

TITLE OF REPORT: Capital Programme and Prudential Indicators 2019/20
– 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 2019/20 capital programme and Prudential Indicators at the end of the first quarter to 30 June 2019. 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 2019/20, as agreed by Council on 19 February 2019, totalled £118.921m. The first quarter review now projects the year-end expenditure to be £100.347m, £76.243m General Fund and £24.104m HRA.
3. The proposed reduction in the capital programme at the first quarter comprises of the following movements:

	£m
Slippage of planned capital expenditure from 2018/19	2.060
Additional capital expenditure	1.632
Reduced project cost	(0.439)
Re-profiling of capital expenditure to future years	(21.726)
Total Variance	18.573

4. A total of £2.060m of slippage has been identified on a number of key schemes which has been carried forward into 2019/20, with resources, from the 2018/19 financial year.
5. The proposed £1.632m 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 to support Transforming Cities.
6. Planned investment has been re-profiled to future financial years on a number of schemes, amounting to a reduction of £21.726m. This includes:
 - a £17.7m in year reduction due to the re-profiling of the Gateshead Quays development to reflect revised construction phasing of the highways infrastructure and multi-story car park.
 - a £4.9m reprofiling of Schools Capacity Improvements grant to align the expenditure to the phasing of construction of Gibside School.

Proposal

6. The report identifies planned capital expenditure of £100.347m for the 2019/20 financial year. The expected resources required to fund the 2019/20 capital programme are as follows:

	£m
Prudential Borrowing	50.851
Projected Capital Receipts	2.000
Capital Grants and Contributions	23.392
Major Repairs Reserve (HRA)	23.104
Right to Buy Receipts (HRA)	1.000
Total Capital Programme	100.347

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 2019/20 were agreed at Council on 19 February 2019 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 2019/20 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 2019/20 have been breached.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2019/20.
- (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.

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 set out by the Council's Thrive Agenda.

Background

2. The original budget for the capital programme for 2019/20, as agreed by Council on 19 February 2019, totalled £118.921m.
3. The projected year-end expenditure is £100.347m at the end of the first quarter.
4. The £18.573m reduction is due to a combination of slippage from 2018/19, additional capital expenditure and 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 2019/20 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 2019/20.

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, 19 February 2019 (Council 21 February 2019) - Capital Programme 2019/20 to 2023/24.