

TITLE OF REPORT: Capital Programme and Prudential Indicators 2022/23
– First 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 2022/23 Capital Programme and Prudential Indicators at the end of the first quarter to 30 June 2022. 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 2022/23, as agreed by Council on 25 February 2022, totalled £146.7m. The first quarter review now projects the year-end expenditure to be £103.2m, £80.9m General Fund and £22.3m 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 2021/22	3.598
Increased borrowing/external funding/contributions	4.734
Other movements	(0.248)
Re-profiling of capital expenditure to future years	<u>(51.550)</u>
Total Variance	<u>(43.466)</u>

4. A total of £5.8m of slippage was identified in 2021/22 on several key schemes, which were carried forward into 2022/23 including:
 - £2.115m Quays Development. Scheme design and enabling works continue to be progressed however there has been a re-profiling of the construction works given current market volatility.
 - £1.090m School Condition Investment, progress was held up due to supply chain issues, but this should be spent in year with works planned.
 - £1.121m Sister Winifred Laver PIC following a 14-week delay in construction but works are ongoing.

- £0.769m Gateshead Multi Storey Carpark, following construction delays but works are progressing well.
 - £0.526m Gateshead District Heat Network, slippage to deliver the Academy of Sport works.
5. The increased borrowing of £4.7m comprises of a £4.2m loan to the Gateshead Energy Company for the District Energy Extension, which is the remainder of the £7m loan agreed by Cabinet, and £0.5m for the Gateshead International Stadium.
 6. The £0.5m, detailed in paragraph 5 of this report, has been added to the programme in Quarter 1 for the floodlighting at the Gateshead International Stadium. This scheme originally formed part of the Capital Programme for 2019/20 to 2023/24, and was approved by Cabinet on the 19th February 2019. The original full project was to improve the track, seating and floodlighting at the stadium and had a budget of £1.21m, of which £0.8m was for the floodlighting. The project subsequently became part of the Public Sector Decarbonisation Scheme, which was approved by Cabinet on the 23rd February 2021. The floodlighting works at the stadium will no longer proceed under the Public Sector Decarbonisation Scheme due to viability issues with the grant funding. The £0.5m added to the programme within Quarter 1 will allow the required improvements to the lighting levels ensuring that the athletics and football activities can continue at the site.
 7. Cabinet is asked to delegate to the Strategic Director, Economy, Innovation and Growth (in consultation with the Service Director of Corporate Services and Governance and the Strategic Director, Resources and Digital) the negotiation and approval of the tender and contract award for the floodlighting works within the agreed capital programme allocation of £0.5m. A delegated decision is sought as the works are required to be completed prior to the start of the new football season.
 8. Planned investment has been re-profiled to future financial years on several schemes, amounting to a reduction of £51.6m in 2022/23, the schemes which have slipped include the following:
 - £47.489m Quays Development. Scheme design and enabling works continue to be progressed however there has been a re-profiling of the construction works given current market volatility.
 - £1.924m Blaydon West Primary School. Which is the result of requests for further site investigations and clarity on development costs.
 - £0.9m Replacement of Fleet and Horticultural Equipment due to supply chain issues
 - £0.878m Follingsby Salt Store due to issues with locating a suitable facility
 - £0.807m Installation of Electric Vehicle Charging Points in Council Depots which is being progressed with the planning department.
 - £0.750m Children's Two bed residential due to issues with locating a suitable property for the service needs.

Proposal

9. The report identifies planned capital expenditure of £103.2m for the 2022/23 financial year. The expected resources required to fund the Capital Programme are as follows:

	£m
Prudential Borrowing	62.132
Projected Capital Receipts	0.750
Capital Grants and Contributions	18.084
Major Repairs Reserve (HRA)	16.119
Capital Grants and Contributions (HRA)	0.752
Right to Buy Receipts (HRA)	5.410
Total Capital Programme	103.247

9. 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 2022/23 were agreed at Council on 25 February 2022 and borrowing and investment levels have remained within these limits. Performance against the indicators for 2022/23 is set out in Appendix 5.

Recommendations

10. It is recommended that Cabinet:
- (i) Recommends to Council that all variations to the 2022/23 Capital Programme as detailed in Appendix 2 are agreed
 - (ii) Recommends to Council the financing of the revised programme set out in this report
 - (iii) Confirms to Council that capital expenditure and financing requirements have been revised in line with the amended budget and none of the approved Prudential Indicators set for 2022/23 have been breached.
 - (iv) Approves the delegation as set out in paragraph 7 of this report.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2022/23
- (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
- (iv) To allow the contract for the works as detailed in paragraph 6 of the report to be entered into.

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APPENDIX 1

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. The financial implications of the capital programme are incorporated within the Council's Medium-Term Financial Strategy (MTFS).

Background

2. The original budget for the capital programme for 2022/23, as agreed by Council on 25 February 2022, totalled £146.7m. Details of potential future capital schemes for the 2022/23 to 2026/27 Capital Programme were considered alongside the schemes within the existing programme. The capital and revenue implications of each proposed scheme were considered to ensure that they were affordable and could be accommodated within the level of revenue support available within the MTFS.
3. The projected year-end expenditure is £103.2m at the end of the first quarter.
4. The £43.5m reduction is due to a combination of slippage from 2021/22, 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 the projected year end expenditure by Corporate Priority. The budget, projected year end expenditure 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 Council on the 25 February 2022. Performance against the indicators for 2022/23 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 2022/23.

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. **Climate Emergency and Sustainability Implications** - The sustainability implications are considered as part of developing and implementing individual capital projects. Planned investment within the capital programme is expected to result in improvements throughout the Borough
 - 15. **Human Rights Implications** - There are no direct human rights implications arising from this report.
 - 16. **Ward Implications** - Capital schemes will provide improvements in wards across the borough

Background Information

- 17. Report for Cabinet, 22 February 2022 (Council 25 February 2022) - Capital Programme 2022/23 to 2026/27.