

**TITLE OF REPORT: Capital Programme and Prudential Indicators 2021/22
– Year End Outturn****REPORT OF: Darren Collins, Strategic Director, Resources and Digital****Purpose of the Report**

1. This report requests Cabinet to recommend that Council notes the 2021/22 Capital Programme Outturn and approves the financing of the programme. The report assesses the reasons for variances from the third quarter review; considers the impact of the CIPFA's Prudential Code on the capital programme and monitors the 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 £107.3m at the third quarter review, £82.1m General Fund and £25.2m HRA.
3. The Capital Programme outturn for 2021/22 was £97.2m, £72m General Fund and £25.2m HRA. This is £10.1m lower than the third quarter review. The main variances are summarised in Appendix 2 and the full detail is provided in Appendix 4.
4. The reduction in the capital programme at the third quarter comprised of the following movements:

	£m
Accelerated Spend from 2022/23	0.121
Other increases in capital expenditure	6.111
Other movements to planned expenditure	(10.413)
Re-profiling of capital expenditure to future years	(5.888)
Total Variance	(10.068)
5. A number of schemes underspent in 2021/22. Where it is certain that these projects will spend in 2022/23 an allocation has to be carried forward into the 2022/23 Capital Programme these projects are shown in Appendix 6.
6. The schemes where underspends were greater than £0.500m include:
 - £2.222m Green Homes Chopwell. Scheme could not progress due to contractor issues.

- £2.115m Quays Development. Delays in project due to fluctuating market conditions
- £1.350m Local Transport Plan – Integrated Transport
- £1.260m Sister Winifred Laver Promoting Independence Centre. Construction delays.
- £1.068m Public Sector Decarbonisation Schemes (PSDS). Some individual projects within the scheme could not progress due to viability issues.
- £1.000m Loan to Gateshead Energy Company. Energy company did not require the full loan allocation in year.
- £0.799m Gateshead Quays Multi Storey Car Park. Slight construction delays
- £0.717m Equality Act Works HRA. Budget reprofiled to other areas of the HRA
- £0.679m Window and Door entry replacement HRA. Budget reprofiled to other areas of the HRA
- £0.549m Strategic Maintenance HRA. Budget reprofiled to other areas of the HRA

7. The use of available external capital resources and capital receipts to fund the 2021/22 Capital Programme has been maximised, which means that the Council will not lose any of the external funding that it has been awarded.

Proposal

8. The report identifies a capital outturn of £97.2m for the 2021/22 financial year. The resources required to fund the Capital Programme were as follows:

	£m
Prudential Borrowing	43.387
Projected Capital Receipts	0.577
Capital Grants and Contributions	28.047
Major Repairs Reserve (HRA)	21.175
Capital Grants and Contributions (HRA)	1.508
Right to Buy Receipts (HRA)	2.500
Total Capital Programme	<u>97.195</u>

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. It is recommended that Cabinet:

- (i) Recommends Council to note the Capital Programme Outturn for 2021/22.
- (ii) Recommends to Council the financing of the Capital Programme.
- (iii) Confirms to Council that none of the approved Prudential Indicators set for 2021/22 have been breached.

For the following reason:

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.

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; £125.2m at the second quarter and further reduced to £107.3m at the third quarter review.
3. The actual capital programme expenditure for 2021/22 was £97.2m. This is a reduction of £10.1m from the third quarter.
4. All variations contributing to the £10.1m reduction since the quarter three review are detailed in Appendix 2.
5. Appendix 3 summarises the original budget and various forecasted year end positions by corporate priority. The budget, projected year end positions, the final outturn and the reasons for the variances 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.
7. Capital expenditure of £97.2m represents a significant contribution to supporting Council assets and the wider thrive agenda and includes investment of:
 - £32.1m to support the development of Gateshead Quays;
 - £25.2m in the Council's Housing stock, including £5.0m investment in fire safety works and £6.3m to maintain decent standards.
 - £11.2m to support in energy schemes, supporting the Council's commitment to becoming carbon neutral by 2030.
 - £9.0m in Transport Infrastructure within Gateshead, including highway maintenance, street lighting column replacement and sustainable transport improvements.
 - £6.4m of investment targeted at bringing forward housing development, including the provision of loans to Keelman Homes (£1.6m).
 - £5.5m investment in Adult social care to support independent living.
 - £2.4m of improvement to the Council's Schools;
 - £1.7m in improvements to the Council's ICT infrastructure including the development of the Council's new ways of working;

Consultation

8. The Leader of the Council has been consulted on 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 2021/22.

Implications of Recommended Option

10. 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.

11. **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.

12. **Equality and Diversity Implications** - There are no equality and diversity implications arising from this report.

13. **Crime and Disorder Implications** – There are no direct crime and disorder implications arising from this report.

14. **Health Implications** – There are no health implications arising from this report.

15. **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.

16. **Human Rights Implications** - There are no direct human rights implications arising from this report.

17. **Ward Implications** - Capital scheme investment will improve wards across the borough.

Background Information

- 18.** 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.

Report for Cabinet 25 January 2022 (Council 27 January 2022) – Capital Programme and Prudential Indicators 2021/22 Third Quarter Review