

EXECUTIVE

16th February 2023

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| Report Title | Capital Outturn 2022/23 – Draft Outturn as at Period 9 |
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| Lead Member | Councillor Lloyd Bunday, Executive Member for Finance and Transformation |

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| Key Decision | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in by Scrutiny? | <input type="checkbox"/> Yes <input checked="" 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 | |

List of Appendices

Appendix A – General Fund Monitoring

Appendix B – HRA Monitoring

1. Purpose of Report

- 1.1 This report sets out the provisional capital outturn position for 2022/23 as at period 9 for North Northamptonshire Council (NNC), including requests to re-phase scheme expenditure profiles.
- 1.2 The report details the latest capital budgets (2022/23) for the General Fund (GF) and the Housing Revenue Account (HRA) Capital Programme, including new schemes which have been approved since 1st April 2022.

2. Executive Summary

- 2.1 This report sets out the draft 2022/23 outturn as at period 9 for the Council's capital programme.

- 2.2 It provides commentary on the Council's current financial outturn position for 2022/23 as at period 6 for both the GF and the HRA Capital Programmes. It should also be recognised at this point that the final outturn position may be affected by any changes arising from the outstanding audits for the legacy authorities.
- 2.3 The Council will continue to assess and refine its capital profiling as part of the capital monitoring for 2022/23 prioritising schemes and focussing on deliver ability. The outturn position presented in the report is based on the best available data and information of the operations of the Council. The review of profiling of the capital programme is currently ongoing and has not been reflected within this report.

3. Recommendations

- 3.1 It is recommended that Executive:
- a. Note the draft capital outturn position as at period 9 for the General Fund (GF) Capital Programme and Housing Revenue Account (HRA) Capital Programme for 2022/23.
 - b. Note the new schemes that have been approved since 1st April 2022.
- 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:
- This report is for noting and alternative options are not proposed.

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 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 ensure effective monitoring and ensure transparency. In year changed to the Capital Programme are approved by Executive, unless authority

has been delegated or Full Council approval is required, in accordance with the Council's constitution.

- 4.4 This report provides an update to the Capital Programme 2022/23 as adopted by the Council in February 2022 and updated in subsequent reports to Executive.
- 4.5 The programme has been split into three areas:
- General Fund Committed Capital Programme containing schemes approved by Council, 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 aims to provide greater emphasis on the link to strategic priorities and achievement of benefits and outcomes. As part of this each submission is requested to identify any contribution to reducing carbon and/or how the development or investment will support a zero-carbon agenda.
- 4.7 The governance process requires that Directorates submit business cases to the officer led Strategic Capital Board for initial consideration. Each scheme requires approval to enter the development pool or as a commitment in the main programme. The business case must set out the requirement for funding and any funding streams available (e.g. grant), how it meets the Council's strategic priorities, risk analysis and expected outcomes and benefits.
- 4.8 The Strategic Capital Board meets monthly to scrutinise new proposals and consider the 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 Performance and consists of the Executive Directors from each of the Directorates, the Monitoring Officer and finance/project management support.
- 4.9 In line with the agreed process, schemes progress from the Strategic Capital Board to initially be considered by the Council's 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. If approved, such proposals will be incorporated within the Council's Capital Programme.

5. Issues and Choices – Draft Outturn 2022/23

Draft Capital Outturn P9 2022/23

- 5.1 The outturn for 2022/23 in respect of the GF Capital Programme shows a revised capital budget position of £106.8m, including slippage and in-year approved programmes. The outturn position is currently estimated at a spend of £42.9m, which represents movement (slippage/underspend) of £63.8m against the budget.
- 5.2 As part of the 2023/24 budget setting and Medium-Term Financial Planning process, several budgets have been identified to either be reprofiled into the next financial year to align with realistic dates of delivery, or to be allocated to the development pool for reconsideration and further updated business cases. Therefore, of this £63.8m estimated slippage/underspend, £43.8m of this underspend relates to schemes that have been reviewed/ reprofiled into the Capital Programme or Development Pool for 2023/4, resulting in a revised estimated variance as at period 9 of £20m. The table below sets out the position by Directorate. Detail analysis by project by Directorate is shown in **Appendix A**.

| Directorate | General Fund Capital Programme 2022/23 | | | | | | | | | | |
|--|--|---------------------------------------|------------------|----------------|----------------|---------------|---------------|----------------|--------------------|--|---|
| | Original Budget | Re-Profile/ Slippage from prior years | Approved in year | Revised Budget | YTD Actuals p9 | P6 Outturn | P9 Outturn | Movement to P6 | Variance to Budget | Budget reviewed/ re-profiled as part of 2023/24 budget setting | Revised estimated variance to reprofiled budget |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Place and Economy | 2,472 | 30,318 | 32,751 | 65,541 | 12,239 | 31,318 | 26,083 | (5,235) | (39,458) | (30,120) | (9,339) |
| Children and Education | 6,544 | 5,146 | 1,893 | 13,583 | 5,139 | 8,539 | 8,666 | 126 | (4,917) | (612) | (4,305) |
| Adults, Communities and Wellbeing Services | 4,796 | 14,871 | 1,998 | 21,664 | 4,427 | 6,991 | 6,977 | (14) | (14,687) | (11,029) | (3,658) |
| Enabling and Support Services | 2,520 | 2,244 | 1,210 | 5,974 | 231 | 1,705 | 1,105 | (600) | (4,869) | (2,000) | (2,869) |
| Total | 16,332 | 52,578 | 37,852 | 106,762 | 22,036 | 48,553 | 42,831 | (5,722) | (63,931) | (43,761) | (20,170) |

- 5.3 The range of schemes delivered or in progress during 2022/23 include Corby Towns Fund – 6th Form College and Train Station to Town Centre, completion of Alfred East Museum Extension, Heritage Action Zone, a number of school related improvements such as completion of work on Stanton Cross Primary School and Prince William Academy, delivery of highways maintenance programme, infrastructure related schemes such as the Isham Bypass, A43 Urban Extension, Hanwood Park Junctions in Kettering.
- 5.4 A significant proportion of the capital programme delivered in 2022/23 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 the potential risk of repayment and/or loss of grant.

- 5.5 The deliverability of the programme in future must also take into account the current and potential cost related to inflationary pressures. This may require some scoping changes or other mitigation if schemes are to remain within the original budget envelope.

5.6 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 £16.3m, together with funding for the slippage (£52.6m) and in-year approved schemes (£37.8m). Below shows the anticipated funding source for the in-year expenditure for 2022/23, estimated at period 9 as £42.9m.

| Directorate | Discretionary Funding | Capital Reserves | Capital Grants | Total |
|--|-----------------------|------------------|----------------|---------------|
| Place and Economy | 2,127 | 1,768 | 22,187 | 26,083 |
| Children and Education | 1,162 | 0 | 7,504 | 8,666 |
| Adults, Communities and Wellbeing Services | 1,798 | 578 | 4,601 | 6,977 |
| Enabling and Support Services | 305 | 800 | 0 | 1,105 |
| Total | 5,392 | 3,146 | 34,292 | 42,831 |

5.7 Development Pool

The Development Pool has undergone a full review in period 9 as part of the 2023/24 MTFP work, this is contained within the Capital Programme for 2023/24 as presented to Budget Executive on 9th February 2023. At this stage in the financial year, it is not anticipated that there will be further calls from the Development Pool into the Capital Programme for 2022/23.

5.8 HRA Capital Programme

The outturn for the HRA Capital Programme shows a revised a budget for 2022/23 of £28.9m, including slippage from 2022/23 of £15.6m. There have been no further approvals since budget setting. The outturn is showing a spend of £11.8m, which represents an underspend of £17.1m compared to budget, and which will be reviewed and re-profiled considering the latest position. Detailed analysis by project shown in **Appendix B**.

| Housing Revenue Account 2022/23 | | | | | | | | | |
|---------------------------------|-----------------|---------------|----------------|--------------|---------------|---------------|--------------------|--|---|
| | Original Budget | Slippage | Revised Budget | YTD Actuals | P9 Outturn | P6 Outturn | Variance to Budget | Budget re-profiled as part of 2023/24 budget setting | Revised estimated variance to reprofiled budget |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Corby | 8,971 | 9,715 | 18,686 | 2,862 | 8,043 | 7,118 | (10,643) | (7,803) | (2,840) |
| Kettering | 4,333 | 5,923 | 10,256 | 3,172 | 3,843 | 4,763 | (6,413) | (2,202) | (4,211) |
| Total | 13,302 | 15,637 | 28,938 | 6,034 | 11,886 | 11,881 | (17,052) | (10,005) | (7,051) |

5.9 A significant proportion of the budget is forecast not to be spent in 2022/23 as initially planned. Some schemes are forecast to underspend due to experiencing delays in finalising new contractual arrangements and implications arising from architecture plans, but the more significant change is the reprofiling of the housing development programme for new build properties which is currently being reviewed by officers.

5.10 As part of the 2023/24 budget setting and Medium-Term Financial Planning process, several budgets have been identified to either be reprofiled into the next financial year to align with realistic dates of delivery, or to be allocated to the development pool for reconsideration and further updated business cases. Therefore, of this £17.1m estimated slippage/underspend, £10.0m of this underspend relates to schemes that have been reviewed/ reprofiled into the Capital Programme or Development Pool for 2023/4, resulting in a revised estimated variance as at period 9 of £7m.

6. Implications (including financial implications)

6.1 Resources, Finance and Transformation

6.1.1 The financial implications are set out in the detail of the 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 2022/23 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 If any overspends or emerging pressures are identified during the year for whatever reason, then mitigating actions will be sought and management interventions undertaken.
- 6.3.3 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. 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.
- 6.3.4 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.
- 6.3.5 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 Relevant Policies and Plans

- 6.4.1 The schemes provide a strategic fit with the Council’s priorities as set out within the corporate plan.

6.5 Consultation

- 6.5.1 The 2022/23 Capital Strategy and Capital Programme were subject to consultation prior to approval by Council in February 2022.

6.6 Consideration by the Executive Advisory Panel

- 6.6.1 Not applicable.

6.7 Consideration by Scrutiny

- 6.7.1 The report will be considered at a future meeting of the Finance and Resources Scrutiny Committee.

6.8 Equality Implications

- 6.8.1 None specific within this report.

6.9 Climate and Environmental Impact

- 6.9.1 The climate impact of each capital project will be considered and managed within the relevant scheme.
- 6.9.2 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.

6.10 Community Impact

- 6.10.1 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.

6.11 Crime and Disorder Impact

- 6.11.1 None specific within this report.

7. Background Documents

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

Capital Programme Budget 2022/23, approved by the Executive Committee on 24th February 2022.

[Capital cover report.pdf \(moderngov.co.uk\)](#)

[Appendix A.pdf \(moderngov.co.uk\)](#)

[Appendix B.pdf \(moderngov.co.uk\)](#)