
Financial Year 2024/25 Quarter One Capital Financing Performance Report

Committee considering report:	Executive
Date of Committee:	19 September 2024
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	EX4513

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 2024/25 against the approved capital programme and financing implications for financial year 2025/26.

2 Recommendations

2.1 Members are asked to note:

- (a) The forecast outturn position of planned expenditure of £62.1 million, generating a £4.1 million underspend. During the course of the financial year it is not unusual for forecast expenditure to be reduced, resulting in a requirement for reprofiling. Capital programme reprofiling occurs for a number of reasons, delays with projects through third party contractors, economic conditions and reprioritisation due to unforeseen events. No capital expenditure is financed until it is incurred, protecting the capital financing budget which is funded through the revenue budget.

2.2 It is recommended that the following budgetary amendments are approved:

- (a) The proposed reprofiling of planned expenditure from 2024/25 into 2025/26 of £7.6 million, detailed by service in appendix A.
- (b) The proposed transfer of Council funded expenditure budget totalling £2.8 million from 2025/26 into 2024/26 for support of the Northcroft Dry side Development Project.
- (c) The proposed transfer of £801k of external funding from 2023/24 into 2024/25 to support delivery of the Newbury Town Centre Masterplan project.

3 Implications and Impact Assessment

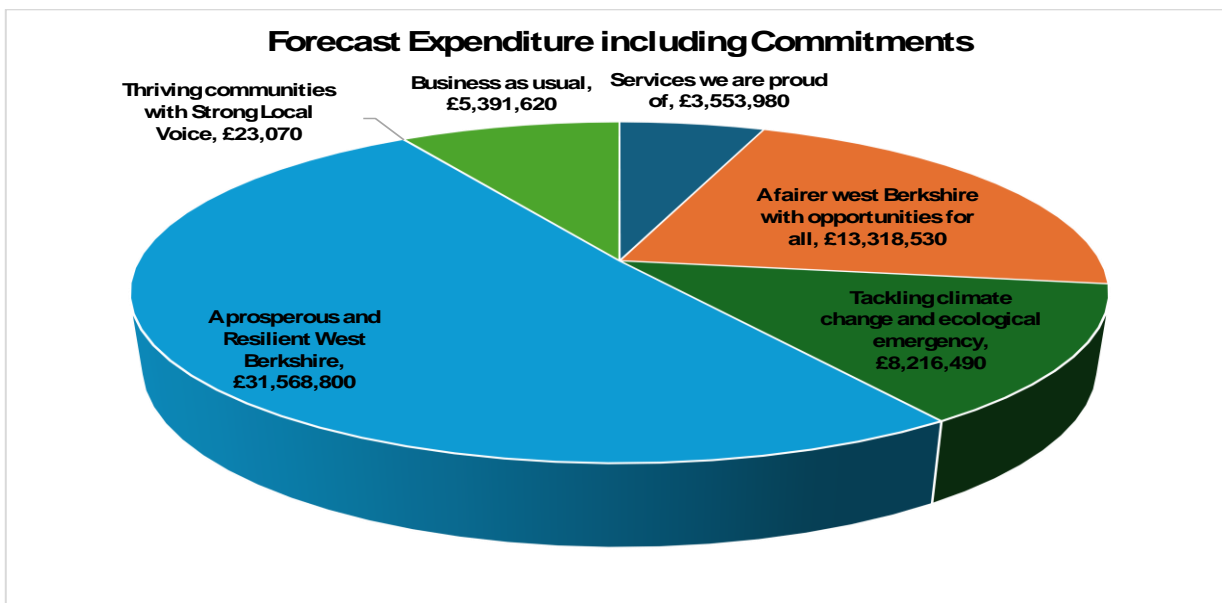
Implication	Commentary
Financial:	The outturn position is expenditure of £62.1 million has been incurred against a revised budget of £66.2 million, an overall forecast underspend of £4.1 million. £7.6 million of future expenditure is proposed to be reprofiled into financial year 2025/26. £2.8 million of funding is proposed to be brought forward from financial year 2025/26 into financial year 2024/25. A further £802k of external funding received in 2023/24 is to be applied to the 2024/25 capital programme.
Human Resource:	Not applicable
Legal:	There are no projects planned within the approved capital programme for 2024/25 that are purely for yield purposes. The Council is therefore protected from violating the borrowing protocols determined in the Prudential Code December 2021 that prevents Local Authorities from accessing financing in support of yield-based projects. Should an authority be found to be financing purely yield based projects, that authority would lose all access to the Public Works and Loans Board (PWLB) borrowing facility. PWLB financing underpins the Council funded element of the approved capital programme.
Risk Management:	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.
Property:	Not applicable
Policy:	Not applicable

Financial Year 2024/25 Quarter One Capital Financing Performance Report

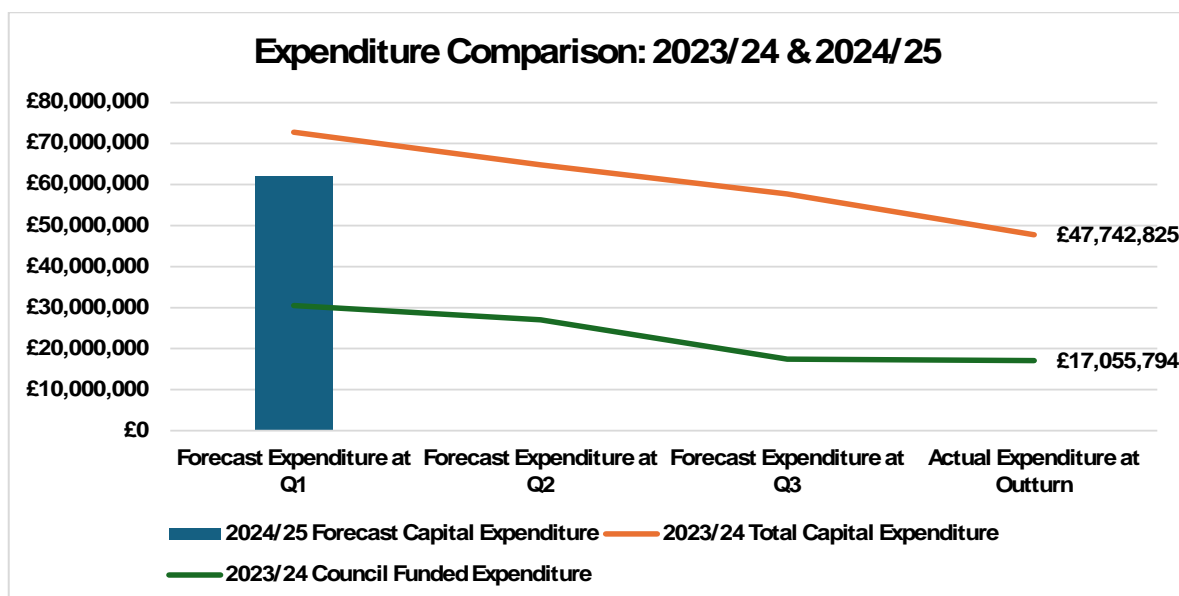
	Positive	Neutral	Negative	Commentary
Equalities Impact:		X		
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including 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 Quarter One of financial year 2024/25 £10.6 million of expenditure across capital schemes had been incurred with a further £51.5million forecast to be spent by outturn. £62.1 million of planned expenditure incurred at outturn against the approved programme budget of £66.2 million would result in a £4.1 million underspend position.



4.2 The total forecast expenditure to be incurred in 2024/25 on delivery of the capital programme is £62.1 million split across Council funded (i.e. debt funded expenditure) of £35.4 million and externally financed expenditure of £26.7 million. During the course of the financial year it is not unusual for forecast expenditure to be reduced, resulting in a requirement for reprofiling. The graphic below details the current quarter one forecast against the forecast trend for total Council capital expenditure and Council debt funded capital expenditure in 2023/24.



- 4.3 Capital programme reprofiling occurs for a number of reasons, delays with projects through third party contractors, economic conditions and reprioritisation due to unforeseen events. No capital expenditure is financed until it is incurred, protecting the capital financing budget which is funded through the revenue budget. It is anticipated during the course of the financial year, as resources are reviewed, the level of expenditure forecast will vary and historically the trend has been to reduce, with reprofiling of planned expenditure into subsequent financial years.
- 4.4 As part of the forecast outturn position £7.6 million of future planned expenditure is proposed to be reprofiled into financial year 2024/25. £2.8 million of Council funded expenditure budget is proposed to be brought forward from financial year 2025/26 into 2024/25 to fund completion of the Northcroft Dry side Redevelopment project (the funding forms part of the approved ten-year capital programme). A further £801k of external funding budget is to be reprofiled from 2023/24 into 2024/25 to support delivery of the Newbury Town Centre masterplan project. A detailed breakdown by service is included in Appendix A.
- 4.5 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. 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 and expenditure incurred in 2024/25 will be financed in 2025/26. The Council's liability benchmark (included in appendix B) identifies the Council as a long-term borrower. The approved Investment & Borrowing Strategy for 2024/25 includes provision for financing of capital expenditure incurred in financial year 2023/24 and the 2025/26 strategy for approval in March 2025 will include provision for financing of 2024/25 capital expenditure.

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 The 2024/25 capital programme was agreed by Council on 29th February 2024 with a gross expenditure budget of £53.8 million split between externally funded expenditure of £28.4 million and £25.4 million of Council funded expenditure (i.e. application of capital receipts and external borrowing). The repayment of principal sums and interest on loans used to fund capital expenditure are met from the revenue budget for capital

Financial Year 2024/25 Quarter One Capital Financing Performance Report

financing. During the financial year budget changes may occur, mainly as a result of budgets brought forward from prior financial years, additional grants, s106 and Community Infrastructure Levy (CIL) allocations received in year or expenditure re-profiled in future financial years. As part of the budget monitoring process, the forecast year end position of the capital projects is reviewed and proposals for unutilised budgets to be re-profiled is reviewed by Capital Strategy Group (CSG). As at quarter one the revised capital programme budget pre proposed expenditure reprofiling into financial year 2025/26 is £66.2 million. The inflation of in year budgets relates to agreed reprofiling of expenditure from financial year 2023/24 at outturn.

- 5.4 At quarter one expenditure of £62 million has been forecast to be incurred against the revised capital programme of £66.2 million, generating a forecast underspend of £4.1 million. The capital programme is aligned to the approved Council Strategy (2024/25 - 2034/35) and its key themes.

Strategy Theme	Revised Budget	Forecast Expenditure
Services we are proud of	£2,962,210	£3,553,980
A fairer west Berkshire with opportunities for all	£13,149,720	£13,318,530
Tackling climate change and ecological emergency	£8,367,640	£8,216,490
A prosperous and Resilient West Berkshire	£35,831,530	£31,568,800
Thriving communities with Strong Local Voice	£23,070	£23,070
Total Planned and Forecast Expenditure	£60,334,170	£56,680,870

- 5.5 The Council invests heavily in ensuring that West Berkshire remains an area that is prosperous, resilient and supportive of the most vulnerable. Key projects to be undertaken in year include: Investment across the education estate including basic need expansion project at the Castle School (£1.4 million), additional Special Educational Needs and mental Health provision improvements at primary school level (£2.4 million), enhancements to educational buildings across the district (£1.3 million). £5.4 million is planned to be spent in year redeveloping the dry side provision at Northcroft Leisure Centre, with further improvements to provision across the leisure estate (£648k). £3.9 million of carbon reduction and solar initiative projects are planned, including initiating provision of a solar farm in year. In excess of £12 million of expenditure is planned on enhancements to bridges, highways and public infrastructure across the district, including on going improvements to Newbury and Theale rail stations (£2.3 million and £2.0 million respectively).
- 5.6 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. £5.9 million of expenditure has been budgeted for in the financial year against with £5.4 million forecast to be incurred by the yearend. Key projects planned are: replacement of aging ICT infrastructure (£1.1 million), implementation of a new social care management system (£871k), enhancement of the new HR and payroll system (£662k), investment in telephony infrastructure (£245k) and enhancements to the corporate estate (£459.7k).

Proposals

- 5.7 At quarter one £7.6 million of expenditure is proposed to be reprofiled into financial year 2025/26. £2.8 million of Council funding planned for 2025/26 is proposed to be brought forward into 2024/25 to fund the Northcroft Dryside Redevelopment Project and £801k of external funding received in 2023/24 to be reprofiled against expenditure to be incurred in 2024/25 relating to the Newbury Town Centre Masterplan Project. Net reprofiling of £4 million is proposed, details of reprofiling on a service basis is included in appendix A.

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 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 2024/25 capital programme is expected to increase the Council's CFR by £23.9 million to £316.8 million by 31.3.2025.
- 7.3 Capital financing costs are incurred a year in arrears; hence the cost of financing 2024/25 capital expenditure will fall into financial year 2025/26. Based on the outturn position, the Council's Balance Sheet forecast indicates that long term borrowing will be required in financial year 2025/26. 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 B provides detail on the Council's CFR and liability benchmark.

8 Appendices

- 8.1 Appendix A – Proposed Reprofiling of Planned Expenditure at Quarter One Financial Year 2024/25.
- 8.2 Appendix B – Capital Financing Requirement (CFR) and Liability Benchmark

Subject to Call-In:

Yes: 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
-

Officer details:

Name: Shannon Coleman-Slaughter
Job Title: Service Director for Finance, Property & Procurement
Tel No: 01635 503225
E-mail: Shannon.colemanslaughter@westberks.gov.uk

Appendix A

Proposed Reprofile of Planned Expenditure at Quarter One

Service	Q1 Budget	Forecast Expenditure	(under)/Overspend	Reprofiling into 2025/26	Funding from 2025/26	Increased Reprofile from 2023/24
Adult Social Care	£1,888,010	£2,165,360	£277,350	£0	0	0
Children & Family Services	£20,000	£0	-£20,000	£0	0	0
Education	£9,152,070	£6,858,390	-£2,293,680	£2,614,810	0	0
Communities & Wellbeing	£10,922,440	£10,925,320	£2,880	£2,869,600	-£2,750,000	0
Development & Regulation	£6,911,950	£7,391,760	£479,810	£0	0	-£801,200
Environment	£30,938,640	£29,586,470	-£1,352,170	£2,108,080	0	0
Finance, Property & Procurement	£1,966,150	£1,742,700	-£223,450	£0	0	0
Strategy, ICT & Governance	£4,427,780	£3,402,490	-£1,025,290	£0	0	0
Total Council	£66,227,040	£62,072,490	-£4,154,550	£7,592,490	-£2,750,000	-£801,200

Appendix B

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 2024/25 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 (CFR)	31.3.2023	31.3.2024	31.3.2025	31.3.2026
	Actual	Actual	Projection	Projection
	£'000	£'000	£'000	£'000
Capital Financing requirement	279,896	292,870	316,786	347,614
Less other debt liabilities	-10,670	-9,807	-8,892	-7,920
Loans Capital Financing Req.	269,226	283,063	307,894	339,693
Less: Existing External Borrowing	-189,890	-248,973	-202,242	-172,732
Internal (Over) Borrowing	79,336	34,090	105,652	166,961
Less: Balance Sheet Resources	-100,006	-51,363	-48,363	-49,863
Investments/ (New Borrowing)	20,670	17,274	-57,289	-117,097

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	31.3.2023	31.3.2024	31.3.2025	31.3.2026
	Actual	Actual	Projection	Projection
	£'000	£'000	£'000	£'000
Loans Capital Financing Req.	269,226	283,063	307,894	339,693
Less: Balance Sheet Resources	-100,006	-51,363	-48,363	-49,863
Net Loans Requirement	169,220	231,700	259,531	289,830
Preferred Year-end Position	10,000	10,000	10,000	10,250
Liability Benchmark	179,220	241,700	269,531	300,080

Financial Year 2024/25 Quarter One Capital Financing Performance Report

