

Full Council 24th November 2022

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| Report Title | Capital Programme Update 2022/23 |
| Report Authors | Janice Gotts, Executive Director of Finance Janice.gotts@northnorthants.gov.uk |
| Lead Member | Councillor Lloyd Bunday, Executive Member for Finance and Transformation |

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| 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 borrowing and virements for capital schemes which are in excess of £0.5m. This is in accordance with the Council's Constitution, where new borrowing and virements in excess of £0.5m on capital schemes must be approved by Council.
- 1.2 Approval of the funding will allow the schemes to move forward to procurement and delivery. The Executive considered these items at its meeting on 15th September and 10th November 2022 respectively and recommended that Full Council grant approval for the funding requests as outlined in this report.

2. Executive Summary

- 2.1 This report contains details of projects which have been submitted by officers to the Council's Strategic Capital Board as part of the Council's Capital Approval Process. Each scheme has completed a business case setting out the changes requested to the Capital Programme, including the purpose of the spend, the expected outcomes and the financial implications together with funding routes.

2.2 The schemes have been approved by Executive with the recommendation that Council formally approve the funding routes in accordance with the Council's Constitution.

3. Recommendations

3.1 It is recommended that Council:

- i) Approve the funding for the following changes to the capital programme:
 - a. Cannock Road Housing Development – total virement of £0.643m made up of the most recent virement request of £0.454m in addition to a previous approved transfer of £0.189m. The virement is funded from existing capital budget within the HRA capital programme.
 - b. Street lighting LED upgrade project, increase of £6.170m to the capital programme; £3.033m in 2022/23, £2.157m in 2023/24 and £0.980m in 2024/25, to be funded from borrowing.
 - c. Children's Residential Home provision – increase of £0.762m to the capital programme to be funded from borrowing.

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

- To improve and expand the housing provision in North Northamptonshire.
- To support the delivery of energy efficient street lighting and reduce carbon emissions.
- To support the delivery of children's residential places within Northamptonshire.

3.3 Alternative Options Considered:

- Where grant funded, the use of the funding is in line with the agreement, and there is no alternative option proposed.
- Where the schemes are not funded through a specific grant, then the alternative option at this stage would be to not approve them. However, this would have an adverse impact on meeting service needs, reducing carbon and the completion of other improvements across North Northamptonshire.

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 Resources come from several 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 in 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 **Cannock Road Housing Development – Total virement of £0.643m consisting of the most recent virement request of £454,000 together with an earlier approved transfer of £0.189m, taking the total virement over £0.5m. This is to be funded from 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.
- 5.2 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.
- 5.3 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 in excess of £0.5m in cumulative terms and, therefore, this is subject to Council approval in accordance with the Council's constitution.
- 5.4 **Street Lighting LED Upgrade Project – budget approval for £6,170,000 funded from borrowing.** Street Lighting energy costs have doubled since April 2022. Energy is 'Purchased Within Period' (PWP) a lower summer rate (36% of the usage) and a higher Winter Rate (64%) and overall, this has resulted in

a pressure on the revenue budget of £1m for 2022/23, before the energy price cap.

- 5.5 We are anticipating a further increase in cost once the cap is lifted in April 2023 for the next financial year, before prices should start to level. The equivalent LED replacement for our most common lantern will use around 70% less electricity to achieve current lighting levels, so the proposal will reduce our energy cost and will also reduce carbon tonnage for North Northamptonshire of 500.79 tCO₂e.
- 5.6 The proposal will deliver improvements to the existing Highway Street Lighting PFI stock lanterns by changing them to LED units, whilst maintaining current lighting standards. All new units will be linked to a Central Management System which will allow remote management and monitoring of units for electricity consumption reporting and fault monitoring.
- 5.7 **Children's residential home capacity in Northamptonshire – increase of £0.762m funded from borrowing.**
- 5.8 New legislation came into force in September 2021 as part of the Government's response to its consultation aimed at ensuring the highest quality provision for all children and young people in care.
- 5.9 For children under the age of 16 years these regulations mean children in care cannot be placed in CQC registered homes without Ofsted registration, 28-day crisis placement or Independent supported accommodation. This will ensure the most vulnerable children are cared for in settings that best meet their needs and as part of the Sufficiency Strategy, work has been ongoing to increase the sufficiency of placements to meet the needs of our children.
- 5.10 However, capacity is limited and there is a national and local challenge in having enough foster carers to provide a home for children with complex needs. It is also recognised that children who have complex mental health needs do not always suit a mixed home approach and require a more specialist service with partnerships such as health and education embedded into the care offer.
- 5.11 Northamptonshire Children's Trust has analysed the cost, quality and availability of placement offers for children within this cohort and has concluded that developing an in-house service within the Trust is the best way to ensure a more responsive and cost-effective provision which will lead to better outcomes for our children.
- 5.12 The proposals are as follows:
 - Purchase and refurbish a property to create a new internal children's home for four children to increase sufficiency of placements for children who are at risk of hospitalisation that have existing complex needs and /or during an episode of poor mental health.

- Refurbish the John Greenwood Shipman property to create two emergency placements for children with a learning disability/ Autistic Spectrum Disorder (ASD) and or complex health needs.

5.13 This investment is part of the wider work being undertaken to improve the current residential offer.

5.14 The cost of the proposals will be subject to final confirmation once the procurement process is complete. It is envisaged that the investment will avoid more costly placements in other residential settings and further work will be undertaken to continue to verify this position based on the needs of the children in Northamptonshire to ensure that the capital investment within the settings remains appropriate. Where new investment is related to assets held by West Northamptonshire Council, there will be a separate agreement between both Councils regarding any future benefit and costs arising from such investment.

6. Next Steps

6.1 The delivery of the children's trust residential places is linked to a wider savings programme within the Children's Trust in reducing high-cost placements for complex needs.

7. Implications (including financial implications)

7.1 Resources, Finance and Transformation

- The additional budget requirements are funded from the use of external grants, capital receipts and borrowing.
- The Garden Communities project will support the urban extension of 25,000 homes within North Northamptonshire. Changing Places will provide additional facilities to residents of North Northamptonshire.
- The Street Lighting LED project supports delivering energy efficiency and carbon reduction.
- The investment in in-house Children's Residential settings should see a reduction in the average cost of the placements compared to similar in the independent sector.

7.2 Legal

- 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 any new borrowing must be approved by Council.

7.3 Risk

- 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.
- If any overspends or emerging pressures are identified during the year, then mitigating actions will be sought and management interventions undertaken.
- 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. However, it must be recognised that the current “Cost of Living Crisis” has driven up the level of inflation, which is much higher than in previous periods and indeed when funding bids were originally submitted. This therefore poses a risk to the deliverability of the projects as originally envisaged, where reductions to the scope of projects may be required to ensure budgets are not overspent.
- The current uncertain economic context is also increasing interest rates associated with borrowing that is used to fund elements of the capital programme. This treasury risk impacts the overall affordability of the programme, which will be closely monitored and managed, but may lead to a reduced capital programme in the future.
- There is a risk in relation to funding, particularly where it is from third parties including grants, and appropriate agreements must be entered into to ensure that the funding is secured and 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

- The schemes provide a strategic fit with the Councils priorities as set out within the corporate plan

7.5 Consultation

- 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

- Not applicable

7.7 Consideration by Scrutiny

- 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

- Nothing specific within this report

7.9 Climate and Environmental Impact

- The investment in the low energy street lighting project will enable a substantial amount of carbon to be saved. It is estimated that this will equate to 500.79 tCO₂e
- The climate and environmental impact of each capital project will be considered and managed within the relevant scheme.

7.10 Community Impact

- 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

- 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_cover_report.pdf

Capital Programme Update 2022/23, Executive, 15th September 2022.

Cannock Road Housing Development – Budget Amendment and Procurement Strategy, Executive, 15th September 2022.

Capital Programme Update 2022/23, Executive, 10th November 2022.

Street Lighting LED Upgrade, Executive, 10th November 2022.