

TITLE OF REPORT: Capital Programme and Prudential Indicators 2020/21
 – Third 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 third quarter to 31 December 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 and £94.452m at the second quarter to accommodate re-profiling into future years and reductions linked to Covid. The third quarter review of progress has resulted in a revised estimate for total capital expenditure of £77.411m.
3. The proposed reduction of the capital programme at the third quarter comprises of the following movements:

	£m
Re-profiling of capital expenditure to future years	(20.303)
Increased borrowing/external funding/contributions	3.885
Reduction of planned expenditure	(0.217)
Level of Investment Reviewed	(0.406)
Total Variance	(17.041)

4. Primarily due to the impact of COVID-19 and the need to reassess costs and risks and deal with delays to programme planned investment has been re-profiled from 2020/21 to future years on a number of schemes, amounting to £20.303m reductions in 2020/21, this includes:
 - £5.275m Clasper House Building Development – Progress has now halted on this as more discussions are needed to determine the financial viability of the development.
 - £3.594m – Urban Core – Exemplar Neighbourhood – Poor ground conditions have significantly impacted viability; work is ongoing with GRP to address these issues with a view to start on site in 2021/22.
 - £2.557m – Local Transport Plan – Planned Maintenance – The planned programme has slipped due to Covid restrictions on a number of schemes and resources focussed on introducing Covid safe measures.
 - £1.681m Decent Homes Investment Programme – A number of schemes have been pushed back into 2021/22 due to Covid restrictions.
 - £0.808m – River View Intermediate Care Facility – The impact of Covid has put back the procurement of this facility until early 2021/22.

- £0.690m - Gateshead Solar PV – This will slip into 2021/22 due to the timeline on Freight Depot slipping.
- £0.639m – Local Transport Plan – Integrated Transport – The progress on planned schemes has been affected by the impact of Covid restrictions on working conditions and staffing resources.
- £0.550m – Salix Energy Efficiency Works – Progress on this has been impacted by the Asset Review.
- £0.509m – Speculative Office Build 2 – Baltic Quarter – Investment has been paused on this scheme while due diligence is carried out to assess the demand for office space post COVID-19.
- £0.500m West Askew Road Junction Improvements – No progress has been made on this due to utility works, it is anticipated works will begin in 2021/22.
- £0.500m – Baltic Quarter Enabling Infrastructure – Ground clearance will take place after the New Year, but the main scheme has been delayed to allow for works to begin on the Multi Storey Car Park.

5. A total of £3.885m increased capital investment primarily relates to the following schemes:

- £1.486m Various New Build HRA Schemes – Seven houses have been completed on Seymour Street and Whitley Court is underway.
- £1.000m – Gateshead Multi Storey Car Park – reprofiling of the NELEP grant from 2021/22 so as to meet grant conditions.
- £0.526m Fire Safety Work/ Compliance – Works have been remobilised and a revised programme put in place following Covid safety guidance.
- £0.250m – Lavender Cottage – this is an NHS funded scheme to support a hospital discharge for an individual to move into the community.
- £0.250m Loan to Keelman Homes – Lyndhurst – reprofiling of the loan drawdown.

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 £77.411m for the 2020/21 financial year. The expected resources required to fund the 2020/21 capital programme are as follows:

	£m
Prudential Borrowing	27.770
Projected Capital Receipts	0.500
Capital Grants and Contributions	29.401
Major Repairs Reserve (HRA)	17.240
Right to Buy Receipts (HRA)	2.500
Total Capital Programme	<u>77.411</u>

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.

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, then £94.452m at the second quarter review.
3. The third quarter review has reprofiled the capital programme to reflect in year reductions within capital schemes, resulting in a revised estimate of £77.411m.
4. The £17.041m reduction is due to updated programme timelines linked to Covid restrictions 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 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.
 - iii. Report for Cabinet, 17 November 2020 (Council 19 November 2020) – Capital Programme and Prudential Indicators 2020/21 – Second Quarter Review.