

## EXECUTIVE 9<sup>th</sup> February 2023

<b>Report Title</b>	<b>Capital Programme 2023-26</b>
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<b>Lead Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Is the decision eligible for call-in by Scrutiny?</b>	<input checked="" type="checkbox"/> Yes <input 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** – Baseline Capital Programme 2023-26  
**Appendix B** – Baseline HRA Capital Programme 2023-26  
**Appendix C** – Baseline Development Pool

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

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- 1.1. This report sets out the baseline Capital Programme for 2023-24 and the indicative Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals were considered by the Executive on 22<sup>nd</sup> December 2022.
- 1.2. The budget consultation period commenced on 22<sup>nd</sup> December 2022 and ended on 27<sup>th</sup> January 2023. The draft budgets have been subject to scrutiny by the Finance and Scrutiny Committee. The consultation provided residents, local partners and other stakeholders the opportunity to review the budget proposals and provide feedback during the five-week consultation period.
- 1.3. This report sets out the baseline Capital Programme and identifies the key factors and challenges influencing the development of North Northamptonshire Council's commitments for 2023-24 and beyond.

## **2. Executive Summary**

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- 2.1 This report presents the General Fund Capital Programme for 2023-26, the Baseline Development Pool and the Housing Revenue Account (HRA) Capital Programme 2023-26.
- 2.2 The key principles underpinning the current Capital programme are set out in the report and are designed to support the delivery of the capital programme which is affordable and sustainable.
- 2.3 The total capital programme is £109.1m, consisting of the General Fund baseline programme of £65.4m and HRA baseline programme totally £43.7m. There is also a Development Pool of £190.2m which includes schemes awaiting formal business cases.

## **3. Recommendations**

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- 3.1 It is recommended that the Executive approves for recommendation to Council:
  - a) the General Fund Capital Programme 2023-26 and HRA Capital Programme 2023-26.
  - b) that Council delegate authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance and Performance (Section 151 Officer) to agree any necessary variations to the capital budget prior to 1st April 2023.
- 3.2 It is recommended that the Executive notes:
  - a) the Development Pool 2023-26 and that schemes within the pool will be subject to further approval prior to inclusion in the programme.
- 3.3 Reason for Recommendations:
  - *To ensure that the Council complies with its Constitution and legislative requirements in setting the budget for North Northamptonshire Council for 2023-24.*
- 3.4 Alternative Options Considered - This is the start of the formal budget consultation for the Capital Programme and any comments from the consultation will be considered as part of this process.

## **4. Report Background**

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- 4.1 The current Capital Strategy demonstrates how the Council will make expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. It sets out the key objectives and broad principles to be applied

by the Council when considering capital investment and its funding and provides the context for how the Medium-Term Capital Programme seeks to support the realisation of the Council's vision and corporate objectives. The Strategy also provides details of the Council's planned future capital programme and capital funding expectations.

- 4.2 As part of the budget process for the capital programme, each directorate has reviewed the current capital programme for 2022-23, where there are significant underspends. Projects have been re-profiled or deferred into the development pool until further business cases can be considered as part of a wider North Northamptonshire scheme. As part of this challenge process, 71% and 79% of the General Fund and HRA underspends respectively, have been reviewed.

## **5. Issues and Choices**

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### **Capital Strategy 2023-26**

- 5.1 The current Capital Strategy and the key principles has been developed with reference to the requirements of the current Prudential Code and Treasury Code of Practice. CIPFA consulted earlier in the year on the principles to support the changes to the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) and these will be reflected in the Treasury Management Strategy for 2023-24 shown in Appendix H of the Budget Report.
- 5.2 The key principles underpinning the Capital Strategy in compiling the Capital programme are as follows:
- The delivery of a Medium-Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health and safety;
  - New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
  - The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. Priority will be given to schemes that also deliver transformation and/or revenue savings;
  - Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants;
  - Take into account external influences such as the South East Midlands Local Enterprise Partnership (SEMLEP) and joint working with other partner authorities and organisations such as Health;

- Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan;
- Set out the Council's regeneration and economic development ambition and additional objectives;
- Set out the governance and risk management arrangements.

### **Governance Process and Approval of New Capital Schemes**

5.3 The Capital Strategy outlines the Governance Structure for approving new capital schemes. New capital investment will only be permitted if it contributes to the achievement of the Council's strategic priorities. The use of external funding will be prioritised against the areas of greatest need within North Northamptonshire, in line with conditions that will apply. In the main external funding will be supporting the highways programme and the delivery of schools places alongside specific investments in neighbourhoods across North Northamptonshire. An updated strategy will be reported to the February Executive.

### **Capital Programme 2023-26, HRA Capital Programme 2023-26 and Development Pool**

5.4 The Baseline Programme has been put together by taking the already approved schemes in year and the schemes already approved from the Medium-Term Capital Programme by Council in February 2023. This has resulted in a Total Capital Programme of £109.1m (General Fund £65.4m, HRA £43.7m) over the three-year period, which comprises:

- A General Fund Baseline Programme totalling £65.4m including key projects such as Corby Town Funds, school improvements and extensions, highways schemes and various property and environmental projects across North Northants.
- A HRA Baseline Programme totalling £43.7m across Kettering and Corby housing stock, together with significant investment of nearly £17.5m proposed for the Housing Development and New Build Programmes.

5.5 The Council also has a Development Pool totalling £190.2m. Projects within the Pool are indicative area of future investment and will be subject to completing a satisfactory business case prior to Executive approval and inclusion within the formal programme. The key themes are Children's Services including Delivery of new schools, Basic Needs, increasing capacity for pupil numbers, schools' maintenance, looked after children's placements and fostering support; Place including highways maintenance, new road or extension schemes, cycleways, levelling up schemes, flood alleviation, regeneration and economic development projects and property asset management; adults community equipment and Corporate Projects mainly corporate IT and service systems.

## **Minimum Revenue Provision**

- 5.6 The Minimum Revenue Provision (MRP) reflects the minimum amount a Council must charge to the revenue budget each year to set aside a provision for repaying external borrowing. The increase in the MRP provision of £1.549m for 2023-24 is to ensure the provision is aligned to the MRP policy moving into the medium term. This will form part of the Treasury Management Strategy to the February Executive.
- 5.7 The disaggregation of the capital assets, balances and debt are still to be finalised and subject to audit of the 2020-21 financial accounts for Northamptonshire County Council and Corby Borough Council and this may have implications for the current assumptions.
- 5.8 The Public Works Loan Board no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing. To borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years including a commentary outlining the expenditure plans of the Council.

## **Funding**

- 5.9 The capital programme assumes various sources of funding including capital receipts and grants, together with support from external/internal borrowing, which is at the discretion of the council for essential capital expenditure. This is set out in Appendices A to C for each area.

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

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### **6.1 Resources and Financial**

- 6.1.1 The resource and financial implications of the Capital Strategy and Capital Programme are set out in the body and appendices of this report. Staff capacity/external support will need to be ensured to deliver the Council's capital projects and support the expansion of the programme and the Council's ambitions moving forward.

### **6.2 Legal**

- 6.2.1 There are no legal implications arising from the proposals.

### **6.3 Risk**

- 6.3.1 The following risks are associated with the budget proposals:

<b>Risk</b>	<b>Mitigation</b>	<b>Residual</b>
Affordability/viability	Ensure projects are closely monitored and reviewed in relation to increase costs from inflation and interest rates (where applicable)	Amber/Red
Capacity to deliver	Ensure co-ordinated delivery teams for the capital programme and sufficient resources for external support as required	Amber
Disaggregation not being agreed	Agreements on most splits are in place reducing the impact of remaining items	Amber
MRP policy not complete	Estimates based on current policies of current debt plus a phasing strategy included to reduce future one-off impact	Amber
Historic Commercial Schemes/Change in Government Policy	Commercial Assets to be managed to maximise performance and changes to policy will be paramount to future capital strategy and programme	Amber
Condition of assets transferring to the Council	Condition likely to be variable across the estate. Will need to be reviewed as part of the One Public Estate workstream to rationalise and prioritise investments and sales of assets	Amber

## 6.4 Consultation

- 6.4.1 The formal consultation on the draft budget proposals commenced on or immediately after 22<sup>nd</sup> December and conclude on 27<sup>th</sup> January 2023 in preparation for the presentation of the final budget proposals for this meeting of the Executive and for the Council meeting on 23<sup>rd</sup> February 2023.
- 6.4.2 There has been an amendment to the budget proposals presented to the Executive Committee at the meeting on 22<sup>nd</sup> December, to transfer items from the development pool into the capital and to re-profile items within the capital programme within Place and Economy and Children Services respectively, as follows:

<b>Directorate - Place &amp; Economy</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>Total Spend £</b>
<b>Proposed budget</b>	<b>15,902,266</b>	<b>9,706,266</b>	<b>1,482,400</b>	<b>27,090,932</b>
Minor Works	263,000	-	-	263,000
CPO fund	601,000	-	-	601,000
Tithe Barn Phase 2	- 152,000	-	-	- 152,000
Cemetery works	48,000	-	-	48,000
Stock Improvement & Compliance	66,000	-	-	66,000
Highways Pothole Fund	3,735,000	-	-	3,735,000
Highways LTP Maintenance	3,735,000	-	-	3,735,000
Highways Incentive Maintenance	934,000	-	-	934,000
Highways Integrated Transport	2,102,000	-	-	2,102,000
Corby Town Fund	-	- 445,000	-	- - 445,000
Corby Town Fund - Train Station to Town Centre	1,300,000	135,000	-	1,435,000
<b>Place &amp; Economy Changes</b>	<b>12,632,000</b>	<b>- 310,000</b>	<b>-</b>	<b>12,767,000</b>
<b>Place &amp; Economy Revised Total</b>	<b>28,534,266</b>	<b>9,396,266</b>	<b>1,482,400</b>	<b>39,857,932</b>

<b>Directorate - Children's Services</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>Total Spend £</b>
<b>Proposed Budget</b>	<b>4,208,000</b>	<b>2,800,000</b>	<b>-</b>	<b>7,008,000</b>
Rowan Gate Special School - Mobile Unit Replacement	- 655,000	482,000	-	- <b>173,000</b>
Schools Minor Works Programme	-	1,947,000	-	<b>1,947,000</b>
Kingswood Secondary Bulge	341,000	-	-	<b>341,000</b>
Earls Barton School S106 works	1,290,000	- 1,510,000	-	- <b>220,000</b>
<b>Total Children's Services Changes</b>	<b>976,000</b>	<b>919,000</b>	<b>-</b>	<b>1,895,000</b>
<b>Revised Children's Services Total</b>	<b>2,607,000</b>	<b>1,356,000</b>	<b>-</b>	<b>3,963,000</b>

<b>North Northamptonshire Council Proposed Budget</b>	<b>25,200,266</b>	<b>18,346,266</b>	<b>7,674,400</b>	<b>51,220,932</b>
<b>North Northamptonshire Council Revised Budget</b>	<b>38,808,266</b>	<b>18,955,266</b>	<b>7,674,400</b>	<b>65,437,932</b>

6.4.3 The structure and design of the consultation will set out the budget proposals and will enable both online and non-digital means of participation, in accordance with good practice. This is to ensure the widest possible reach, a variety of consultation methods will be used to maximise the range of accessible channels for consultees, these include:

- Online survey – available free at libraries for those without internet access (with hard copies and copies in other formats available on request)
- An email address and telephone number
- Social media - including Facebook, Twitter and LinkedIn
- Postal address
- Emails to key stakeholders, inviting them to comment through the above consultation channels and asking them to promote the consultation to their members/community: e.g., partner organisations, MPs, Town and Parish Councils, Voluntary Sector Infrastructure Organisations.
- Emails to Residents' Panel members and other stakeholders who have registered to receive consultation alerts, inviting them to comment through the above consultation channels.

6.4.4 The purpose of the consultation is to ensure that, when the Final Budget is considered by Council on 23<sup>rd</sup> February 2023, Members are fully aware of the consultation feedback and are in a position to take it into account when making final decisions. This includes full consideration of any viable alternatives for ways to save money/generate income, if provided.

6.4.5 In addition, there will be specific consultation for any budget proposals that require targeted consultation with service users. This will include consultation with local residents regarding the HRA via the respective Tenants Forum.

## 6.5 **Consideration by Scrutiny**

6.5.1 The Finance and Resources Scrutiny Committee has a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they are subject to rigorous challenge.

6.5.2 Scrutiny is a means for councillors not on the Executive to influence the development of Council policies and services and hold decision makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and reporting their conclusions about the deliverability and service impact of these proposals to the Executive. In this way Budget Scrutiny contributes to the development of the final budget proposals and supports local democracy.

6.5.3 The Finance and Resources Scrutiny Committee considered a report at its meeting on 18<sup>th</sup> October 2022 on the budget scrutiny process. At its meeting on 10<sup>th</sup> November the Executive approved the approach put forward by the Finance and Resources Scrutiny Committee.

6.5.4 Scrutiny took place over two phases. The first to consider the in-year position for 2022-23 and any implications for 2023-24 and the second to consider the



detailed proposals for 2023-24. The first phase took place during November 2022 and the second phase in January 2023 to allow time for the Committee to provide feedback to the Executive at its meeting on 9<sup>th</sup> February 2023.

6.5.5 A total of 4 Budget Scrutiny sessions were undertaken and covered main service areas of:

- Place and Economy
- Adults, Communities and Wellbeing Services, including the HRA
- Children's and Education Services – this will include the Children's Trust
- Enabling and Support Services – Finance, Transformation, and ICT, and Legal and Democratic (which includes HR).

6.5.6 The relevant senior Council Officers and Executive Member portfolio holders attended each scrutiny session to answer any question put forward by the Committee Members.

6.5.7 This included both the revenue budget and the capital programme for each of the main service areas.

6.5.8 The outcome from the scrutiny process have been included within the Budget Report at **Appendix G**, which was presented by the Finance and Scrutiny Committee on 30<sup>th</sup> January 2023 and sets out Scrutiny's recommendations to Executive for consideration when making its decisions on the budget to recommend to Council on 23<sup>rd</sup> February.

## 6.6 Climate Impact

6.6.1 The council is supportive of the key principles of raising awareness of the issues of climate change and its impact on the local area, reducing emissions of greenhouse gases across the area and planning for and adapting to the impacts of climate change and these were all considered as part of setting the initial capital programmes that have subsequently led to the baseline capital programme within this report.

## 6.7 Community Impact

6.7.1 No distinct community impacts have been identified because of the proposals included in this report, however, the successful delivery of various projects will have a positive result in the local communities once completed.

## 7. Background Papers

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7.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.

- Suite of Budget reports to the Executive meeting on 22<sup>nd</sup> December 2022  
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=142&Mid=900&Ver=4>

- Suite of Budget reports to the Full Council meeting on 24<sup>th</sup> February 2022 (Budget Council):  
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=151&Mid=179&Ver=4>
- Suite of Budget reports to the Executive meeting on 10<sup>th</sup> February 2022  
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=142&Mid=330&Ver=4>