

EXECUTIVE 12th July 2023

Report Title	Capital Programme Update 2023/24
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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	

List of Appendices

None

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 within the Council's approved Capital Programme. Approval of the schemes and associated funding will allow these schemes to move forward to procurement and delivery.

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 must complete 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.

3. Recommendations

3.1 It is recommended that Executive:

i) Approve the following changes into the capital programme:

- a. UK Shared Prosperity Fund - £190k in 2023/24 and £1,060k in 2024/25 which is to be funded from the Core UK Shared Prosperity Fund grant transferred from the development pool.
- b. Kettering High Street Heritage Action Zone – increase in existing budget of £371.4k in 2023/24 which is to be funded from the following sources: £93.9k from external grants, £132.5k from S106 contributions and £145k of virements from schemes already approved within the capital programme as set out in the report.
- c. Warren Bridge Flood Defence - £303k in 2023/24 which is to be funded from the following sources: £213k from external grants and £90k from resident contributions.
- d. Environmental Services grounds maintenance equipment - £445k in 2023/24 (£400k brought forward from the development pool in 2024/25) which is to be funded from borrowing.

ii) Recommend to Council to approve the borrowing proposals for:

- a. Environmental Services grounds maintenance equipment - £445k

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

- To meet corporate plan objectives, for instance in leading in improving the local environment

3.3 Alternative Options Considered:

- Items 3.1 a-c above are grant funded/ from S106 contributions and the use of the funding is in line with the agreements, so there are no alternative options proposed. For item 3.1 d, external grants were explored but are not available for plant equipment. The option of leasing new equipment was considered, but not deemed to represent value for money and therefore borrowing is the most cost-effective funding source. The other alternative option would be to not approve this scheme. However, this would have an adverse impact on meeting service needs and the achievement of NNC's corporate objectives.

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 2023/24 as adopted by the Council in February 2023 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 **UK Shared Prosperity Fund (UKSPF) - £190k in 2023/24 and £1,060k in 2024/25 which is to be funded from the Core UK Shared Prosperity Fund grant transferred from development pool** - The UKSPF Core Funding was announced in early 2022. Eligible Local Authorities were invited to submit an Investment Plan to secure their allocation. North Northamptonshire was allocated a total of £4.8m across the three years of the programme (2022/23 to 2024/25). This is a mix of revenue and capital funding. The Investment Plan set out the priority interventions and was submitted following approval of a Members' panel (and approval from the Chief Executive, Leader, S151 officer and local MPs). The Investment Plan was approved in December 2022.
- 5.2 This request seeks approval for years two and three of the programme, as reported to Executive in November 2022.
- 5.3 **Kettering High Street Heritage Action Zone (HSHAZ) – increase in existing budget of £371.4k in 2023/24 which is to be funded £93.9k from external grants, £132.5k from S106 contributions and £145k of virements from schemes already approved within the capital programme (overall change to 2023/24 programme of £226.4k)** – this scheme was originally approved in 2020/21 by Kettering Borough Council, where a total budget of £3.884m for the scheme was originally approved, securing £1.48m of Historic England grant funding towards public realm and building improvements within Kettering.

Additional Historic England funding of £150k and £504k was then secured with extensions to the scheme, with additional reports being taken to the Executive in August 2021 and February 2022.

- 5.4 The project team has been successful in meeting, and indeed exceeding expectations of the Kettering HSHAZ scheme, having received numerous complements from Historic England. Historic England have completed a review of all HSHAZ projects across the country, identifying less successful scheme with a view to re-allocating unspent funds. The Kettering scheme has been successful in leveraging an additional £93.3k of funding towards additional extensions to the scheme, due to its success to date.
- 5.5 In addition, to meet the requirements of the Historic England grant agreement, funds that were originally planned to be revenue are now required to be repurposed as capital spend. Amounting to £277.5k, this increase is to align the scheme with the original match funding agreement percentages. To ensure no additional internal resources are required, work has been completed by the Place Directorate to identify £132.5k additional Section 106 contributions that can be applied to the scheme, plus £145k of virements from other schemes within the capital programme. Transferring funds from the following four schemes through budget virements will have a net nil impact on the capital programme for 2023/24:

Virements from	£000
Public Realm	48
Conservation Area	4
Meadow Road Urban Park	43
London Road	50
Total to vire to HSHAZ scheme	145

- 5.6 **Warren Bridge Flood Defence - £303k in 2023/24 which is to be funded from the following sources: £213k from external grants and £90k from residents' contributions** - Following three separate flood incidents affecting Warren Bridge in Oundle, a Section 19 Flood Investigation Report was subsequently carried out which resulted in a study into how flood events at this location could be mitigated. The study aimed to identify protection measures against flooding from the Lyveden Brook and investigate ways in which the measures could be funded. As a result of the initial study, a capital works scheme is proposed to mitigate the issue through construction of a flood defence wall on the right bank adjacent to residential properties and garden reinstatement / landscaping.
- 5.7 The scheme is proposed to be funded through £213k of external grants plus £90k of resident contributions. A legal agreement will be in place between the Council and the residents before any works on the scheme start to both ensure that funds are in place and that the ownership and any associated commitments in respect of the defence wall is transferred to the residents.

- 5.8 **Environmental Services grounds maintenance equipment - £445k in 2023/24 (£400k brought forward from the development pool in 2024/25) which is to be funded from borrowing** - The NNC corporate plan provides a commitment to taking a lead in improving the local environment and ensuring its sustainability for generations, alongside modern services which make a difference to our local connected communities. To meet this commitment, it is vital that NNC invests in the maintenance of its green infrastructure. This proposal is seeking vital funds necessary to ensure the environment service continues to be deliverable.
- 5.9 Within the grounds and parks services, equipment which is no longer in a serviceable state and not economically viable to continue in active service has been identified. There is also an environmental impact in continuing to use outdated technology and there are risks to users as the equipment deteriorates. Modernising elements of the equipment and fleet will ensure service provision beyond 2030.
- 5.10 Leasing vehicles rather than purchasing has been explored as an alternative option, however the annual rental payment for the contract term was found to be cost prohibitive, being considerably more expensive than outright purchase.
- 5.11 An early estimate of grounds maintenance equipment replacement of £400k was previously included within the Development Pool in 2024/25 but due to the recent failure of several vehicles and equipment there is now an urgent need for this to be utilised in 2023/24 to enable the continuation of a quality service across the teams. The fully costed scheme of £440k is proposed to come from borrowing, due to lack of external grants available for the purchase of plant equipment. The request to borrow will be presented to Full Council for approval.

6. Next Steps

- 6.1 The Warren Bridge scheme in sections 5.6-5.7 requires completion of a legal agreement between the Council and the residents who are impacted by the flood defence proposal. No funds will be committed until satisfactory completion of this agreement.
- 6.2 The grounds maintenance equipment scheme in sections 5.8–5.11 proposes borrowing as the funding source. If agreed by Executive, this will require approval of the borrowing by Full Council.

7. Implications (including financial implications)

7.1 Resources, Finance and Transformation

- 7.1.1 The additional budget requirements in this report are funded from the use of external grants, S106 contributions, resident contributions and borrowing. The funding source for each scheme is set out in the recommendations in section 3 and within the scheme details as set out within section 5.

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.
- 7.2.2 A legal agreement will be required between the Council and the residents involved as part of the Warren Bridge Flood Defence Scheme before the works are undertaken. This is to ensure that the funding is secure and that ownership remains with the residents.
- 7.2.3 New borrowing must be approved by Council. The scheme identified for grounds maintenance equipment in sections 5.8–5.11 is proposed to be funded from borrowing, therefore the Executive is requested to recommend the funding route to Council for approval as set out in section 3.1 (ii).

7.3 Risk

- 7.3.1 The deliverability of the 2023/24 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.
- 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. 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.
- 7.3.4 There is a risk in relation to funding, particularly where it is from third parties including grants. 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, this includes 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 Council's priorities as set out within the Corporate Plan.

7.5 Consultation

7.5.1 The 2023/24 Capital Strategy and Capital Programme were subject to consultation prior to approval by the North Northamptonshire Authority in February 2023. The programme was approved by Council at its meeting on 23rd February 2023 and was subject to consultation from 22nd December 2022 to 27th January 2023. 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 and environmental 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 a range of schemes to support and connect communities.

7.11 Crime and Disorder Impact

7.11.1 Nothing specific within this report.

8. Background Papers

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

Capital Programme Budget 2023/24 – Full Council, 23rd February 2023 - [Capital Programme Report 2023-26 - Feb Council.pdf \(moderngov.co.uk\)](#)

UK Shared Prosperity Fund – Executive 10th November 2022 - [UK Shared Prosperity Fund.pdf \(moderngov.co.uk\)](#)

Kettering High Street Heritage Action zone (HSHAZ) - Executive 5th August 2021- [11. Kettering High Street Heritage Action Zone HSHAZ - FINAL.pdf \(moderngov.co.uk\)](#)

Kettering High Street Heritage Action zone (HSHAZ) - Executive 22nd February 2022 - [Kettering High Street Heritage Action Zone HSHAZ.pdf \(moderngov.co.uk\)](#)