

## EXECUTIVE 14<sup>th</sup> July 2022

<b>Report Title</b>	<b>Capital Outturn 2021/22 – Draft Outturn as at Period 12</b>
<b>Report Authors</b>	Janice Gotts, Executive Director of Finance <a href="mailto:Janice.gotts@northnorthants.gov.uk">Janice.gotts@northnorthants.gov.uk</a>
<b>Lead Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

<b>Key Decision</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Is the decision eligible for call-in by Scrutiny?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Are there public sector equality duty implications?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Does the report contain confidential or exempt information (whether in appendices or not)?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974</b>	

### List of Appendices

**Appendix A** – General Fund Capital Outturn 2021/22

**Appendix B** – HRA Capital Outturn 2021/22

### **1. Purpose of Report**

- 1.1 This report sets out the provisional capital outturn position for 2021/22 for North Northamptonshire Council (NNC), and the subsequent carry forward requests due to the rephasing of scheme expenditure profiles.
- 1.2 This report also includes requests to approve schemes, which during the process of closing the year end for 2021/22, have been identified as capital expenditure and need to be reclassified and included within the Council's Capital Programme.
- 1.3 The report also details the latest revised capital budgets (2021/22) for the General Fund (GF) and the Housing Revenue Account (HRA) Capital Programme, including new schemes which have been approved since 1<sup>st</sup> April 2021.

## **2. Executive Summary**

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- 2.1 This report sets out the draft 2021/22 outturn for the capital programme. The position is provisional as the annual statutory audit of accounts for the authority is still to be completed. As part of the outturn process, active capital schemes have been identified which will carry forward and form part of the revised capital programme for 2022/23.
- 2.2 This report also identifies a small number of projects which should be reclassified as capital. These technical amendments relate to projects which were inherited from the legacy authorities and due to different policies and accounting conventions adopted, these projects were not included within the legacy capital programmes which transferred to the new Council.
- 2.3 Within the report there is a commentary on the Council's current financial outturn position for 2021/22 for both the GF and the HRA Capital Programmes. A number of the schemes were inherited from the North Northamptonshire legacy Councils into the new Unitary Council with effect from 1 April 2021. It should also be recognised that the final outturn position may be affected by any changes arising from the outstanding audits for the legacy authorities.
- 2.4 The Council will continue to assess and refine its capital profiling as part of the capital monitoring for 2022/23.

## **3. Recommendations**

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- 3.1 It is recommended that Executive:
- a. Note the draft capital outturn position for the General Fund (GF) Capital Programme and Housing Revenue Account (HRA) Capital Programme for 2021/22.
  - b. Approve the proposed capital carry forwards for the GF and HRA capital programmes as detailed in appendices A and B.
  - c. Approve year end budget adjustments for the GF as shown in paragraph 5.7 and appendix A.
  - d. Approve virements over £100k in line with the Council's constitution as set out in paragraph 5.8 for the General Fund and paragraph 5.13 for the HRA.
- 3.2 Reasons for Recommendations:
- This is in line with the Council's constitution and financial regulations in relation to governance.
- 3.3 Alternative Options Considered:
- By not approving these recommendations there would be an adverse impact on service provision in North Northamptonshire.

## **4. Report Background**

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- 4.1 The Capital Programme is the Council's plan for investing in assets to efficiently deliver its statutory services, and to improve and shape the local infrastructure of North Northamptonshire, with the benefits lasting over several years.
- 4.2 Resources come from several sources including Government grants, capital receipts from surplus land and buildings, revenue contributions, other external contributions and borrowing. The Council is required to set a balanced revenue budget and therefore must ensure that where borrowing is proposed to fund the cost of capital that the cost of servicing the debt is affordable within the Council's revenue budget.
- 4.3 The Council captures its projected capital expenditure within the Capital Programme to monitor the same, help to control costs and ensure transparency. Given that the Capital Programme is approved by Executive, changes to it are also approved by Executive unless authority has been delegated in accordance with the Council's constitution.
- 4.4 This report provides an update to the Capital Programme 2021/22 as adopted by the Council in February 2021.
- 4.5 The programme has been split into three areas:
- General Fund Committed Capital Programme containing schemes approved by predecessor councils, the majority of which are in the process of being delivered.
  - General Fund Development Pool containing schemes which are in the early stages of their lifecycle and are not ready to commence. The Development Pool comprises the schemes that the Council would be prepared to take forward, subject to final negotiations, confirmation and evidencing of funding and submission of robust business cases to the Capital Approvals Board for approval by Cabinet.
  - Housing Revenue Account Capital Programme which contains schemes that are either committed or in their early stages of their life cycle.

### **Capital Approval Process**

- 4.6 The Capital Approval Governance process for North Northamptonshire Council was presented to the Finance and Governance Scrutiny Committee on 13<sup>th</sup> July 2021. The process aims to:
- provided greater emphasis on the link to strategic priorities and achievement of benefits and outcomes.
  - ensure each submission identifies any contribution to reducing carbon and/or how the development or investment will support a zero-carbon agenda.

- 4.7 The governance process consists of Directorate Portfolio Boards which develop schemes and then submit business cases to the Strategic Capital Board. Each scheme requiring approval to enter the development pool or as a commitment in the main programme must submit a business case setting out the requirement for funding, how it meets the Council's strategic priorities, benefits identification include environmental benefits, risk analysis and expected outcomes.
- 4.8 The Strategic Capital Board meets monthly to scrutinise new proposals and progress/risks in relation to schemes already in delivery as well as update on potential schemes which may be in the future pipeline. The board is chaired by the Executive Director of Finance and consists of the other Directors and finance/project management support.
- 4.9 In line with the agreed process, schemes progress from the Strategic Capital Board to be considered by the Deputy Leader and the Executive Member for Finance and Transformation. Following review, the capital scheme proposals are reported to Executive for approval each month through the Capital Update Report. These proposals will be changes to the programme for the year as originally approved by Executive.

## 5. Issues and Choices – Draft Outturn 2021/22

### Draft Capital Outturn P12 2021/22

- 5.1 The outturn for 2021/22 in respect of the GF Capital Programme shows a revised capital budget position of £103.4m, including slippage and in-year approved programmes. The spend is £45.4m, which represents movement (slippage/underspend) of £57.9m against the budget. The table below sets out the position by Directorate.

Directorate	General Fund Capital Programme 2021/22								
	Original Budget	Re-Profile/ Slippage from prior years	Approved in year	Year End Approval	Virement /Transfer	Revised Budget	P12 Outturn	Variance to Budget	Proposed Budget C/fwd.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Place	20,413	14,736	17,726	462	0	53,337	23,185	(30,152)	<b>30,152</b>
Children's	8,972	(321)	12,369	0	0	21,020	10,340	(10,680)	<b>10,680</b>
Adults, Communities and Wellbeing	11,785	13,229	734	242	0	25,991	11,140	(14,851)	<b>14,851</b>
Transformation	2,245	490	234	0	65	3,034	790	(2,244)	<b>2,244</b>
<b>Total</b>	<b>43,413</b>	<b>28,133</b>	<b>31,063</b>	<b>704</b>	<b>65</b>	<b>103,378</b>	<b>45,460</b>	<b>(57,919)</b>	<b>57,919</b>

- 5.2 The range of schemes delivered or in progress during 2021/22 include support for housing and homelessness (including rough sleeping), Alfred East Museum Extension, Heritage Action Zone, a number of school related improvements such as commencing the work on a new Primary School at Stanton Cross which is due to complete in 2022/23, infrastructure related schemes such as the Isham

Bypass, A43 Urban Extension, Hanwood Park Junctions in Kettering and maintenance schemes across a number of roads within North Northamptonshire as well as the finalisation of the main works on the Chester House Estate, which opened successfully in October 2021.

- 5.3 A significant proportion of the capital programme delivered in 2021/22 includes projects that were already in flight within the legacy authorities as well as new schemes. Focus has also been on those projects which have grant funding in order to ensure that any grant terms and conditions are met and minimise any potential risk of repayment/loss of grant.
- 5.4 As noted above, a significant proportion of the budget was not spent in 2021/22 as initially planned. The detail of the position against each scheme is set out in **Appendix A**. Reasons for the movement against budget vary and include delays due to discoveries on site, either during or in advance of works, finalising agreements and resource availability (noting that COVID-19 was still impacting in 2021/22) as well as some legacy projects now requiring review in terms of how they are profiled in the programme (the paragraph below also refers).
- 5.5 As part of the budget setting for 2022/23, all service areas were requested to review their projects within the capital programme in order to confirm the likely profile of spend, together with a consistent approach in how schemes are shown within the capital programme (i.e. up front whole life costs vs profiled over medium-term financial plan). However, this position will now be reviewed again following the draft outturn for 2021/22 to ensure that the profiling of the programme reflects the ability to deliver the schemes listed. This may mean re-profiling or moving some legacy projects into the development pool until further business cases are developed. The Development Pool will also form part of the review.
- 5.6 The deliverability of the programme in future must also take into account the current and potential cost inflationary pressures. This may require some scoping changes or other mitigation if schemes are to remain within the original budget envelope.
- 5.7 **Reclassified Capital Expenditure**

In reviewing revenue expenditure and grant funding there were items of expenditure identified that should have been shown as a capital project. In total £612k has been identified to be reclassified to the capital programme, the adjustments are required for the following:

**Salix Energy Saving Scheme – budget approval £308k.** This is an existing energy saving project which is fully funding by Salix grant funding.

**Open spaces/play equipment – budget approval £69k.** To be funded from S106 contribution

**Doddington Road Cemetery – budget approval £85k.** Approved as a late amendment to the capital programme for Borough Council of Wellingborough

by full council in March 2021 as emergency drainage works. To be funded from capital receipts.

**Community Shed – budget approval £150k.** Community project aimed at older people who often experience social isolation and loneliness with the Hazelwood Neighbourhood Centre. To be funded from various grants; mainly £39k from NCC; £84.7k KHL Big Local and £22.5k KHL Civic Change.

**Minimum Energy Efficiency Standards Project (MEES) – budget approval £91.7k.** To provide support in the form of a grant to the privately rented property sector, where properties have an Energy Property Certificate (EPC) rating of F or G with the North Northamptonshire area. To be funded from BEIS grant funding.

## 5.8 General Fund Virements

Within in Appendix A it shows several virements required to fund similar projects and to realign the budgets appropriately. The virements required are as follows:

Scheme	Year End Virements To/(From) £'000
Borough Wide - Recycling Project	124
Recycling Project / Facility	(124)
Croyland Gardens landscaping & public realm improvement	4
Play Equipment -parks	(4)
BCW Property Renovations (shops & other buildings)	(20)
43a/44a High Street (conversion to residential accommodation)	20
IT Capital	65
Corporate Systems – Development Pool	(65)

## 5.9 General Fund Capital Programme Funding

For the General Fund capital programme funding sources have been identified to cover the MTFS capital budget requirements, including the original MTFS budget of £43.4m, together with funding for the spillage (£28.134m) and in-year approved schemes (£31.1m). Below shows the funding for the in-year expenditure for 2021/22.

Directorate	General Fund Capital Programme 2021/22			
	Discretionary	reserves/ use of capital receipts	grants/ S106	Total
	£'000	£'000	£'000	£'000
Place	609	4,155	18,425	23,189
Children's	0	0	10,341	10,341
Adults, Communities & Wellbeing	5,731	534	4,874	11,140

Transformation	339	445	7	<b>790</b>
<b>Total</b>	<b>6,679</b>	<b>5,134</b>	<b>33,647</b>	<b>45,460</b>

## 5.10 Development Pool

£65k of the corporate systems budget was transferred from the development pool into the current capital programme in 2021/22. Currently there is a Development Pool budget of £37.1m in 2021/22 with a further £62m included within the MTFs for 2022 to 2024. A review of the Development Pool will take place in 2022/23.

## 5.11 HRA Capital Programme

The HRA Capital Programme 2021/22 which was approved by the Shadow Cabinet at its meeting on 25<sup>th</sup> February totalled £13.7m. Since that time further slippage has been identified from the previous District and Borough schemes totalling £11.6m, resulting in an overall budget of £25.3m for 2021/22. There have been no further approvals since budget setting. The outturn is showing a spend of £9.7m, which represents an underspend of £15.7m compared to budget, and which will be reviewed and re-profiled in light of the latest position.

Housing Revenue Account 2021/22						
	Original Budget	Slippage	Revised Budget	P12 Outturn	Variance to Budget	Proposed Budget C/fwd.
	£'000	£'000	£'000	£'000	£'000	£'000
Corby	7,638	5,620*	13,258	3,543	(9,715)	9,715
Kettering	6,104	5,971	12,075	6,120	(5,955)	5,955
<b>Total</b>	<b>13,742</b>	<b>11,591</b>	<b>25,333</b>	<b>9,663</b>	<b>(15,670)</b>	<b>15,670</b>

\* Technical adjustment (reduction) of £380k has been made to the slippage budget for the Corby Housing Revenue Account relating to Right to Buy (RTB) Pooling Returns

- 5.12 As noted above, a significant proportion of the budget was not spent in 2021/22 as initially planned. The detail of the position against each scheme is set out in **Appendix B**. Reasons for the movement against budget vary and, similar to the general fund, include delays due to discoveries on site, either during or in advance of works, finalising contractual arrangements including one due to existing contractor going into administration, capacity issues (noting that COVID-19 was still impacting in 2021/22) or delays in finalising architect drawings.

## 5.13 HRA Virements

There are a number of HRA related virements required to realign budgets. These are shown in **Appendix B** and set out in the table below:

<b>Scheme</b>	<b>Year End Virements To/(From) £'000</b>
Rewire	(497)
Provision for Internal Fees	(84)
Estates management	4
Entrance Doors/Flats	80
Voids - Major Works	497
Door Entry Systems	21
Desborough and Rothwell Housing	(21)

## **6. Implications (including financial implications)**

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### **6.1 Finance and Transformation**

6.1.1 The financial implications are set out in the detail of this report.

### **6.2 Legal**

6.2.1 The council must utilise funding and deliver schemes in line with the restrictions and requirements as set out in the agreements linked to that funding and the requirements as set out in the Council's Constitution, in particular the budget setting and policy framework and the financial regulations.

### **6.3 Risk**

6.3.1 The deliverability of the 2021/22 Capital Programme is monitored by the relevant accountable project manager and senior officer. There are a number of risks to be managed throughout the year and these are highlighted in the paragraphs below.

6.3.2 There is a risk that delays, and cost increases may arise as a result of COVID-19 restrictions and inflationary increases.

6.3.3 If any overspends or emerging pressures are identified during the year for whatever reason, then mitigating actions will be sought and management interventions undertaken.

6.3.4 There is a risk in relation to funding, particularly S106 where works may be required to take place in advance of S106 triggers/funding being payable. This occurs where a road or school is needed to provide infrastructure for the first residents/businesses utilising the site. Where this is the required, the Council will fund costs at risk in relation to the funding being received to reimburse its costs.

### **6.4 Consultation**



- 6.4.1 The 2021/22 Capital Strategy and Capital Programme were subject to consultation prior to approval by the North Northamptonshire Shadow Authority in February 2020.

## **6.5 Climate Impact**

- 6.5.1 The climate impact of each capital project will be considered and managed within the relevant scheme.
- 6.5.2 A number of the capital schemes include initiatives to offset/reduce carbon impact as a priority for the Council and in recognition of the Climate Emergency declared by the Council.

## **6.6 Community Impact**

- 6.6.1 These proposals can be considered to have a positive impact on the community as the Capital Programme delivers the infrastructure to support, educate, connect and regenerate communities. This includes enhancing the cultural offer and promoting a positive environmental impact.

## **7. Background Documents**

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- 7.1 The following background papers can be considered in relation to this report.

Capital Programme Budget 2021/22, North Northamptonshire Shadow Authority, 25 February 2021.

[Meeting of North Northamptonshire Shadow Authority on Thursday 25th February, 2021 - North Northamptonshire Council \(moderngov.co.uk\)](#)