Gateshead Council

REPORT TO CABINET
18 July 2017

TITLE OF REPORT: **Capital Programme and Prudential Indicators 2017/18 – First Quarter Review**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

1. This report sets out the latest position on the 2017/18 capital programme and Prudential Indicators at the end of the first quarter to 30 June 2017. The report assesses reasons for the variances from the approved programme and details the proposed financing of the capital programme. In addition the report considers the impact of CIPFA's Prudential Code on the capital programme and the monitoring of performance against the statutory Prudential Indicators.

Background

2. The original budget for the capital programme for 2017/18, as agreed by Council on 23 February 2017, totalled £95.209m. The projected year end expenditure at the end of the first quarter is now £96.114m. The proposed increase of £0.905m is largely as a result of slippage in the programme from 2016/17 which was reported to Cabinet on 20 June 2017 and the re-profiling of planned investment to future years.

3. The proposed increase to the capital programme at the first quarter comprises of the following movements:

	£m
Slippage of planned capital expenditure from 2016/17	4.577
Increased borrowing/external funding/contributions	4.868
Re-profiling of capital expenditure to future years	(7.890)
Other changes	(0.650)
Total Variance	**0.905**

4. The proposed slippage in the capital programme is primarily resourced by external prudential borrowing. The Council continues to manage the available resources in a flexible manner to ensure that the use of any external resources is maximised where possible in the relevant financial year.

5. A total of £4.577m of slippage has been identified on a number of key schemes throughout the capital programme which has been carried forward into 2017/18, with resources, from the 2016/17 financial year capital budget.

6. This slippage includes £3.262m relating to the ongoing investment in the Council's housing stock within the HRA programme, primarily relating to schemes within the Decent Homes Investment Programme and the major energy efficiency improvement work that is currently in progress at Fell, Lough and Beacon Courts and the completion of the ongoing works at Clasper Village, Bleach Green and Ravensworth Road as part of the Estate Regeneration programme.

7. The proposed £4.868m increase includes the re-profiling of allocations to reflect the final funding settlements for investment in the Council's schools and highways infrastructure. In addition the Council has received notification during the quarter of additional external funding to support capital investment including:
   - £0.6m from the Department for Education relating to the provision of additional capacity for childcare for 3 and 4 year olds to deliver proposed schemes at Whickham, Crawcrook and Crookhill;
   - £0.7m of S106 contributions from developers to provide additional capacity at Emmaville Primary School;
   - £0.7m from the National Productivity Investment Fund for investment in additional Highways and Transport schemes which has now been included within the overall investment plans for Highways infrastructure considered by Cabinet earlier this year.

8. The £0.650m of other changes identified within the programme relate to the decision to place the proposed Park and Ride Scheme on hold. The £3.150m reduction has been offset by the re-prioritisation and transfer of the Local Growth Fund allocation to the Gateshead Quays project. This external funding will help to progress the required pre-construction work during the current financial year, including the development of the site masterplan and scheme design. At this stage, it is anticipated that at least £2.5m of the £5m of Local Growth Fund contribution will be spent in the current financial year, subject to the submission of a detailed business case to NELEP.

9. Planned investment has been re-profiled to future financial years on a number of schemes, amounting to £7.890m. This includes:
   - £4.3m relating to the proposed office development at Baltic Business Quarter reflecting the latest programme and key milestones agreed with the contractor. Willmott Dixon have now been appointed to progress the delivery of the scheme and marketing agents have been engaged to help inform the scheme specification and understand the markets requirements. The latest programme suggests that construction is likely to start in 2018/19, subject to Cabinet considering the full business case in October 2017;
   - £1m relating to the proposed refurbishment of the public areas within the Civic Centre. The scheme business case is in development and given the required design timescales and mobilisation period it is likely that construction would not start until the latter part of the financial year, resulting in a significant element of the projected investment slipping to future years;
   - £0.85m relating to the proposed Assisted Living scheme within the HRA, which is part funded by HCA grant, due to the need to undertake additional design and consultation work as a result of site investigations, particularly to satisfy the Coal Authority. Construction is now expected to commence during the third quarter;
   - £0.75m relating to the proposed Outdoor sports provision at Blaydon Leisure Centre following a delay in appointing the external design team, required in order to secure the external funding. The external funding has been agreed in principle, but is subject to a detailed application in January and would not be formally confirmed until April 2018 so the delivery of the scheme has been re-profiled to align with the external funding timescales.

Proposal

10. The report identifies planned capital expenditure of £96.114m for the 2017/18 financial year. The expected resources required to fund the 2017/18 capital programme are as follows:

	£m
Prudential Borrowing	40.620
Capital Grants and Contributions	25.342
Major Repairs Reserve (HRA)	28.152
Capital Receipts	2.000
Total Capital Programme	**96.114**

11. CIPFA's Prudential Code advises the regular monitoring of performance against the prudential indicators which regulate borrowing and investment. Targets and limits for the prudential indicators for 2017/18 were agreed at Council on 23 February 2017 and borrowing and investment levels have remained within these limits.

Recommendations

12. Cabinet is asked to:

(i) Recommend to Council that all variations to the 2017/18 Capital Programme as detailed in Appendix 2 are agreed as the revised programme.

(ii) Recommend to Council the financing of the revised programme.

(iii) Confirm to Council that the capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and that none of the approved Prudential Indicators set for 2017/18 have been breached.

For the following reasons:

(i) To ensure the optimum use of the Council's capital resources in 2017/18.

(ii) To accommodate changes to the Council's in-year capital expenditure plans.

(iii) To ensure performance has been assessed against the approved Prudential Limits.

CONTACT: David Mason extension 3686

APPENDIX 1

Policy Context

1. The proposals within this report are consistent with the objectives contained within the Council's corporate Capital Strategy and will contribute to achieving the objectives and priority outcomes set out in Vision 2030 and the Council Plan.

Background

2. The original budget for the capital programme for 2017/18, as agreed by Council on 23 February 2017, totalled £95.209m.

3. The projected year-end expenditure was £96.114m at the end of the first quarter.

4. The £0.905m variance is due to a combination of slippage from the previous year, the review of existing schemes, the receipt of additional resources and other variances. All variations in the programme during the first quarter are detailed in Appendix 2.

5. Appendix 3 summarises the original budget and actual year end payments by Corporate Priority. The budget, projected year end payments and comments on the progress of each scheme are detailed in Appendix 4.

6. The Prudential Code sets out a range of Prudential Indicators that were agreed by the Council on 23 February 2017. Performance against the indicators for 2017/18 is set out in Appendix 5.

Consultation

7. The Leader of the Council has been consulted on this report.

Alternative Options

8. The proposed financing arrangements are the best available in order to ensure the optimum use of the Council's capital resources in 2017/18.

Implications of Recommended Option

9. **Resources:**

   a) **Financial Implications –** The Strategic Director, Corporate Resources confirms that the financial implications are as set out in the report.

   b) **Human Resources Implications –** There are no human resources implications arising from this report.

   c) **Property Implications -** There are no direct property implications arising from this report. Capital investment optimises the use of property assets to support the delivery of corporate priorities. The property implications of individual schemes will be considered and reported separately.

10. **Risk Management Implication -** Risks are assessed as part of the process of monitoring the programme and in respect of treasury management. The Cabinet will continue to receive quarterly reports for recommendation of any issues to Council, together with any necessary action to ensure expenditure is managed within available resources.

11. **Equality and Diversity Implications -** There are no equality and diversity implications arising from this report.

12. **Crime and Disorder Implications -** There are no direct crime and disorder implications arising from this report.

13. **Health Implications -** There are no health implications arising from this report.

14. **Sustainability Implications -** The works will help to make the environment more attractive and reduce health and safety hazards.

15. **Human Rights Implications -** There are no direct human rights implications arising from this report.

16. **Area and Ward Implications -** Capital schemes will provide improvements in wards across the borough.

17. **Background Information**

    i. Report for Cabinet, 21 February 2017 (Council 23 February 2017) - Capital Programme 2017/18 to 2021/22.
    ii. Report for Cabinet, 20 June 2017 – Capital Programme and Prudential Indicators 2016/17 – Year End Outturn.