Gateshead Council

REPORT TO CABINET
17 November 2020

TITLE OF REPORT: **Capital Programme and Prudential Indicators 2020/21 – 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 2020/21 capital programme and Prudential Indicators at the end of the first quarter to 30 September 2020. 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 2020/21, as agreed by Council on 25 February 2020, totalled £110.475m, which was reduced to £96.792m at the first quarter review to accommodate re-profiling into future years and reductions linked to Covid. The second quarter review of schemes progress has resulted in a revised estimate for total capital expenditure of £94.452m.

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

	£m
Increased borrowing/external funding/contributions	2.200
Re-profiling of capital expenditure to future years	(3.104)
Reduction of planned expenditure	(1.436)
Total Variance	**(2.340)**

4. A total of £2.200m increased capital investment primarily relates to the following schemes:

- £0.789 – Decent Homes – Investment Programme, multiple contingency schemes are being developed focusing on external and non-invasive works that can be mobilised in lieu of originally planned works on HRA Decent Homes.
- £0.495m – NE LEP funding was awarded, and works are now underway at the northern Design Centre to promote Gateshead as the UK centre for immersive technologies.
- £0.261m – HRA Fire Safety works due to the remobilisation following Covid restrictions.

5. Planned investment has been re-profiled from 2020/21 to future years on several schemes, amounting to £3.104m reductions in 2020/21, this includes:

- £3.300m Baltic Quarter Enabling Structure reprofiled into 2021/22 as work is not due to start until the New Year and third-party funding will be expended first.
- £0.369m – HRA Back Boiler Renewal and Replacement has been slipped into future years, the delivery of the scheme has been delayed due to the impacts of COVID-19.
- £0.312m – Disabled Facility Grants (DFG's), slippage due to impacts of COVID-19.
- £0.250m- Development Site Prep - reprofiled into 2021/22 from due to the slow down in housing development of Covid-19.

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 £94.452m for the 2020/21 financial year. The expected resources required to fund the 2020/21 capital programme are as follows:

	£m
Prudential Borrowing	37.505
Projected Capital Receipts	1.000
Capital Grants and Contributions	35.803
Major Repairs Reserve (HRA)	18.644
Right to Buy Receipts (HRA)	1.500
Total Capital Programme	**94.452**

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 2020/21 were agreed at Council on 25 February 2020 and borrowing and investment levels have remained within these limits.

Recommendations

9. It is requested that Cabinet recommends to Council that;

(i) all variations to the 2020/21 Capital Programme as detailed in Appendix 2 are agreed as the revised programme,
(ii) the financing of the revised programme is agreed,
(iii) and that Council notes that Cabinet confirms 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 2020/21 have been breached.

For the following reasons:

(i) To ensure the optimum use of the Council's capital resources in 2020/21,
(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 the Council's Thrive Agenda.

Background

2. The original budget for the capital programme for 2020/21, as agreed by Council on 25 February 2020, totalled £110.475m, which decreased to £96.792m at the first quarter review

3. The second review has reprofiled the capital programme to reflect in year progress within capital schemes, resulting in a revised estimate of £94.452m.

4. The £2.340m reduction is due to updated programme timelines for several 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 25 February 2020. Performance against the indicators for 2020/21 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 2020/21.

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 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. **Ward Implications -** Capital schemes will provide improvements in wards across the borough.

17. **Background Information**

    i. Report for Cabinet, 25 February 2020 (Council 20 February 2020) - Capital Programme 2020/21 to 2024/25; and
    ii. Report for Cabinet, 15 September 2020 (Council 15 September 2020) – Capital Programme and Prudential Indicators 2020/21 – First Quarter Review.