

TITLE OF REPORT: Capital Programme and Prudential Indicators 2018/19
– 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 2018/19 capital programme and Prudential Indicators at the end of the first quarter to 30 June 2018. 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 2018/19, as agreed by Council on 22 February 2018, totalled £102.862m. The first quarter review now projects the year-end expenditure to be £107.763m, £76.093m General Fund and £31.670m HRA.
3. The proposed increase to the capital programme at the first quarter comprises of the following movements:

	£m
Slippage of planned capital expenditure from 2017/18	12.326
Additional capital expenditure	8.633
Reduced project cost	(0.207)
Re-profiling of capital expenditure to future years	(15.852)
Total Variance	4.901

4. A total of £12.326m of slippage has been identified on a number of key schemes throughout the capital programme which has been carried forward into 2018/19, with resources, from the 2017/18 financial year. The schemes where the 2017/18 slippage exceeds £1m are detailed below:
 - £2.5m relating to the loan to NHS Trust for Prince Consort Road with the completion of the lease and loan now expected to take place in August or September 2018.
 - £2.0m in relation to the ongoing HEIGHTs and Regent Court energy efficiency and improvement works that were delayed by the adverse weather conditions.
 - £1.3m to align the School Capacity Improvements expenditure over the school academic years to support the planned extension at Brandling Primary School.
5. The proposed £8.633m increase includes the re-profiling of allocations to reflect final funding settlements for investment in the Council's schools and highways infrastructure. The Council has also received notification of additional external funding to support capital investment including:
 - £0.7m S106 contributions
 - £0.7m from the National Productivity Investment Fund for investment in additional Highways and Transport schemes; and

- £0.4m Early Measures funding to support work to improve air quality from the Government's Joint Air Quality Unit.
6. In addition, the £8.633m increase to the capital programme also includes:
- £1.9m which is the 2018/19 element of the £2.3m loan to Keelman Homes which was agreed at Cabinet in April 2018 to support the purchase and refurbishment of empty homes within Gateshead; and
 - £0.5m proposed increase in the loan facility to the NHS Trust to support the lease and redevelopment at Prince Consort Road.
7. Planned investment has been re-profiled to future financial years on a number of schemes, amounting to -£15.852m. This includes:
- -£6.8m in relation to the Gateshead Quays development to reflect the progress of the ongoing commercial negotiations.
 - -£4.7m to reflect the revised delivery timescales of the office building at Baltic Business Quarter, which is due to complete in Autumn 2019.
 - -£2.0m reprofiling of the loan to Gateshead Trading Company for the Lyndhurst House Building scheme based on revised cash flow projections and works programme.
 - -£0.8m relating to the proposed Energy Network extension to Trinity Square as the potential customer has confirmed it will be another 12 months before they can consider the Council's offer of connection.

Proposal

6. The report identifies planned capital expenditure of £107.763m for the 2018/19 financial year. The expected resources required to fund the 2018/19 capital programme are as follows:

	£m
Prudential Borrowing	47.096
Projected Capital Receipts	2.000
Capital Grants and Contributions	26.947
Major Repairs Reserve (HRA)	27.512
Right to Buy Receipts (HRA)	4.158
Total Capital Programme	107.763

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 2018/19 were agreed at Council on 22 February 2018 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 2018/19 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 2018/19 have been breached.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2018/19.
- (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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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's Thrive Agenda.

Background

2. The original budget for the capital programme for 2018/19, as agreed by Council on 22 February 2018, totalled £102.862m.
3. The projected year-end expenditure is £107.763m at the end of the first quarter.
4. The £4.901m variance is due to a combination of slippage from 2017/18, additional capital expenditure and a re-profiling of existing schemes to future years. 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 22 February 2018. Performance against the indicators for 2018/19 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 2018/19.

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, 20 February 2018 (Council 22 February 2018) - Capital Programme 2018/19 to 2022/23.