

**TITLE OF REPORT:** Capital Programme and Prudential Indicators 2024/25 – 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 2024/25 Capital Programme and Prudential Indicators at the end of the first quarter to 30 June 2024. 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 2024/25, as agreed by Council on 22 February 2024, totalled £113.9m. The first quarter review now projects the year-end expenditure to be £108.0m, £79.9m General Fund and £28.1m HRA.
3. The proposed variance in the capital programme at the first quarter comprises of the following movements:

|  | <b>£m</b>      |
|--|----------------|
| Slippage of planned capital expenditure from 2023/24 | 4.297          |
| Other movements                                      | 0.831          |
| Re-profiling of capital expenditure to future years  | (11.076)       |
| <b>Total Variance</b>                                | <b>(5.948)</b> |

4. A total of £4.297m of slippage was identified in 2023/24 on several key schemes, which were carried forward into 2024/25 including:
  - £1.709m Loan to Gateshead Energy Company
  - £0.706m West Askew Road
  - £0.511m UK Shared Prosperity Fund
5. Planned investment has been re-profiled to future financial years on several schemes, amounting to a reduction of £11.076m in 2024/25, the schemes which have slipped include the following:
  - (£6.078m) Schools Basic Needs Funding – design and planning works at schools is ongoing with schemes due to commence over the medium term.

- (£2.625m) Housing Development – anticipated delays in the procurement of a developer
- (£0.690m) Extra Care Scheme – work is ongoing to determine the requirements of the service.
- (£0.500m) Development Site Preparation works – to support larger housing developments planned in future years.

## Proposal

6. The report identifies planned capital expenditure of £108.0m for the 2024/25 financial year. The expected resources required to fund the Capital Programme are as follows:

|  | £m             |
|--|----------------|
| Prudential Borrowing                   | 48.383         |
| Projected Capital Receipts             | 0.750          |
| Capital Grants and Contributions       | 30.727         |
| Major Repairs Reserve (HRA)            | 19.114         |
| Capital Grants and Contributions (HRA) | 0.759          |
| Right to Buy Receipts (HRA)            | 8.217          |
| <b>Total Capital Programme</b>         | <b>107.950</b> |

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 2024/25 were agreed at Council on 22 February 2024 and borrowing and investment levels have remained within these limits. Performance against the indicators for 2024/25 is set out in Appendix 5.

## Recommendations

7. It is recommended that
- Cabinet recommend to Council that all variations to the 2024/25 Capital Programme as detailed in Appendix 2 are agreed.
  - Cabinet recommend to Council the financing of the revised programme set out in this report.
  - Cabinet confirm 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 2024/25 have been breached.

for the following reason(s)

- To ensure the optimum use of the Council's capital resources in 2024/25.
- To accommodate changes to the Council's in-year capital expenditure plans.
- To ensure performance has been assessed against the approved Prudential Limits.

## 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 and Corporate Plan. 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 2024/25, as agreed by Council on 22 February 2024, totalled £113.897m. Details of potential future capital schemes for the 2024/25 to 2028/29 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 £107.950m at the end of the first quarter.
4. 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 22 February 2024. Performance against the indicators for 2024/25 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 2024/25.

### 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 schemes will provide improvements in wards across the borough.
17. **Background Information**

Report for Cabinet, 20 February 2024 (Council 22 February 2024) - Capital Programme 2024/25 to 2028/29.