

TITLE OF REPORT: Capital Programme and Prudential Indicators 2023/24
 – 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 2023/24 Capital Programme and Prudential Indicators at the end of the first quarter to 30 June 2023. 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 2023/24, as agreed by Council on 23 February 2023, totalled £112.1m. The first quarter review now projects the year-end expenditure to be £113.5m, £89.4m General Fund and £24.1m HRA.
3. The proposed variance in the capital programme at the first quarter comprises of the following movements:

	£m
Slippage of planned capital expenditure from 2022/23	11.118
Other movements	2.942
Re-profiling of capital expenditure to future years	(12.667)
Total Variance	<u>1.393</u>

4. A total of £11.118m of slippage was identified in 2022/23 on several key schemes, which were carried forward into 2023/24 including:
 - £4.394m Transforming Cities Tranche 2 – due to delays in business case sign off
 - £1.187m Sister Winifred Laver PIC – due to construction delays
 - £0.776m Quays Development
 - £1.206m Decent Homes – due to delays in commencing works
5. Other movements of £2.942m due to:
 - £2.028m additional Schools SEN High needs funding identified
 - £3.302m additional confirmed Transport Funding

- £0.960m additional UKSPF funded projects confirmed
- £0.462m consolidation of scheme budgets within HRA
- (£2.500m) reduction in borrowing due to accelerated drawdown in 2022/23 of the loan to the District Energy Company.
- (£0.821m) Blaydon Business Centre Extension project halted.

6. Planned investment has been re-profiled to future financial years on several schemes, amounting to a reduction of £12.667m in 2023/24, the schemes which have slipped include the following:

- (£0.941m) High Street South – anticipated delays in the delivery of the acquisitions
- (£1.500m) Clasper Housing Development – anticipated delays in the procurement of a developer
- (£0.750m) Replacement Fleet and Horticultural Equipment – anticipated delays in the supply chain
- (£7.590m) Schools Basic Need Funding – anticipated delays in construction
- (£1.157m) Technology Plan Infrastructure – anticipated delays in the supply chain

Proposal

7. The report identifies planned capital expenditure of £113.468m for the 2023/24 financial year. The expected resources required to fund the Capital Programme are as follows:

	£m
Prudential Borrowing	53.763
Projected Capital Receipts	0.750
Capital Grants and Contributions	34.865
Major Repairs Reserve (HRA)	19.264
Capital Grants and Contributions (HRA)	0.822
Right to Buy Receipts (HRA)	4.005
Total Capital Programme	113.468

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 2023/24 were agreed at Council on 23 February 2023 and borrowing and investment levels have remained within these limits. Performance against the indicators for 2023/24 is set out in Appendix 5.

Recommendations

8. It is recommended that Cabinet:

- Recommends to Council that all variations to the 2023/24 Capital Programme as detailed in Appendix 2 are agreed.
- Recommends to Council the financing of the revised programme set out in this report.

- (iii) Confirms to Council that capital expenditure and financing requirements have been revised in line with the amended budget and none of the approved Prudential Indicators set for 2023/24 have been breached.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2023/24.
- (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.

CONTACT: Clare Tait

extension: 3716

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 2023/24, as agreed by Council on 23 February 2023, totalled £112.074m. Details of potential future capital schemes for the 2023/24 to 2027/28 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 £113.468m at the end of the first quarter.
4. The £1.393m is due to a combination of slippage from 2022/23, additional capital expenditure and re-profiling of existing schemes to future years. All variations in the programme during the first quarter are detailed in Appendix 2.
5. Appendix 3 summarises the original budget and the projected year end expenditure by Corporate Priority. The budget, projected year end expenditure 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 23 February 2023. Performance against the indicators for 2023/24 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 2023/24.

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 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, 21 February 2023 (Council 23 February 2023) - Capital Programme 2023/24 to 2027/28.