

Date of meeting:	16 th September 2024
Title of Report:	Capital Monitoring Report Q1
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey, (Service Director for Finance)
Authors:	Wendy Eldridge, Lead Accountancy Manager (Capital and Treasury Management)
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Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report sets out the Capital monitoring position of the Council forecast to the end of the financial year 2024/25 at Period 3.

Recommendations and Reasons

Cabinet recommends that Full Council:

1. Approves the revision to Capital Budget 2024-2029 to £360.488m as shown in Table I, noting the removal of projects totalling £6.171m from the capital programme *Reason: Cabinet to recommend these amendments to Full Council for approval in line with the Constitution. This ensures full transparency to additions and deletions to the Capital Programme.*
2. Notes Prudential Indicators Q1
 - a. *Reason: controlling the outturn within budget is essential to maintain financial control with full transparency on the Capital Investments.*

Alternative options considered and rejected.

The alternative is to not report to regular Council meetings and defer this report to a later meeting. This was rejected as Financial Regulations require us to produce regular monitoring of our finance resources.

Relevance to the Corporate Plan and/or the Plymouth Plan

The report is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will maximise the benefits to the residents of Plymouth.

Implications for the Medium-Term Financial Plan and Resource Implications:

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan (MTFP). The Council's MTFP is updated based on on-going monitoring information, both on a local and national context.

Financial Risks:

Financial risks concerning period 3 Capital reporting are discussed in the body of the report.

Carbon Footprint (Environmental) Implications:

There are no impacts directly arising from this report.

Other Implications: e.g., Health and Safety, Risk Management, Child Poverty:

Reducing resources across the public sector, and the impact on Capital Projects, has been identified as a key risk within our Strategic Risk register.

Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 1 of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7

Background papers:

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: David Northey (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 12/8/2024											
Cabinet Member approval: Cllr Mark Lowry, PFH Finance Date approved: 12/08/2024											

CAPITAL

The capital programme as at 30 June 2024 incorporates the movement from capital outturn position as at 31 March 2024 with the five year capital budget 2024-2029 currently forecast at £360.488m.

Table 1 reflects the change in 5 year programme scope and movement through new approvals and variations.

Capital Programme Movement

Table 1 The Capital Budget consists of the following elements:

Description	£m
Capital Programme as at 31 March 2024 for 5 year period 2023 - 2028	436.246
Change of years within 5 year scope – remove 2023/24	(91.361)
Addition of 2028/29 to 5 year scope	2.062
New Approvals – April to June see table 3 for breakdown	13.748
Variations – April to June 2024	(0.207)
Total Revised Capital Budget for Approval (2024/25 -2028/29)	360.488

A breakdown of the current approved Capital Budget by directorate and by funding is shown in Table 2 below.

Table 2 Capital Programme by Directorate

Directorate	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Children's Services	0.551	0.114	-	-	-	0.665
People	26.187	10.172	0.220	-	-	36.579
Place - Economic Development	44.470	50.418	32.520	18.005	2.199	147.612
Place - Strategic Planning & Infrastructure	63.692	43.756	15.347	0.897	-	123.692
Place - Street Services	30.248	7.265	0.105	0.044	0.083	37.745
Customer & Corporate Services	4.714	2.118	0.710	0.280	0.101	7.923
Office for Director of Public Health	6.167	0.105	-	-	-	6.272
Total	176.029	113.948	48.902	19.226	2.383	360.488
Finance by:	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	3.695	1.864	0.245	0.273	1.7560	7.833
Grant Funding	86.424	41.950	0.197	0.298	0.0810	128.950
Corporate Funded borrowing	39.999	26.067	16.906	0.897	0.5460	84.415
Service dept. supported borrowing	39.153	37.432	28.331	17.726	-	122.642
Developer contributions	4.747	5.821	3.180	0.032	-	13.780
Other Contributions	2.011	0.814	0.043	-	-	2.868
Total	176.029	113.948	48.902	19.226	2.383	360.488

Based on the latest 2024/25 forecast totalling £176.029m, actual spend as at 30 June 2024 was £15.902m which equates to 9.03% of forecast figure of the Capital Programme for 2024/25.

Finance officers continue to work with Project Officers reviewing forecasts to ensure any necessary reprofiling is reported.

Of the 5-year programme, £84.415m is forecast to be funded from corporate borrowing which equates to 23.42% of programme. Work is ongoing to update the capital pipeline which will identify further corporate borrowing requirements. The affordability of the capital programme and future funding assumptions is under review.

Table 3 Capital new approvals Q1 including funding

Service / Directorate	Governance	New Approvals	5 Year Programme Approvals	Financed By
			£m	
ED	Exec Dec*	Plymouth and South Devon Freeport Langage Core Infrastructure	0.925	RF Grant
SPI	Exec Dec*	Zero Emission Bus Regional Areas	12.281	Cont/S106/RF Grant
SPI	S151	Weston Mill Flood Defence	0.068	RF Grant
ED	S151	Plymouth Health and Wellbeing Hub at Colin Campbell Court	0.175	Cont
ED	S151	Mount Edgcombe Orangerie Toilets	0.007	RF SB
SPI	S151	Civic Centre District Energy - Phase 2	0.050	RF Grant
SPI	S151	Woolwell to The George (Widening & Park & Ride)	0.207	URF Grant
SPI	S151	Armada Way	0.035	RF Grant
Total Capital Approvals			13.748	

*Executive Decision (Published)

Glossary	
SPI	Strategic Planning & Infrastructure
ED	Economic Development

Glossary	
RF	Ring Fenced
URF	Unring Fenced
Cont	Contribution
S106	Section 106 monies
SB	Service Borrowing

Capital Programme 2024/25 monitoring

The opening budget for 2024/25 was £193.902m, against this £24.878m has been reprofiled into future years to reflect latest project plans.

This includes the following projects:

- Chelson Meadow Solar Farm (£4.700m)
- Plymouth Railway Station (£5.757m)
- Property Regeneration Fund (£6.699m)
- Plymouth & S. Devon Community Forest (£3.147m)
- National Marine Park (£0.673m)

Together with new approvals programmed for 2024/25 and variations produces a latest forecast for 2024/25 totalling £176.029m.

As part of quarterly monitoring the following projects were identified for removal from the capital programme as the source of financing was no longer eligible. The governance to add these projects to the capital programme was through the executive decision process therefore formal approval to remove these projects is required by way of a recommendation from cabinet to full council.

Table 4 2024/25 project removal

Project Name	Amount £m	Funding	Comments
Home Upgrade Grant Phase 1	0.064	DESNZ grant	Deadline for spending grant expired, grant has been returned to funder
Green Homes (LAD3)	0.411	The Local Authority Delivery grant, phase 3 (LAD3)	Deadline for spending grant expired, grant has been returned to funder
Social Housing Decarb Funding Wave 2.1	5.606	BEIS grant	PCH unable to meet grant terms and conditions therefore returning grant.
Social Housing Decarb Funding	0.010	BEIS grant	Deadline for spending grant expired, grant monies returned to funder
Home Energy	0.080	S106 EfW	S106 reallocated to other projects to meet deadline for spend
TOTAL to be removed	6.171		

Table 5 below includes a breakdown by directorate of actual cash spend as at 30 June 2024 shown as a value and percentage against latest forecast, overall 9.03%. This low figure reflects outstanding accruals processed in 2023/24 accounts which are yet to be matched off with actual invoice payments. Comparable percentage for 2023 was 13.78%.

Table 5 2024/25 Programme including actual spend and % spent compared to latest forecast

Directorate	Latest Forecast 2024/25	Actual Spend as at 30 June 2024	Spend as a % of Latest Forecast
	£m	£m	%
Children's Services	0.551	0.082	14.92%
People	26.187	1.089	2.66%
Place – Economic Development	44.470	5.618	14.46%
Place – Strategic Planning & Infrastructure	63.692	3.869	12.63%
Place – Street Services	30.248	2.674	6.07%
Customer & Corporate Services	4.714	0.682	8.84%
Office for Director of Public Health	6.167	1.888	30.61%
Total	176.029	15.902	9.03%

Profiling of the capital programme will continue to review robustness of forecasts to spend as project officers assess the inflationary impact to schemes and challenges to meet grant funding conditions.

A detailed monitoring project forecast has been issued to Service Directors highlighting projects with grant risk, specifically within Children's services £16m grant funding has been awarded by Department for Education with an element at risk of clawback unless specific devolved funds received in 2020/21 is spent.

Progression of grant funding with government departments has been impacted by general election restrictions. Risk is held with National Marine Park project awaiting approval for LUF grant.

Short term borrowing with other local authorities is currently being secured at 4.95% to 5.15% and current one year PWLB at 5.23%.

The borrowing impact to future revenue budgets to fund capital programme remains high, with additional revenue resources being required circa £5m based on projected slippage to current approved capital programme. This is based on bank of England borrowing rate reductions indicated by Treasury Management advisors starting in September 2024 with a levelled Bank of England rate of 3% by 2026.

Prudential Indicators Q1 2024/25

The Authority measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Capital Financing Requirement: The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt.

The actual CFR is calculated on an annual basis.

	2023/24 actual £m	2024/25 forecast* £m	2025/26 budget £m	2026/27 budget £m
General Fund services	866.405	903.196	932.195	958.201

* Arlingclose have been commissioned to review impact for accounting for a change in the accounting for leases.

Gross Debt and the Capital Financing Requirement: Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	2023/24 actual £m	2024/25 forecast* £m	2025/26 budget £m	2026/27 budget £m	Debt at 30.6.2024 £m
Debt (incl. PFI & leases)	739.506	799.432	878.196	931.823	739.506
Capital Financing Requirement	866.405	903.196	932.195	958.201	

Debt and the Authorised Limit and Operational Boundary: The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Maximum debt Q1 2024/25 £m	Debt at 30.6.24 £m	2024/25 Authorised Limit £m	2024/25 Operational Boundary £m	Complied? Yes/No
Borrowing	649.532	649.532	900.000	800.000	Yes
PFI and Finance Leases	89.974	88.900	269.000	269.000	Yes
Total debt	739.506	738.432	1169.000	1069.000	

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Provision for £100m has been included in authorised limit and operational boundary in 2024/25 for a CFR increase arising from a change in the accounting for leases

Proportion of Financing Costs to Net Revenue Stream: Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 actual £m	2024/25 forecast* £m	2025/26 budget £m	2026/27 budget £m
Financing costs (£m)	38.590	45.877	52.212	53.931
Proportion of net revenue stream	17.75%	19.39%	21.33%	21.35%