

TITLE OF REPORT: Capital Programme and Prudential Indicators 2019/20 – Year End Outturn

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

Purpose of the Report

1. This report requests Cabinet to recommend that Council note the 2019/20 Capital Programme outturn and approve the financing of the programme. The report assesses reasons for the variances from the third quarter review and considers the impact of CIPFA’s Prudential Code on the capital programme and the monitoring of performance against the statutory Prudential Indicators.

Overview

2. The original budget for the capital programme for 2019/20 as agreed by Council on 19 February 2019, totalled £118.9m. The projected year end expenditure was revised to £93.9m at the end of the third quarter, reflecting changes to project delivery programmes.

| | Original Budget (£m) | Quarter 1 (£m) | Quarter 2 (£m) | Quarter 3 (£m) | Outturn (£m) | Variance to Q3 (£m) |
|---------------------|-----------------------------|-----------------------|-----------------------|-----------------------|---------------------|----------------------------|
| General Fund | 94.8 | 76.2 | 73.6 | 71.6 | 59.4 | (12.2) |
| HRA | 24.1 | 24.1 | 22.1 | 22.3 | 20.1 | (2.2) |
| Total | 118.9 | 100.3 | 95.7 | 93.9 | 79.5 | (14.4) |

3. The capital programme outturn for 2019/20 is £79.5m and this is £14.4m less than the third quarter review, with the main variances summarised in Appendix 2 and shown in detail in Appendix 4.

4. The reduction from the Capital Programme position reported at the third quarter comprises of the following movements:

| | £m |
|--|-----------------|
| Re-profiling of resources and slippage to future years | (24,379) |
| Other changes to planned expenditure | 10,015 |
| Total Capital Programme Variance | (14,364) |

5. A number of schemes have resulted in underspends during 2019/20. Where there is certainty the expenditure will be incurred during 2020/21 it is proposed that the allocation is carried forward into the 2020/21 Capital Programme.
6. The schemes where underspends are greater than £0.500m and the budget is to be carried forward into 2020/21 include:

- Clasper Housing Development: £5.8m – work is ongoing to assess the financial viability of this scheme after increased costs were presented by the developer following quarter monitoring;
 - Gateshead International Stadium Investment: £1.3m: due to the specialist nature of works a prolonged procurement exercise was required, work is ongoing to identify a suitable time to begin works;
 - GRP Enabling Works: £1.2m a delayed start on site at Windy Nook has led to a reprofiling of schemes into 2020/21;
 - Eastwood: £0.8m: delay in payment of the deposit until due diligence is carried out on the developer;
 - High Street South £0.7m: delays to the completion of purchases of properties in the area, these will complete in 2020/21;
 - Replacement of Fleet and Horticulture Equipment: £0.5m delays in receipt of vehicles prior to 31 March 2020.
7. The use of available external capital resources and capital receipts to fund the 2019/20 Capital Programme has been maximised, which means that the Council will not lose any of the external funding that it has been awarded.

Capital Investment Summary

8. Capital expenditure of £79.5m represents a significant contribution to supporting Council assets and the wider thrive agenda and includes investment of:
- £20.1m in the Council's Housing stock, including new build schemes such as Winlaton Assisted Living (£2.2m) and (£5.7m) investment to maintain decency;
 - £11.5m in Transport Infrastructure within Gateshead, including highway maintenance, street lighting column replacement and sustainable transport improvements;
 - £6m of improvement to the Council's Schools, including the construction of Gibside Special School;
 - £15.9m in the Council's Accelerated Development Zone helping to bring forward development at Gateshead Quays and Baltic Business Quarter;
 - £3.7m in improvements to the Council's ICT infrastructure including the development of the Council's digital platform;
 - £3.8m of investment targeted at bringing forward housing development, including the provision of loans to Keelman Homes (£1.6m) and Gateshead Trading Company (£2.1m);
 - £1.2m investment in the Council's ongoing Fleet Replacement programme;
 - £1.7m investment in the Council's Leisure Facilities including works to Blaydon Leisure Centre outdoor sports provision (£1m).
9. The Council has continued to utilise capital resources to encourage housing growth and development in Gateshead. During 2019/20 the Council has invested:
- £15.9m in the Council's Accelerated Development Zone helping to bring forward economic growth at Gateshead Quays and Baltic Quarter, where a

five storey development is underway bringing an additional 46,804 sq ft of net lettable office space to the area;

- £3.8m of investment targeted at bringing forward housing development, including the provision of loans to Keelman Homes and Gateshead Trading Company.

Capital Financing

12. The report identifies a capital outturn of £79.5m for the 2019/20 financial year. The resources required to fund the 2019/20 capital programme are as follows:

| | £m |
|----------------------------------|-------------|
| Prudential Borrowing | 29.5 |
| Capital Grants and Contributions | 29.2 |
| Major Repairs Reserve (HRA) | 18.9 |
| Capital Receipts | 1.7 |
| Revenue Contributions | 0.2 |
| Total Capital Programme | 79.5 |

12. 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. Borrowing and investment levels have remained within the limits set by Council.

Recommendations

13. Cabinet is asked to:

- (i) Note the Capital Programme outturn position for 2019/20.
- (ii) Recommend to Council that all variations to the 2019/20 Capital Programme as detailed in Appendix 2 are agreed.
- (iii) Recommend to Council the financing of the 2019/20 Capital Programme.
- (iv) 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 monitor actual performance against the approved Prudential Indicators.

CONTACT: Renée Lindsay extension 3617

APPENDIX 1

Policy Context

1. The proposals contained within this report are consistent with the objectives contained within the Council's corporate Capital Strategy and will contribute to achieving the Council's objectives of making Gateshead a place where everyone thrives.

Background

2. The original budget for the capital programme for 2019/20, as agreed by Council on 19 February 2019, totalled £118.9m.
3. The projected year-end expenditure was £93.9m at the end of the third quarter.
4. The actual capital programme expenditure for 2019/20 is £79.5m. This represents a reduction of £14.4m from the third quarter.
5. The £14.4m variance from the third quarter is due to a combination of slippage and other changes to the 2019/20 programme. All variations which have occurred in the programme during the fourth quarter are detailed in Appendix 2.
6. Appendix 3 summarises the original budget and actual year end expenditure by Corporate Priority. The third quarter forecasts, year-end payments and reasons for variance for each scheme are detailed in Appendix 4.
7. The Prudential Code sets out a range of Prudential Indicators that were agreed by the Council on 19 February 2019. None of these indicators were breached during 2019/20 and performance against the indicators for 2019/20 is set out in Appendix 5.

Consultation

8. The Leader of the Council has been consulted on the contents of this report.

Alternative Options

9. 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

10. **Resources:**
 - a) **Financial Implications** – The Strategic Director, Resources & 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.
12. **Risk Management Implication** - Risks are assessed as part of the process of monitoring the programme and treasury management. This assessment concludes that the increased uncertainty over the level of resources means that Cabinet should 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.
13. **Equality and Diversity Implications** - There are no equality and diversity implications arising from this report.
14. **Crime and Disorder Implications** - There are no direct crime and disorder implications arising from this report.
15. **Health Implications** - There are no health implications arising from this report.
16. **Sustainability Implications** - The works will help to make the environment more attractive and reduce health and safety hazards.
17. **Human Rights Implications** - There are no direct human rights implications arising from this report.
18. **Area and Ward Implications** - Capital schemes will provide improvements in wards across the borough.
19. **Background Information**
- i. Report for Cabinet, 19 February 2019 (Council 21 February 2019) - Capital Programme 2019/20 to 2023/24
 - ii. Report for Cabinet, 16 July 2019 - Capital Programme and Prudential Indicators 2019/20 – First Quarter Review.
 - iii. Report for Cabinet, 19 November 2019 - Capital Programme and Prudential Indicators 2019/20 – Second Quarter Review.
 - iv. Report for Cabinet, 21 January 2020 - Capital Programme and Prudential Indicators 2019/20 – Third Quarter Review.