

TITLE OF REPORT: Capital Programme and Prudential Indicators 2019/20
 – Second Quarter Review

REPORT OF: Darren Collins, Strategic Director, Resources and Digital

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 September 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, which was reduced to £100.347m at the first quarter review to accommodate re-profiling into future years. The second quarter review of progress of schemes has resulted in a revised estimate for total capital expenditure of £95.636m.
3. The proposed reduction of the capital programme at the second quarter comprises of the following movements:

	£m
Increased borrowing/external funding/contributions	4.158
Re-profiling of capital expenditure to future years	(8.672)
Reduction of planned expenditure	(0.197)
Total Variance	(4.711)

4. A total of £4.158m increased capital expenditure includes the following schemes:
 - Additional £0.650m to the High Street South scheme to support the acquisition and demolition of properties as part of High Street South 5-year delivery Plan.
 - An £0.550m increase in relation to the Back Boiler Renewal & Replacement for Gateshead Councils tenants, this has been accelerated from 2020/21.
 - A £0.387m increase to improve the track surface and lighting at Gateshead International Stadium.
5. Planned investment has been re-profiled to 2019/20 on several schemes, amounting to £8.907m reductions This includes:
 - HRA Fire Safety Works / Compliance (3.73m) re-profiled into 2020/21, programme of works will complete next financial year.
 - Birtley Cremator (£1.90m), the scheme has been postponed until March 2021 due to delays with Northern Power and to retain capacity to perform cremations over the winter period.
 - Re-profiling of the loan to Keelman Homes (£1.00m) to reflect updated cashflows.
 - Delays in the construction of Follingsby Salt Store, (£0.82m) re-profiled into 2020/21 to ensure service continuity over the winter period.

- Delayed delivery of bungalow scheme at Bute Road, (£0.62m) will now be spent in 2020/21.
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 £95.636m for the 2019/20 financial year. The expected resources required to fund the 2019/20 capital programme are as follows:

	£m
Prudential Borrowing	49.888
Projected Capital Receipts	0.500
Capital Grants and Contributions	23.200
Major Repairs Reserve (HRA)	21.048
Right to Buy Receipts (HRA)	1.000
Total Capital Programme	95.636

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 2019/20 were agreed at Council on 19 February 2019 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 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 and priority outcomes set out in 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, which decreased to £100.347m 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 £95.636m.
4. The £4.7m 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 19 February 2019. 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, Resources and Digital 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 19 February 2019) - Capital Programme 2019/20 to 2023/24; and
 - ii. Report for Cabinet, 16 July 2019 (Council 16 July 2019) – Capital Programme and Prudential Indicators 2019/20 – First Quarter Review.