

TITLE OF REPORT: **Capital Programme and Prudential Indicators 2021/22
– 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 2021/22 Capital Programme and Prudential Indicators at the end of the first quarter to 30 June 2021. 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 2021/22, as agreed by Council on 25 February 2021, totalled £142.9m. The first quarter review now projects the year-end expenditure to be £137.7m, £112.7m General Fund and £25.0m 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 2020/21	7.709
Additional capital expenditure	6.248
Reduced Project Costs	(6.976)
Re-profiling of capital expenditure to future years	<u>(12.112)</u>
Total Variance	<u>(5.131)</u>

4. A total of £7.7m of slippage has been identified on several key schemes, which have been carried forward into 2021/22 with resources from the 2020/21 financial year including:
 - £1m relating to investment in the Council's schools as works were re-profiled due to Covid-19 restrictions.
 - £1.1m relating to the Gateshead Quays Multi Storey Car Park to reflect the revised delivery programme.
 - £1.3m relating to planned fire safety work within the HRA.
5. The proposed £6.2m increase includes the re-profiling of allocations to reflect the final funding settlement for investment in highways and infrastructure and Public Sector Decarbonisation Schemes (PSDS). Additional PSDS schemes are progressing through the tender process and will be incorporated in the capital programme when construction contracts and programmes are agreed. An additional allocation of £1.2m has been included relating to the River View Intermediate Care Facility reflecting an enhanced building specification to meet the Council's standards and policy objectives.

6. A further £6.278m of funding has also been confirmed for the Green Homes Chopwell scheme, which is seeking to deliver solid wall insulation measures to over 600 properties. Discussions are ongoing regarding the design and construction contracts and the scheme will be added to the capital programme following confirmation of the delivery programme.
7. Planned investment has been re-profiled to future financial years on several schemes, amounting to a reduction of £12.1m in 2021/22, the schemes which have slipped include the following:
 - £3.1m of funding for the River View Intermediate Care Facility, as works were delayed in 2020/21; a revised programme of works has now been agreed and funds have been reprofiled into 2022/23 when the majority of the construction works will take place.
 - £3.1m of primarily Environment Agency funding towards Flood Alleviation works has been re-profiled to future years due to resource issues.
 - £2.7m of Decent Homes work will slip into 2022/23 due to the backlog encountered during the pandemic in 2020/21, with restricted access to properties.
 - £1.5m of funding for West Askew Road Junction to facilitate housing development, as this is dependent on the outcome of a procurement process which is planned to take place during 2021/22.

Proposal

8. The report identifies planned capital expenditure of £137.7m for the 2021/22 financial year. The expected resources required to fund the Capital Programme are as follows:

	£m
Prudential Borrowing	76.756
Projected Capital Receipts	0.750
Capital Grants and Contributions	35.186
Major Repairs Reserve (HRA)	21.113
Capital Grants and Contributions (HRA)	1.432
Right to Buy Receipts (HRA)	2.500
Total Capital Programme	137.737

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 2021/22 were agreed at Council on 25 February 2021 and borrowing and investment levels have remained within these limits. Performance against the indicators for 2021/22 is set out in Appendix 5.

Recommendations

10. Cabinet is asked to:
 - (i) Recommend to Council that all variations to the 2021/22 Capital Programme as detailed in Appendix 2 are agreed as the revised programme.
 - (ii) Recommend to Council the financing of the revised programme as set out at paragraph 8 above.
 - (iii) 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 2021/22 have been breached as detailed in Appendix 5.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2021/22
- (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 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 2021/22, as agreed by Council on 25 February 2021, totalled £142.9m. Details of potential future capital schemes for the 2021/22 to 2025/26 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 £137.7m at the end of the first quarter.
4. The £5.1m reduction is due to a combination of slippage from 2020/21, additional capital expenditure and re-profiling of existing schemes to future years. Additional external funding has been awarded on PSDS schemes and the Green Energy Chopwell scheme but will be added to the capital programme in future quarters pending the outcome of the construction contract and delivery programme discussions. All variations in the programme during the first 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 Council on the 25 February 2021. Performance against the indicators for 2021/22 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 2021/22.

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 Change 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.
17. **Background Information**
- Report for Cabinet, 23 February 2021 (Council 25 February 2021) - Capital Programme 2021/22 to 2025/26.