Gateshead Council

REPORT TO CABINET
23 January 2018

TITLE OF REPORT: **Capital Programme and Prudential Indicators 2017/18 – Third 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 third quarter to 31 December 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, which was revised to £96.114m at the first quarter, and revised further to £91.357m at the second quarter. The third quarter review now projects the year-end expenditure to be £89.866m.

3. The proposed decrease to the capital programme at the third quarter comprises of the following movements:

	£m
Additional capital expenditure	2.529
Reduced project cost	(0.017)
Re-profiling of capital expenditure to future years	(4.003)
Total Variance	**(1.491)**

4. The proposed £2.429m increase primarily relates to the Non-Operational Portfolio budget, and includes the acquisitions of Langford House and Kent House and the Tyne Bridge Tower Site. The strategic acquisition of these properties was approved by Cabinet in July 2017 to complement the regeneration of the urban core.

5. Planned investment of £4.003m has slipped to 2018/19 on a number of schemes. This includes:

   - Quays - £1.210m: to reflect the latest cash flow projections and the masterplan programme received from the developer.
   - Street Lighting Column Replacement and Street Lighting Phase 3 LED Lanterns Replacement - £0.642m: these schemes are to run in conjunction in 2018/19, as outstanding LEDs are on columns due to be replaced in 2018/19.
   - Housing JV Brandling - £0.350m: discussions on the purchase of the Brandling site have been suspended until 2018/19.
   - Technology Plan: Infrastructure - £0.314m: delays from external suppliers have affected the starting of a number of projects.

- School Condition Investment - £0.436m: additional requirements arising from asbestos removal and the requirement to carrying out works during school holidays.

Proposal

6. The report identifies planned capital expenditure of £89.866m for the 2017/18 financial year. The expected resources required to fund the 2017/18 capital programme are as follows:

	£m
Prudential Borrowing	35.611
Capital Grants and Contributions	23.653
Major Repairs Reserve (HRA)	21.724
Right to Buy Receipts (HRA)	6.878
Capital Receipts	2.000
Total Capital Programme	**89.866**

7. 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

8. 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.

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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. This was revised to £96.114m at the end of the first quarter, and revised further to £91.357m at the second quarter.

3. The projected year-end expenditure is £89.866m at the end of the third quarter.

4. The £1.491m variance is due to a combination of additional capital expenditure and a re-profiling of existing schemes to future years. All variations in the programme during the third 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, 18 July 2017 – Capital Programme and Prudential Indicators 2017/18 – First Quarter Review.
   iii. Report for Cabinet, 21 November 2017 – Capital Programme and Prudential Indicators 2017/18 – Second Quarter Review.