

**TITLE OF REPORT: Capital Programme and Prudential Indicators 2021/22
 – 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 2021/22 Capital Programme and Prudential Indicators at the end of the third quarter to 31 December 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. This was reduced to £137.7m at the first quarter review and to £125.2m at the second quarter review to accommodate re-profiling to future years. The third quarter review of progress has resulted in a revised estimate for capital expenditure of £107.3m by the year end, £82.1m General Fund and £25.2m HRA.
3. The proposed reduction in the capital programme at the third quarter comprises of the following movements:

	£m
Additional capital expenditure	1.471
Reduction of planned expenditure	(2.805)
Re-profiling of capital expenditure to future years	(16.572)
Total Variance	(17.906)

4. The proposed increase of £1.471m relates to increased spend on the Equalities Act works within the HRA and Replacement Bins within the General Fund. In addition funding was received to enable the Whitehill Woodland project to commence during the third quarter.
5. The proposed reduction of £2.8m relates to a number of schemes, including the following:
 - £0.8m Clasper Housing Development. The project has been paused. Developer appetite for the site is being investigated.
 - £0.6m Traffic Signal Renewals. The project has reduced in scope as works can no longer be progressed in year due to delays in approving regional schemes.

6. Planned investment has been re-profiled to future financial years on several schemes, amounting to a further reduction of £16.6m, the schemes which have slipped include the following:
- £5.6m Transforming Cities, spend profile has been updated and reviewed as business cases for the funding are being developed.
 - £3.5m Quays Development, the progression of planned Stage 4 design work has been reprofiled until after receipt of the tender packages for the key sub-contracts which is anticipated to be in February 2022.
 - £1.7m West Askew Road, spend has been reprofiled due to delays in finding a developer and obtaining planning permission.
 - £0.7m Technology Plan: Infrastructure, spend has been reprofiled due to supply chain issues and delays in fulfilling orders.
 - £0.6m Blaydon West Primary School, spend has been reprofiled due to delays in reaching agreements with the DfE. Planning and feasibility due to be completed by 31st March 2022.
 - £0.5m Baltic Quarter Infrastructure Works, spend has been reprofiled due to the initial delay in appointing the Earthworks contractor.
 - £0.5m Replacement of Fleet and Horticulture Equipment where spend has been profiled due to delays in shipment of vehicles and general uncertainty in the automotive industry.

Proposal

7. The report identifies planned capital expenditure of £107.3m for the 2021/22 financial year. The expected resources required to fund the Capital Programme are as follows:

	£m
Prudential Borrowing	51.389
Projected Capital Receipts	0.750
Capital Grants and Contributions	29.907
Major Repairs Reserve (HRA)	21.286
Capital Grants and Contributions (HRA)	1.432
Right to Buy Receipts (HRA)	2.500
Total Capital Programme	<u>107.264</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 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

9. It is recommended that
- (i) Cabinet recommends to Council the revision to the capital programme.
 - (ii) Cabinet recommends to Council the financing of the revised programme.
 - (iii) Cabinet confirms 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.

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 approved Prudential Limits.

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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 2021/22, as agreed by Council on 25 February 2021, totalled £142.9m which decreased to £137.7m at the first quarter review, then £125.2m at the second quarter review.
3. The third quarter review has reprofiled the capital programme to reflect in year changes within capital schemes, resulting in a revised estimate of £107.3m.
4. All variations contributing to the £17.9m reduction since the quarter two review are detailed in Appendix 2.
5. Appendix 3 summarises the original budget and forecasted year end positions by Corporate Priority. The budget, projected year end positions 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 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 scheme investment will improve wards across the borough.

Background Information

17. Report for Cabinet, 23 February 2021 (Council 25 February 2021) – Capital Programme 2021/22 to 2025/26.

Report for Cabinet 20 July 2021 (Council 22 July 2021) – Capital Programme and Prudential Indicators 2021/22 First Quarter Review.

Report for Cabinet 16 November 2021 (Council 18 November 2021) – Capital Programme and Prudential Indicators 2021/22 Second Quarter Review.