

EXECUTIVE 15th September 2022

Report Title	Capital Programme Update 2022/23
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Lead Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

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

1 Purpose of Report

- 1.1 The purpose of this report is to request approval for capital schemes that have come forward for inclusion in the Council's Capital Programme. Approval of the scheme and associated funding will allow the schemes to move forward to procurement and delivery.

2 Executive Summary

- 2.1 This report contains details relating to the inclusion of the Disabled Facilities Grant, Kingswood Urban Development and the Housing Stores project. Each of these programmes/projects has completed a business case setting out the changes requested to the Capital Programme which sets out the purpose of the spend, the expected outcomes and the financial implications including funding routes.

3 Recommendations

3.1 It is recommended that Executive:

- i) approve the following changes to the capital programme:
 - a. Disabled Facilities Grant – to increase the capital budget available in 2022/23 for associated works and services to £2,561,759 in accordance with the grant award. An indicative sum of £1.9m was already included in the budget assumptions for 2022/23 and, therefore, this represents an increase of £0.662m.
 - b. Kingswood Urban Development - £86,900 increase to the capital budget funded through external contributions.
 - c. Housing Stores Project – virement of £162,820 to this scheme – funded from an existing capital budget underspend within the Housing Revenue Account (HRA) capital budget.
 - d. Cannock Road Housing Development – virement of £454,000 to this scheme – funded from existing capital budget within the HRA capital budget.
- ii) recommend to Council to approve the additional virement in support of the Cannock Road housing development as the total virement requested for this scheme, including previous transfers, exceeds £0.5m.

3.2 Reasons for the recommendation are set out in greater detail within section 5 of the report, but can be summarised as:

- To expand the capital budget available to support disabled facilities within homes.
- To replace and improve the skate park as part of Kingswood Urban Development.
- To improve the stores arrangements at Corby and Kettering depots through a new single system designed to hold appropriate stock levels to meet housing repair needs.
- To improve and expand the housing provision in North Northamptonshire.

3.3 Alternative Options Considered:

- For external funding (DSG and Kingswood Urban Development) - use of the funding is in line with the agreements, there is no alternative option proposed.
- By not approving the stores recommendation the Council would not be able to improve productivity in respect of housing repairs.
- There is not an alternative option for the Cannock Road housing development. This is an approved scheme that is already in progress.

4 Report Background

- 4.1 The Capital Programme is the Council's plan for investing in assets to efficiently deliver its statutory services, and to improve the local infrastructure of North Northamptonshire, with the benefits lasting over a number of years. 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.
- 4.2 Funding for the Council's Capital Programme come from a number of sources including Government grants, capital receipts from surplus land and buildings, revenue contributions, other external contributions and borrowing. 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.
- 4.3 This report provides an update to the Capital Programme 2022/23 as adopted by the Council at its meeting on 24th February 2022 and requests that the proposed changes are approved and reflected within the programme.

5 Issues and Choices – Further Detail on the Recommendations and Updates to the Capital Programme

- 5.1 **Disabled Facilities Grant (DFG) – budget increase to £2,561,759.** Each year ring-fenced DFG grant funding is received by Local Authorities. This funding can be used to support a range of work that will enable changes to a home so that it is suitable for a disabled person, and includes work such as:
- Widening doors or installing ramps
 - Installing a stair lift so there is better access to a bathroom, kitchen, or bedroom
 - Improving or installing a heating system which is suitable for the disabled person
 - Adapting heating or lighting controls so that they are easier to use by a disabled person
- 5.2 Notification of the Council's grant award for 2022/23 was received after the budget was set in February 2022 and, therefore, the capital budget must now be increased from the original estimate of £1.900m to £2.562m to recognise the confirmed level of funding to support the DFG programme.
- 5.3 It is proposed to use this funding for critical service requirements which include:
- All services/costs of works relating to Disabled Facilities Grants.
 - Providing the necessary staffing support to facilitate the assessment, allocation and implementation of any aids and adaptations in accordance with the grant

- Costs associated with the Dynamic Purchasing System for managing DFG contractors.

- 5.4 **Kingswood Urban Development - budget approval for £86,900 –** Kingswood Neighbourhood Centre creates a central hub for the community and is managed/leased by Linwood Community Co-Operative Ltd. The centre provides a range of community activities and accommodates a youth club and nursery. The centre is surrounded by green space which already has a skate park and outdoor fitness area. The skate park which is owned and maintained by the council was well used when it was first installed but has now become out of date and in much need of replacement. In addition, the fitness area would benefit from additional calisthenics equipment identified through user consultation.
- 5.5 Linwood Community Co-operative are the successful applicant for Reaching Communities lottery funding to update the facilities and have requested that the Council deliver the capital side of the project including the skate park installation. The council assisted with the funding application and has given officer support during the project conception, consultation process and procurement of the main capital construction company.
- 5.6 The Council is responsible for the inspection and maintenance of the current skate park and gym equipment at Kingswood Neighbourhood Centre. As the inspections will be maintained by the council it is important that the council is involved in the replacement of the skate park and installation of the additional fitness equipment to ensure that it meets required standards.
- 5.7 External funding has been confirmed for the three-year project to the total value of £248,096 (revenue and capital) within which £119,900 has been allocated for capital works (including £10,900 contingency). This sum is made up of a £10,000 contribution from KHL Big Local, £10,000 contribution from Linwood Community Co-Operative and £99,900 from TNL Community Fund.
- 5.8 Of the total sum £86,900 will be transferred to the Council from Linwood Community Co-operative for the skate park capital works including a sum for contingency. Should there be any costs in addition to this, there is a further £10,000 contingency available which can be drawn down if necessary. The remaining capital works will be met directly by Linwood Community Co-operative.
- 5.9 The capital spend/installation would be expected to be completed by December 2022 with a funding deadline of February 2023, which will allow for any slippage. Procurement of works has been progressed to determine costs and design, therefore works could commence once contracts are in place. Retention funding for the Skate Park will be kept for 12 months by the Council to ensure that any snagging issues are resolved before the final payment.
- 5.10 Linwood has requested that the Council delivers the capital element of the project and would transfer the funding to cover all capital expenditure on this project. There will be no cost to the Council other than officer time. Linwood

Community Co-Operative have employed a project manager to oversee the capital works.

- 5.11 There has been substantial consultation with residents. The idea of the Skateable facilities initially came through community engagement in the co-design of the KHL Big Local Action Plan for the area and as a result in 2018 consultation on the Skate Park facility was followed up through a community survey and engagement event. The results of this consultation was a total of 103 surveys completed and 100% indicated would like to see improvements to the skate/BMX park areas at both Kingswood and Hazelwood. In addition, this has been further supported by an online survey through social media in 2021 which saw 79 responses; 86% of which confirmed they would use the new development on a regular basis.
- 5.12 Alongside this, it is extremely important to gain young people's views and consultation over the last three years has shown a strong demand for this area to be modernised and introduce a new skateable space. The suggestion of a new skate park installation has been positively received, especially in 2021 having seen the profile of this activity increase through Olympic performances.
- 5.13 Free access to the skate park and fitness area will be provided which will also help to support greater participation.
- 5.14 **Merged Supply and distribution chain for Housing Property Services (Property Stores Project) – budget approval for a virement of £162,820 from underspend against existing capital budgets.** Historically, Corby and Kettering manage their own housing stock, and each has their own Housing Property Services operating two different systems for the delivery of their repairs and maintenance service. The two teams are in the process of joining together and are seeking to implement a solution to mitigate the impacts of running two separate processes for providing parts and materials to both the Corby and Kettering areas.
- 5.15 Kettering operates a Stores system which stocks over 1,000 products and materials used for carrying out repairs to Kettering's housing stock. The team places bulk stock orders with local suppliers who deliver direct to the depot. Should the Stores not hold a specific item in stock, and the part is required urgently, the Stores team will visit a local supplier, to collect the required part/material.
- 5.16 Operating a stores system maximises trade operatives time on site through efficient delivery/collection process for parts and materials. It provides a supply chain resilience as key stock items are always available in the store, enabling the Council to deliver a planned repairs service.
- 5.17 Currently Corby do not have a stores arrangement at the Fleming Road depot, they operate through a direct supplier contract for parts and materials. This process relies on the availability of parts direct from a supplier and can impact on repair times should a part not be available. There is also additional administrative work involved in this process as bulk ordering is not possible.

- 5.18 Therefore, this project is seeking to create a stores system at the Corby depot, as there is in Kettering. This would create a joined-up approach, allowing Corby and Kettering to work as one team. It will allow for better control of payments to suppliers, greater purchasing power with suppliers, resulting in better prices. Higher stock levels will allow the Council to deliver a more efficient and consistent service to council tenants across North Northamptonshire.
- 5.19 The depot at Corby has space available within the existing building which is suitable to be converted into an additional store, of similar size to that at Kettering, with the removal of an existing non-load bearing wall and the addition of a counter. IT connections are already in place, only requirement being a Wi-Fi upgrade to the system in the depot as a whole and the addition of a Stores module to their existing Housing IT system.
- 5.20 In addition to the creation of Stores in Corby, it is proposed that the racking system at the Kettering Stores is also updated to improve the capacity to stock products.
- 5.21 The project will also require alterations to Corby's Housing Management system (QL). This will include amendments to the inventory module to allow the operation of the Stores. All stock will be managed and processed through the system. This will also enable the Business Support team to raise and goods receipt orders on a single system, with the addition of invoice information being submitted to ERP in bulk for payment. Work has already been started with the supplier of QL to improve processes.
- 5.22 **Cannock Road Housing Development – Virement of £454,000 within the Housing Revenue Account (HRA) Capital Programme.** The site on Cannock Road consists of a detached single storey commercial building with car park. Previously used as a gym, the property had become vacant and difficult to let. As the building was in a residential area, a project was designed to convert it into residential use. Planning permission was obtained for a scheme consisting of 2 x 1 bed, 2 x 2 bed and 1 x 3 bed ground floor homes. Each home will have its own front door and private rear garden. The new homes will incorporate energy saving features including solar panels and air source heat pumps. Two of the properties are designed to be fully wheelchair accessible.
- 5.23 The original approval for the scheme was through Corby Borough Council in October 2019. This was further updated following tender and then subsequent to the original contractor going into liquidation. However, following the appointment of a new Strategic Lead and a further review of the Council's housing development projects it was identified that the cost plan required additional funding to recognise specific risks and inflationary pressures,
- 5.24 The current cost plan identifies a need for an overall budget of £1,490,000 and this includes all previous spend to date, professional fees, design fees, surveys, costed risk allowances and inflation allowance. This is an increase of £454,000 to the original approved budget and will be met through a virement from within the HRA capital budget. As the virement is further to the original virement of

£189,000 requested in September 2021, this takes the total virement request for the scheme to exceed £0.5m in cumulative terms and, therefore, this will be subject to Council approval in accordance with the Council's constitution.

5.25 A report elsewhere on this agenda sets out the further details on this scheme.

6 Next Steps

- 6.1 The Kingswood Urban Development skate park project and the Property Stores project will move to the next stages of procurement and implementation in accordance with the planned timeline of works and led by the project manager for each scheme.
- 6.2 For the Disabled Facilities Grant, as in previous years, the use of the funding will be subject to individual applications and allocations. In accordance with the grant conditions the changes must be necessary to meet a person's needs and the work must be "reasonable and practical".
- 6.3 The stores project will move to procurement and implementation once approved.
- 6.4 The Cannock Road scheme will progress in line with the agreed programme of development. Currently projecting a start date on site in January 2023 with an estimated 52 week build programme, however the precise programme will be established through the tender and subsequent contract.

7 Implications (including financial implications)

7.1 Resources, Finance and Transformation

- 7.1.1 The increase to the programme for the Disabled Facilities Grant allocation is funded through grant; Kingswood Urban Development is funded through external contributions and the Corby and Kettering Property Stores project is funded through a virement from within HRA resources.
- 7.1.2 These investments will:
- help to improve homes, including creating a place where disabled people can live better lives through improved facilities,
 - create leisure facilities that are free to access which will enhance the health and well-being of participants and
 - improve the efficiency of the housing property repairs services within Corby and Kettering.

7.2 Legal

- 7.2.1 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. In this regard, where relevant, any new borrowing must be approved by Council.

- 7.2.2 The cumulative virement request for the Cannock Road housing development exceeds £0.5m and will be recommended to Council for approval in accordance with the Council's Constitution.

7.3 **Risk**

- 7.3.1 The deliverability of the 2022/23 Capital Programme is monitored by each accountable project manager and senior officer. There is further review throughout the financial year reported through the Executive.

- 7.3.2 If any overspends or emerging pressures are identified during the year, then mitigating actions will be sought and management interventions undertaken. Contingencies are established within the projects overall funding envelope.

- 7.3.3 With most capital projects there is a risk that delays and cost increases may arise as a result of the impact of inflation. Generally, this relates to the supply and price of materials with projects requiring increased lead in times. Whilst every attempt is made to cost these implications into the project, the risks remain. It is be recognised that, at present, the level of inflation is much higher than in previous periods and when funding bids were originally submitted, and therefore this may pose a significant risk to the deliverability of the projects as originally envisaged within budget.

- 7.3.4 Where funding is secured from, or payable to, third parties including grants appropriate agreements must be entered into to ensure that the spend is in accordance with any criteria stipulated by the funder, both the nature of the spend and the timing (where a deadline applies).

7.4 **Relevant Policies and Plans**

- 7.4.1 The schemes provide a strategic fit with the Councils priorities as set out within the Corporate Plan.

7.5 **Consultation**

- 7.5.1 The 2022/23 Capital Strategy and Capital Programme were subject to consultation prior to approval by the North Northamptonshire Authority in February 2022. The programme was approved by Council at its meeting on 24th February 2022 and was subject to consultation from 23rd December 2021 to 28th January 2022. These changes are in addition to the approved programme.

7.6 Consideration by the Executive Advisory Panel

7.6.1 Not applicable.

7.7 Consideration by Scrutiny

7.7.1 The schemes recommended in this report have not been considered by Scrutiny. However, monitoring against the programme is subject to Scrutiny.

7.8 Equality Implications

7.8.1 Nothing specific within this report.

7.9 Climate and Environmental Impact

7.9.1 The climate impact of each capital project will be considered and managed within the relevant scheme.

7.10 Community Impact

7.10.1 These proposals can be considered to have a positive impact on the community as the Capital Programme delivers the infrastructure to support and connect communities.

7.11 Crime and Disorder Impact

7.11.1 Nothing specific within this report.

8. Background Documents

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

Capital Programme Budget 2022/23, North Northamptonshire Council, 24th February 2022.

https://northnorthants.moderngov.co.uk/documents/s5799/Capital_report.pdf cover