

**TITLE OF REPORT:** Capital Programme and Prudential Indicators 2020/21 – Year End Outturn

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

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### Purpose of the Report

1. This report requests Cabinet to recommend that Council note the 2020/21 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 2020/21 as agreed by Council on 27 February 2020, totalled £110.5m. The projected year end expenditure was revised to £77.4m at the end of the third quarter, reflecting changes to project delivery programmes.
3. The capital programme outturn for 2020/21 is £70.8m and this is £6.6m 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:

	<b>£m</b>
Re-profiling of resources and slippage to future years	(8.164)
Other changes to planned expenditure	1.571
<b>Total Capital Programme Variance</b>	<b><u>(6.593)</u></b>

5. A number of schemes have underspent in 2020/21. Where there is certainty the expenditure will be incurred during 2021/22 it is proposed that the allocation is carried forward into the 2021/22 Capital Programme.
6. The schemes where underspends are greater than £0.500m and the budget is proposed to be carried forward into 2021/22 include:
  - Loan to the Gateshead Energy Company: £2.0m – reprofiled loan drawdown, to allow time to further assess the financial viability of the scheme;
  - Replacement of Fleet and Horticulture Equipment: £1.7m due to issues sourcing and delivery of appropriate equipment;

- HRA New Builds: £1.7m a delay on site at Windy Nook has led to a reprofiling of the purchase of properties into 2021/22;
  - Multi Storey Car Park: £1.3m delayed scheme delivery to align with the with the development of Gateshead Quays;
  - Schools Condition Investment £1.0m: due to Covid-19 restrictions certain works in schools have been reprofiled into future years;
  - HRA Fire Safety Works: £1.0m slippage into 2021/22 as a result of design specification concerns, which have now been resolved;
  - West Askew Road Junction Improvements: £0.9m, following an unsuccessful procurement to find a developer for the site, the scheme has been delayed and will recommence in 2021/22.
7. The use of available external capital resources and capital receipts to fund the 2020/21 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 £70.8m represents a significant contribution to supporting Council assets and the wider thrive agenda and includes investment of:
- £20.7m in the Council's Housing stock, including investment in equality act fire safety works £4.3m and investment to maintain decency £5.3m;
  - £9.0m in Transport Infrastructure within Gateshead, including highway maintenance, street lightening column replacement and sustainable transport improvements;
  - £10.8m of improvement to the Council's Schools, including the construction of Gibside Special School;
  - £9.5m in the Council's Accelerated Development Zone helping to bring forward development at Gateshead Quays and Baltic Business Quarter;
  - £4.7m in improvements to the Council's ICT infrastructure including the development of the Council's new ways of working;
  - £4.3m of investment targeted at bringing forward housing development, including the provision of loans to Keelman Homes (£2.2m);
  - £4.0m investment in energy schemes, supporting the Councils commitment to become carbon neutral by 2030.

### Capital Financing

9. The report identifies a capital outturn of £70.8m for the 2020/21 financial year. The resources required to fund the 2020/21 capital programme are as follows:

	<b>£m</b>
Prudential Borrowing	18.1
Capital Grants and Contributions	29.3
Major Repairs Reserve (HRA)	18.6
Capital Receipts	2.3
Revenue Contributions	2.5
<b>Total Capital Programme</b>	<b>70.8</b>

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 2020/21 were agreed at Council on 27 February 2020. 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 2020/21.
  - (ii) Recommend to Council that all variations to the 2020/21 Capital Programme as detailed in Appendix 2 are agreed.
  - (iii) Recommend to Council the financing of the 2020/21 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 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 monitor actual performance against the approved Prudential Indicators.

## 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 2020/21, as agreed by Council on 27 February 2020, totalled £110.5m.
3. The projected year-end expenditure was £77.4m at the end of the third quarter.
4. The actual capital programme expenditure for 2020/21 is £70.8m. This represents a reduction of £6.6m from the third quarter.
5. The £6.6m variance from the third quarter is due to a combination of slippage and other changes to the 2020/21 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 27 February 2020. None of these indicators were breached during 2020/21 and performance against the indicators for 2020/21 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 2020/21.

### 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. **Climate Emergency and 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. **Ward Implications** - Capital schemes will provide improvements in wards across the borough.
19. **Background Information**
- i. Report for Cabinet, 25 February 2020 (Council 27 February 2020) - Capital Programme 2020/21 to 2024/25
  - ii. Report for Cabinet, 14 July 2020 - Capital Programme and Prudential Indicators 2020/21 – First Quarter Review.
  - iii. Report for Cabinet, 17 November 2020 - Capital Programme and Prudential Indicators 2020/21 – Second Quarter Review.
  - iv. Report for Cabinet, 19 January 2021 - Capital Programme and Prudential Indicators 2020/21 – Third Quarter Review.