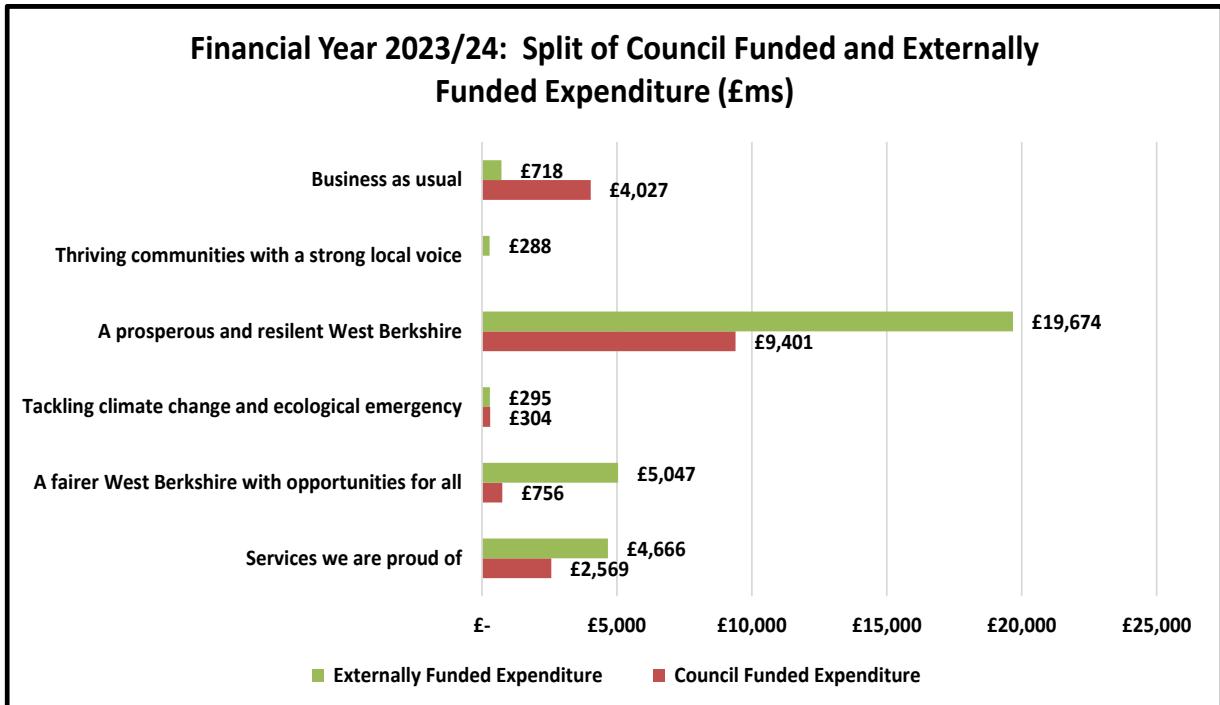


- 5.5 The capital programme is aligned to the approved Council Strategy (2023-2027, adopted in October 2023) and its key themes.

| Strategy Theme | Budgetd Expenditure | Expenditure Incurred |
|--|------------------------|-------------------------|
| | £000s | £000s |
| Services we are proud of | £9,481 | £ 7,234 |
| A fairer West Berkshire with opportunities for all | £10,572 | £ 5,803 |
| Tackling climate change and ecological emergency | £2,533 | £ 599 |
| A prosperous and resilient West Berkshire | £40,856 | £ 29,074 |
| Thriving communities with a strong local voice | £500 | £ 288 |
| Total Expenditure | £63,942 | £42,999 |
| Business as usual | £7,030 | £ 4,744 |
| Total Expenditure including business as usual | £70,972 | £47,743 |

- 5.6 The Council has invested heavily in ensuring that West Berkshire remains an area that is prosperous, resilient and supportive of the most vulnerable. Key projects undertaken in year include: Delivery of an upgraded Lido facility at the Northcroft Leisure Centre. The Lido opened in Summer 2023 after an extensive redevelopment. The project was delivered within the £2.9 million budget, at a total cost of £2.8 million. Further investment has been made into the leisure provision with a major project covering the redevelopment of Northcroft Leisure Centre, and enhancements to facilities across the district. The redevelopment of Northcroft is ongoing and planned expenditure of £911k has been reprofiled into 2024/25. Eighteen properties have been purchased during the financial year as part of the Local Authority Housing Fund project. The joint funded budget of £9.2 million (£3.8 million external grant funding and £5.4 million Council funding), has been utilised to purchase properties within the district in conjunction with redeveloping a former Council office (West Point House), into accommodation to address the rising demand for temporary accommodation across the district. £7 million of expenditure has been incurred against the project to date with a further £2.2 million of planned expenditure reprofiled into 2024/25. Major projects investing in school capacity and enhancement of existing building stock across the school estate have been undertaken in year, key projects including SEMH/ASD provision for both primary and secondary age pupils (£3.8 million of expenditure), and improvement works in respect of ensuring the i-college provision is fit for purpose (£530K). £20.7 million of expenditure has been invested into the infrastructure across the district including £9.5 million on highway infrastructure and signage, £1.3 million on improvements to Newbury rail station and £3.2 million on the North Thatcham Flood Alleviation scheme.
- 5.7 Alongside delivery of the key themes, investment is required to maintain and enhance business as usual activities, primarily in respect of planned enhancement of business systems. £4.7 million of expenditure was incurred in the financial year against an outturn budget of £6.8 million. Key projects undertaken in year were: replacement of aging ICT infrastructure (£700K), installation of full fibre broadband to schools (£1.4 million) and implementation of a new HR and payroll system (£587k).
- 5.8 Expenditure incurred is split between Council funded expenditure (i.e. funded through application of capital receipts of debt financed through borrowing), or externally funded expenditure, (i.e. through application of external grants, contributions, section 106 or Community Infrastructure levy receipts). In respect of financial year 2023/24, £17.0 million of Council funding and £30.7 million of external funding has been applied to the

capital programme (i.e. financed expenditure incurred). Funding has been applied as follows:



- 5.9 Appendix A provides a summary of expenditure incurred on a directorate and service basis.

Proposals

- 5.10 At outturn £13.6 million of expenditure budget is proposed to be reprofiled into financial year 2024/25. In respect of the delivery of the Council Strategy and its key themes, planned reprofiling is detailed below:

| Strategy Theme | Budgetd Expenditure | Expenditure Incurred | Reprofiled Planned Expenditure | Council Funded Reprofiling | Externally Funded Reprofiling |
|--|------------------------|-------------------------|--------------------------------------|----------------------------------|-------------------------------------|
| | £000s | £000s | £000s | £000s | £000s |
| Services we are proud of | £9,481 | £ 7,234 | £ 227 | £ 227 | £ - |
| A fairer West Berkshire with opportunities for all | £10,572 | £ 5,803 | £ 3,441 | £ 1,308 | £ 2,133 |
| Tackling climate change and ecological emergency | £2,533 | £ 599 | £ 1,782 | £ 1,535 | £ 247 |
| A prosperous and resilient West Berkshire | £40,856 | £ 29,074 | £ 6,792 | £ 3,107 | £ 3,685 |
| Thriving communities with a strong local voice | £500 | £ 288 | £ 212 | £ - | £ 212 |
| Total Expenditure | £63,942 | £42,999 | £12,454 | £ 6,177 | £ 6,277 |
| Business as usual | £7,030 | £ 4,744 | £ 1,204 | £ 850 | £ 354 |
| Total Expenditure including business as usual | £70,972 | £47,743 | £13,658 | £ 7,027 | £ 6,631 |

- 5.11 Appendix B provides details of all schemes with planned future expenditure which is proposed to be reprofiled into financial year 2024/25. As part of the outturn process projects which are ahead of schedule and have incurred expenditure in excess of the annual budget are identified. As part of the outturn process approved allocated project specific funding from 2024/25 is brought forward to fund the 2023/24 in year overspend. £1.7 million of funding is proposed to be brought forward from 2024/25 into 2023/24. The funding is split between £124k of Council funding and £1.6 million of external

funding. Details of project specific funding to be brought forward is included in appendix B.

6 Other options considered.

Not applicable.

7 Conclusion

- 7.1 All capital expenditure must be financed, The Prudential Code requires authorities to look at capital and investment plans in light of overall organisation strategy and resources to ensure that decisions are made with sufficient regard to the long-term financing implications and risks to the Council. A key indicator is the Council's Authorised Limit for external for debt, which was approved at Council on 29th February 2024, at £386.8 million for financial year. As well as the level of borrowing needed to fund capital expenditure, the Limit also allows for debt embedded in the Waste PFI contract up to a maximum of £13.2 million at any one time). As at 31st March 2024, the Council's total level of long-term borrowing to fund capital spend stood at £207 million (split £206.6 million from the PWLB and £0.4 million community bond).
- 7.2 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The 2023/24 capital programme was expected to increase the Council's CFR by £20.4 million to £300.3 million by 31.3.2024. At outturn the revised CFR is £292.9 million with a forecast to increase to £314 million during 2024/25.
- 7.3 Capital financing costs are incurred a year in arrears; hence the cost of financing 2023/24 capital expenditure will fall into financial year 2024/25. Based on the outturn position, the Council's Balance Sheet forecast indicates that long term borrowing will be required in financial year 2024/25. It should be noted that the Balance Sheet resources assumption are based on draft accounts, until such time the accounts are finalised, and an audit opinion provided by the Council's external auditors, the figures remain draft and hence are subject to adjustment. Appendix C provides detail on the Council's CFR and liability benchmark.

8 Appendices

- 8.1 Appendix A –Summary of Financial Year 2023/24 Outturn position by Directorate.
- 8.2 Appendix B – Proposed Reprofiling of Planned Expenditure at Outturn Financial Year 2023/24.
- 8.3 Appendix C – Capital Financing Requirement (CFR) and Liability Benchmark.

Background Papers:

None

Subject to Call-In:Yes: X No: The item is due to be referred to Council for final approval Delays in implementation could have serious financial implications for the Council Delays in implementation could compromise the Council's position Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months Item is Urgent Key Decision

Report is to note only

Wards affected: All Wards**Officer details:**

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Appendix A

Summary of Financial Year 2023/24 Outturn position by Directorate

The People Directorate

| Service | Approved Programme & Reprofiling from 22/23 | Reprofiling into 24/25 undertaken in year | Other Budget Changes | Outturn Budget | Quarter One Forecast | Quarter Two Forecast | Quarter Three Forecast | Outturn Expenditure |
|----------------------------|---|---|----------------------|----------------|----------------------|----------------------|------------------------|---------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Adult Social Care | £ 5,118 | -£ 1,273 | £ 224 | £ 4,068 | £ 4,285 | £ 2,631 | £ 2,184 | £ 1,489 |
| Children & Family Services | £ 30 | £ - | £ - | £ 30 | £ - | £ - | £ - | £ - |
| Education Services | £ 14,225 | -£ 5,091 | £ 408 | £ 9,542 | £ 12,081 | £ 8,733 | £ 7,628 | £ 6,480 |
| Communities & Wellbeing | £ 11,911 | -£ 5,411 | £ 1,170 | £ 7,670 | £ 7,714 | £ 6,268 | £ 4,197 | £ 3,620 |

The outturn position for **Adult Social Care** is an underspend of £2.58 million. As part of the slowing of the capital programme in year and in response to reviews of the Council's in-house care provision, the following projects were not undertaken in 2023/24:

- (a) Refurbishments at the Willows Edge and Notrees care homes.
- (b) Willows Edge, Notrees and Birchwood care home garden redesign projects.
- (c) Feasibility study for a new care home in the district.

The implementation of care Director v6 was terminated during the financial year due to functional issues with the system offering resulting in capital costs incurred being recharged back to the Council's revenue account, generating a capital underspend of £181k.

The outturn position for **Education Services** is an underspend of £3.06 million. Delivery of the Education programme was significantly impacted through the holding of project management posts vacant within Property Services (as part of the slowing of expenditure to protect the Council's General Fund). Key underspends include: £944k relating to SEMH/ASD resourced provision for primary stage. £402k on planned enhancements across the school estate, and £530k relating to i-college alternative education provision project. £2.12 million of the underspend relates to planned expenditure proposed to be reprofiled into financial year 2024/25.

The outturn position for the **Communities and Wellbeing** service is an underspend of £4.05 million. The primary driver of the underspend is the cessation of the sports hub project (£1.8 million). A second key underspend is the Northcroft Dry side Redevelopment project (£912k), which has been identified by the service as requiring reprofiling into 2024/25. Various underspends have been identified against a number of maintenance budgets across the museum and leisure estate.

The Place Directorate

| Service | Approved Programme & Reprofiling from 22/23 | Reprofiling into 24/25 undertaken in year | Other Budget Changes | Outturn Budget | Quarter One Forecast | Quarter Two Forecast | Quarter Three Forecast | Outturn Expenditure |
|--------------------------|---|---|----------------------|----------------|----------------------|----------------------|------------------------|---------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Development & Regulation | £ 13,893 | -£ 5,236 | £ 4,347 | £ 13,004 | £ 10,091 | £ 12,901 | £ 12,886 | £ 9,947 |
| Environment | £ 31,760 | -£ 7,067 | £ 1,381 | £ 26,074 | £ 28,474 | £ 29,089 | £ 21,605 | £ 20,893 |

The outturn position for Development and Regulation is an underspend of £3.05 million. The main contributing project is the Local Authority Housing Fund where works are still being undertaken to convert West Point House into accommodation units. The £2.19 million underspend has been proposed for reprofiling into 2024/25 in order for completion of the project. Underspends of £491k and £304k have been identified against the Newbury Town masterplan project and Bond Riverside respectively. Bond Riverside has been proposed for reprofiling into 2024/25.

The outturn position for Environment is an underspend of £5.18 million. Over 50 projects were commenced during the financial year. At outturn the projects with the most significant underspends were: Newbury Rail station Improvements (£2.34 million), this project is jointly Local Enterprise Partnership (LEP) funded, delays in delivery have been due to third party supplier issues. The Solar Photovoltaic Initiative (617k), delays in delivery have been due to issues identified with the earmarked sites and internal resourcing. The renewable energy provision project, which relates to the development of a solar farm with the Council's estate (£606.8K), the project is in the planning and development stage with construction anticipated in later financial years. The underspend has been proposed to be reprofiled into 2024/25 to support delivery of the project. Theale rail station improvements (£400k), the project has been delayed by rail partners, the project has been rescheduled to commence in 2024/25 and the unutilised budget of £400k reprofiled into 2024/25 to support project delivery.

The Resources Directorate

| Service | Approved Programme & Reprofiling from 22/23 | Reprofiling into 24/25 undertaken in year | Other Budget Changes | Outturn Budget | Quarter One Forecast | Quarter Two Forecast | Quarter Three Forecast | Outturn Expenditure |
|----------------------------|---|---|----------------------|----------------|----------------------|----------------------|------------------------|---------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Finance & Property | £ 2,574 | -£ 85 | -£ 1,281 | £ 1,208 | £ 2,021 | £ 1,898 | £ 1,550 | £ 1,028 |
| Strategy, Governance & ICT | £ 8,294 | -£ 544 | -£ 3,886 | £ 3,865 | £ 8,079 | £ 8,359 | £ 7,633 | £ 4,212 |

The Finance & Property Service generated an outturn underspend of £870k. The key drivers of the underspend related to CIL funded community bids (£211k), and the Future of West Street & West Point House project (£216k). Unutilised CIL funded budget has been identified for reprofiling into 2024/25.

The newly combined Strategy, Governance and ICT service ended the financial year with a £4.47 million underspend. Key underspends were: Superfast Broadband project (£2.757

million). This project comprises of two elements, firstly project management (budget £1.18 million) and infrastructure (budget £1.58 million). The infrastructure budget was completed two years ago with the budget reprofiled in error and hence no expenditure has been incurred in year. The project management costs relate to general project management costs within ICT and have been allocated to the appropriate projects. Both budgets are not proposed for reprofiling in 2024/25. Other key underspends relate the implementation of the new HR/Payroll system (£162k) and digitisation projects (£183k), reprofiling of future planned expenditure into 2024/25 has been requested for both projects.

Appendix B

Proposed Reprofiling of Planned Expenditure at Outturn

| Service | Requested Council Funded Reprofiling to 2024/25 | Requested Externally Funded Reprofiling to 2024/25 | Council Funding to be Brought Forward from 2024/25 | External Funding to be Brought Forward from 2024/25 | Net Council Reprofiling Impact 2024/25 | Net External Reprofiling impact 2024/25 |
|----------------------------------|---|--|--|---|---|--|
| Adult Social Care | £ 418,009 | £ - | £ - | £ - | £ 418,009 | £ - |
| Education Services | £ 195,128 | £ 1,926,868 | £ 8,699 | £ 130,619 | £ 186,429 | £ 1,796,249 |
| Communities & Wellbeing Service | £ 1,317,909 | £ 207,352 | £ 17,262 | £ - | £ 1,300,647 | £ 207,352 |
| Development & Regulation | £ 2,207,657 | £ 375,000 | £ 70,377 | £ - | £ 2,137,280 | £ 375,000 |
| Environment | £ 2,038,038 | £ 3,555,978 | £ 28,374 | £ 1,479,582 | £ 2,009,664 | £ 2,076,396 |
| Resources | £ 849,843 | £ 566,288 | £ - | £ - | £ 849,843 | £ 566,288 |
| Total Reprofiling of Expenditure | £ 7,026,584 | £ 6,631,486 | £ 124,711 | £ 1,610,201 | £ 6,901,872 | £ 5,021,285 |

Appendix C

Capital Financing Requirement (CFR) and Liability Benchmark

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

| Capital Financing Requirement | 31/03/2024 | 31/03/2025 | 31/03/2026 |
|--|---------------|---------------|---------------|
| | Actual | Forecast | Forecast |
| | £m | £m | £m |
| Capital Financing requirement | £292.9 | £314.0 | £344.9 |
| Less: Other Debt Liabilities | £9.8 | £8.9 | £7.9 |
| Loans Capital Financing requirement | £283.1 | £305.1 | £337.0 |
| Less: External Borrowing | £249.0 | £202.2 | £172.7 |
| Internal Borrowing | £34.1 | £102.9 | £164.2 |
| Usable Reserves | £42.7 | £39.7 | £41.2 |
| Working Capital | £8.7 | £8.7 | £8.7 |
| Net Investments/(New Borrowing) | £17.3 | £54.5 | £114.4 |

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as the table above, but that cash and investment balances are kept to a minimum level of £10 million at each year-end to maintain sufficient liquidity. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow. Councils are now required as part of in year reporting to publish the liability benchmark.

| Liability Benchmark | 31.3.24 | 31.3.25 | 31.3.26 |
|-------------------------------------|-----------------|-----------------|-----------------|
| | Actual | Forecast | Forecast |
| | £000 | £000 | £000 |
| Loans Capital Financing requirement | £283,063 | £305,140 | £336,956 |
| Less: Balance sheet resources | -£51,363 | -£48,363 | -£49,863 |
| Net loans requirement | £231,700 | £256,776 | £287,092 |
| Plus: Liquidity allowance | £10,000 | £10,000 | £10,250 |
| Liability benchmark | £241,700 | £266,776 | £297,342 |

