

TITLE OF REPORT: **Capital Programme and Prudential Indicators 2024/25
– Second 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 second quarter to 30 September 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. At the first quarter review, this reduced to £108.0m and at the second quarter review expenditure is now projected to be £92.4m, £64.8m General Fund and £27.6m HRA by year end.
3. The proposed reduction in the capital programme at the second quarter comprises of the following movements:

	£m
Increased external funding/contributions	3.073
Increased Project Costs	1.065
Other Movements	(0.462)
Re-profiling of capital expenditure to future years	(19.223)
Re-profiling of HRA	0.01
Total Variance	(15.537)

4. The proposed £3.073m increases relate mainly to the addition of grant funding for both energy efficiency works at Gateshead Leisure Centres and Lawn Tennis Association, reprofiling the Schools Devolved and Basic Need funding allocations and the addition of funding required for the Depot Review.
5. Planned investment has been re-profiled to future financial years on several schemes, amounting to a reduction of £19.223m in 2024/25, the schemes which have slipped include the following:
 - (£10m) Gateshead Quays – Reprofiling.
 - (£4m) Flood Alleviation Investment – slippage of intended use of Innovative Flood and Coastal Resilience Fund to future years.

- (£1.2m) West Askew Road – Reprofiled to future years due to change in design scope and delivery timescale.
- (£1.6m) Prince Consort Road – discussions ongoing with interested party for the asset.
- (£0.585m) Unveiling the Angel – Slippage to 2025/26 to align with National Highways Investment Strategy.
- (£1m) Riverside Park – Slipped to 2025/26, Detailed designs being revised and submitted for planning December 2024.

Proposal

6. The report identifies planned capital expenditure of £92.413m for the 2024/25 financial year. The expected resources required to fund the Capital Programme are as follows:

	£m
Prudential Borrowing	35.443
Projected Capital Receipts	0.750
Capital Grants and Contributions	28.639
Major Repairs Reserve (HRA)	19.114
Capital Grants and Contributions (HRA)	0.382
Right to Buy Receipts (HRA)	8.085
Total Capital Programme	92.413

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:

- (i) recommends to Council that all variations to the 2024/25 Capital Programme as detailed in Appendix 2 are agreed;
- (ii) recommends to Council the financing of the revised programme set out in this report; and
- (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 2024/25 have been breached.

for the following reason(s)

- (i) To ensure the optimum use of the Council’s capital resources in 2024/25.
- (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

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 in the Council Plan and the overarching 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 2024/25, as agreed by Council on 22 February 2024, totalled £113.9m. 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 was £108.0m at the end of the first quarter and this is reduced to £92.413m at the end of the second quarter.
4. The £15.537m reduction is due to additional capital expenditure and re-profiling of existing schemes to future years. All variations in the programme during the second quarter are detailed in Appendix 2.
5. Appendix 3 summarises the original budget and actual expenditure to 30 September payments by corporate priority. The budget, projected year end expenditure and comments on 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 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.
 - Report for Cabinet 16 July 2024 (Council 18 July 2024) Capital Programme and Prudential Indicators 2024/25 – First Quarter Review.