Gateshead Council

REPORT TO CABINET
20 November 2018

TITLE OF REPORT: **Capital Programme and Prudential Indicators 2018/19 – Second 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 September 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, which was increased to £107.763m at the first quarter review to accommodate brought forward balances. The second quarter review of progress of schemes has resulted in a revised estimate for total capital expenditure of £94.975m.

3. The proposed reduction of the capital programme at the second quarter comprises of the following movements:

	£m
Increased borrowing/external funding/contributions	7.364
Re-profiling of capital expenditure to future years	(19.802)
Reduction of planned expenditure	(0.349)
Total Variance	**(12.787)**

4. A total of £7.364m increased capital expenditure primarily relates to the following schemes:

- The final value of the grant to support the development at Follingsby Enterprise Zone is £11.9m, an increase of £3.4m from quarter1. It is anticipated the full grant will be paid to the developer by the end of 2018/19 and all capital financing costs of the scheme will be met by NELEP.
- An £1.6m increase in relation to the Highrise Energy Infrastructure for Gateshead Housing Tenants (HEIGHTs) and Regent Court energy efficiency and improvement works, due to additional works including asbestos removal and fire safety improvements.

5. Planned investment has been re-profiled to 2019/20 on several schemes, amounting to £19.802m reductions This includes:

- Basic Need grant funding earmarked to the new Gibside School as the details of the scheme are still to be finalised and approved - £5.2m;
- Gateshead Quays development, to reflect the revised project timelines - £4.1m;
- Baltic Quarter Spec Office Build project, as a result of additional approvals required for the final business case - £3.8m;

- Winlaton Assisted Living HRA project. Works have now commenced and the completion dates for all sites are now 2019/20 - £1.6m;
- Loan to Gateshead Trading Company for Lyndhurst housing scheme to reflect updated cashflows - £0.7m;
- Eastwood Centre of Excellence project as the scheme details are to be finalised and approved - £0.5m; and
- Loan to Keelman Homes in relation to the Lyndhurst housing development, now due in 2019/20 when properties are complete - £0.5m

6. The other changes primarily relate to minor amendments to realign the schemes within the programme.

Proposal

7. The report identifies planned capital expenditure of £94.975m for the 2018/19 financial year. The expected resources required to fund the 2018/19 capital programme are as follows:

	£m
Prudential Borrowing	45.895
Projected Capital Receipts	0.500
Capital Grants and Contributions	19.219
Major Repairs Reserve (HRA)	23.633
Right to Buy Receipts (HRA)	5.728
Total Capital Programme	**94.975**

8. 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

9. 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, which increased to £107.763m at the first quarter review

3. The second review has reprofiled the capital programme to reflect in year progress within capital schemes, resulting in an revised estimate of £94.975m.

4. The £12.797m reduction is due to updated programme timelines for a number of schemes. All variations in the programme during the second 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; and
    ii. Report for Cabinet, 17 July 2018 (Council 19 July 2018) – Capital Programme and Prudential Indicators 2018/19 – First Quarter Review.