

TITLE OF REPORT: Capital Programme and Prudential Indicators 2022/23 – 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 2022/23 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 2022/23, as agreed by Council on 24 February 2022, totalled £146.7m. This was reduced to £80.4m at the third quarter review, £60.4m General Fund and £20.0m HRA. The table below reflects all the changes to the programme during 2022/23.

	Original Budget (£m)	Quarter 1 (£m)	Quarter 2 (£m)	Quarter 3 (£m)	Outturn (£m)
General Fund	124.4	80.9	65.0	60.4	56.7
HRA	22.3	22.3	20.4	20.0	20.6
Total	146.7	103.2	85.4	80.4	77.3

3. The Capital Programme outturn for 2022/23 was £77.3m, £56.7m General Fund and £20.6m HRA. This is £3.1m 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
Other movements to planned expenditure	8.045
Re-profiling of capital expenditure to future years	(11.108)
Total Variance	(3.063)

5. A number of schemes underspent in 2022/23. Where it is certain that these projects will spend in 2023/24 an allocation has to be carried forward into the 2023/24 Capital Programme. These projects are shown in Appendix 6.
6. The schemes where underspends were greater than £0.500m include:

- (£2.912m) Transforming Cities Fund – business cases and work programmes were developed through 2022/23 and signed off by the Joint Transport Committee for progression through 2023/24.
- (£1.708m) HRA Decent Homes – spend on the Springwell roof project which was forecast to overspend at quarter 3 came in on budget.
- (£1.2m) Sister Winifred Laver PIC – due to construction delays.
- (£0.84m) Technology Plan: Infrastructure – delays in supply chain meaning that orders placed in year have not yet been delivered.
- (£0.78m) Gateshead Quays – work has been focused on the design phase of the scheme in 2022/23.

7. The use of available external capital resources and capital receipts to fund the 2022/23 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 £77.3m for the 2022/23 financial year. The resources required to fund the Capital Programme were as follows:

	£m
Prudential Borrowing	42.530
Capital Receipts	0.406
Capital Grants and Contributions	13.809
Major Repairs Reserve (HRA)	19.264
Capital Grants and Contributions (HRA)	0.801
Right to Buy Receipts (HRA)	0.560
Total Capital Programme	<u>77.370</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 2022/23 were agreed at Council on 24 February 2022 and borrowing and investment levels have remained within these limits. Performance against the indicators for 2022/23 is set out in Appendix 5.

Recommendations

10. It is recommended that:

- (i) Cabinet recommends to Council to note the Capital Programme outturn for 2022/23.
- (ii) Cabinet recommends to Council the financing of the Capital Programme.
- (iii) Cabinet confirms to Council that none of the approved Prudential Indicators set for 2022/23 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 2022/23, as agreed by Council on 24 February 2022, totalled £147.6m. This was reduced to £103.2m at the first quarter; £85.4m at the second quarter and further reduced to £80.4m at the third quarter review.
3. The actual capital programme expenditure for 2022/23 was £77.3m. This is a reduction of £3.1m from the third quarter.
4. All variations contributing to the £3.1m 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 24 February 2022. Performance against the indicators for 2022/23 is set out in Appendix 5.
7. Capital expenditure of £77.3m represents a significant contribution to supporting Council assets and the wider thrive agenda and includes investment of:
 - £23.3m to support the development of Gateshead Quays including the completion of the Multi Story Car Park and Infrastructure;
 - £20.6m in the Council's Housing stock, including £2.3m investment in domestic heating improvements and £4.6m to maintain decent standards.
 - £5.6m to support in energy schemes, supporting the Council's commitment to becoming carbon neutral by 2030.
 - £8.9m in Transport Infrastructure within Gateshead, including highway maintenance, street lighting column replacement and sustainable transport improvements.
 - £2.5m investment in Adult social care to support independent living.
 - £2.3m of improvement to the Council's Schools;
 - £2.2m 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 2022/23.

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, 22 February 2022 (Council 24 February 2022) – Capital Programme 2022/23 to 2026/27.

Report for Cabinet 19 July 2022 (Council 21 July 2022) – Capital Programme and Prudential Indicators 2022/23 First Quarter Review.

Report for Cabinet 22 November 2022 (Council 24 November 2022) – Capital Programme and Prudential Indicators 2022/23 Second Quarter Review.

Report for Cabinet 24 January 2023 (Council 26 January 2023) – Capital Programme and Prudential Indicators 2022/23 Third Quarter Review