

## EXECUTIVE 17<sup>th</sup> August 2023

<b>Report Title</b>	<b>Capital Outturn 2023/24 – Draft Outturn as at Period 3</b>
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<b>Lead Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

<b>Key Decision</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Is the decision eligible for call-in by Scrutiny?</b>	<input type="checkbox"/> Yes <input checked="" 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** – General Fund Monitoring

**Appendix B** – HRA Monitoring

**Appendix C** – Development Pool

### 1. Purpose of Report

- 1.1 This report sets out the provisional capital outturn position for 2023/24 as at period 3 for North Northamptonshire Council (NNC), including requests to re-phase scheme expenditure profiles.
- 1.2 The report details the latest capital budgets (2023/24) for the General Fund and the Housing Revenue Account (HRA) Capital Programme, including new schemes which have been approved since 1<sup>st</sup> April 2023.

### 2. Executive Summary

- 2.1 This report sets out the draft 2023/24 outturn as at period 3 for the Council's capital programme.

- 2.2 It provides commentary on the Council's current financial outturn position for 2023/24 as at period 3 for both the General Fund 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 2023/24 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**

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- 3.1 It is recommended that Executive:
- a. Note the draft forecast capital outturn position as at period 3 for the General Fund Capital Programme and Housing Revenue Account (HRA) Capital Programme for 2023/24.
  - b. Note the new schemes that have been approved since 1<sup>st</sup> April 2023.
  - c. Approve the amendments to capital carry forwards from 2022/23 into 2023/24 for the General Fund as detailed in table 2 below.
- 3.2 Reason 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 on the forecasted out-turn and therefore alternative options are not proposed.

### **4. Report Background**

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- 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 2023/24 as adopted by the Council in February 2023 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 – Forecast Outturn as at Period 3 2023/24

### Draft Capital Outturn P3 2023/24

- 5.1 The outturn forecast for 2023/24 at period 3 in respect of the General Fund Capital Programme shows a revised capital budget position of £78.0m, including slippage and in-year approved programmes. The outturn position is currently estimated at a spend of £61.2m, which represents movement (slippage/underspend) of £16.8m against the budget.

**Table 1**

General Fund Capital Programme 2023/2024									
Directorate	Original Budget	Draft Brought forward Budget	Proposed Adjustments (table 2)	Revised Brought forward Budget	Approved in year	Revised Budget	YTD Actual P3	Forecast	Variance to Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Place and Economy	30,734	15,686	119	15,805	2,572	49,111	1,170	39,592	(9,519)
Children and Education	5,184	7,997	0	7,997	1,473	14,654	125	8,897	(5,757)
Adults, Communities and Wellbeing Services	1,811	4,714	1,502	6,216	3,313	11,340	1,350	10,293	(1,047)
Enabling and Support Services	1,079	1,501	366	1,867	0	2,946	(42)	2,460	(486)
<b>Total</b>	<b>38,808</b>	<b>29,898</b>	<b>1,987</b>	<b>31,885</b>	<b>7,358</b>	<b>78,051</b>	<b>2,604</b>	<b>61,242</b>	<b>(16,809)</b>

- 5.2 The range of schemes delivered or in progress during 2023/24 include Corby Towns Fund – 6<sup>th</sup> Form College and Train Station to Town Centre, Street Lighting upgrades, 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.
- 5.3 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. There remains a number of legacy projects within the 2023/24 capital programme.

5.4 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.

5.5 **Amendments to 2022/23 Carry Forward Balances**

As part of the day-to-day management of the capital programme, the following items have been reviewed and identified as schemes where amendments to the draft carry forward position as presented to the Executive in June 2023 are required. This will increase the total draft position by £1.987m in 2023/24:

**Table 2**

Directorate	Scheme	Remaining budget at P12 2022/23	Further Adjustment to carry forward required in 2023/24
		£'000	£'000
Place	Tithe Barn Phase 2	162	162
Place	Tithe Barn Public Realm	58	58
Place	Highways 22-23 Integrated Transport*	903	(184)
Place	A43 Corby Link Road	83	83
Adults, Communities and Wellbeing	Housing and Homelessness Prevention	1,502	1,502
Enabling	Xpress Merge	34	34
Enabling	NCloud Server Replacements	76	76
Enabling	Capita ONE to Cloud	96	96
Enabling	Office365 Implementation	81	81
Enabling	Sharepoint 2007 migration	79	79
	<b>TOTAL</b>	<b>3,074</b>	<b>1,987</b>

*\*Budget carry forward no longer required as estimated.*

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 £38.8m, together with funding for the slippage (£31m) and in-year approved schemes (£7.4m). Below shows the anticipated funding source for the in-year expenditure for 2023/24, estimated at period 3 as £61.2m.

**Table 3**

Directorate	Discretionary Funding	Capital Receipts and Reserves	Capital Grants	S106	Total
	£'000	£'000	£'000	£'000	£'000
Place and Economy	4,707	2,406	30,075	2,404	39,592
Children and Education	1,772	0	5,929	1,196	8,897
Adults, Communities and Wellbeing Services	6,216	154	3,794	129	10,293
Enabling and Support Services	214	2,221	25	0	2,460
<b>Total</b>	<b>12,909</b>	<b>4,781</b>	<b>39,823</b>	<b>3,729</b>	<b>61,242</b>

### 5.7 Development Pool

The Development Pool was fully reviewed as part of the 2023/24 MTFP work, as presented to Budget Executive on 9<sup>th</sup> February 2023. Additionally, a number of schemes were added back to the development pool as part of the 2022/23 draft out-turn report, as presented in June 2023. The current development pool is detailed in **Appendix C**.

### 5.8 HRA Capital Programme

The outturn for the HRA Capital Programme shows a revised a budget for 2023/24 of £23.4m, including slippage from 2022/23 of £7.9m. There have been no further approvals since budget setting. The outturn is showing a forecast spend of £6.9m, which represents an underspend of £16.3m compared to budget, and which will be reviewed and re-profiled considering the latest position. Detailed analysis by project shown in **Appendix B**.

**Table 4**

HRA Capital Programme 2023/2024							
Directorate	Original Budget	Draft Brought forward Budget	Approved in year	Revised Budget	YTD Actual P3	Forecast	Variance to Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corby	10,375	5,706	0	16,081	645	4,501	(11,580)

Kettering	4,253	3,012	0	7,265	300	2,485	(4,780)
Total	14,627	8,719	0	23,346	945	6,986	(16,360)

- 5.9 A significant proportion of the budget is forecast not to be spent in 2023/24 as initially planned. Some schemes are forecast to underspend due to experiencing delays in finalising new contractual arrangements and identifying new housing development sites for new build properties which is currently being reviewed by officers.

## **6 Next Steps**

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- 6.1 If approved, the proposed carry forwards will be added to the approved 2023/24 Capital Programme, as adopted by Council in February 2023. Any further adjustments required because of the outstanding audits for legacy authorities and the Council for 2021/22 and 2022/23 will be reported back to Executive.

## **7 Implications (including financial implications)**

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### **7.1 Resources, Financial and Transformation**

- 7.1.1 The financial implications are set out in the detail of the report.

### **7.2 Legal and Governance**

- 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 Relevant Policies and Plans**

- 6.3.1 The schemes provide a strategic fit with the Council's priorities as set out within the Corporate Plan.

### **6.4 Risk**

- 6.4.1 The deliverability of the 2023/24 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.

- 6.4.2 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.

6.4.3 If any overspends or emerging pressures are identified during the year for whatever reason, then mitigating actions will be sought and management interventions undertaken.

6.4.4 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.

6.4.5 The brought forward figures in this report from 2022/23 remain in draft. The position is provisional as the annual statutory audit of accounts for the authority is still to be completed. Until the Statement of Accounts are signed off by the External Auditors, there could be required amendments to the carry forward balances between financial years.

## 6.5 **Consultation**

6.5.1 The 2023/24 Capital Strategy and Capital Programme were subject to consultation prior to approval by the North Northamptonshire Shadow Authority in February 2020.

## 7.3 **Consideration by Executive Advisory Panel**

7.6.1 Not applicable

## 7.4 **Consideration by Scrutiny**

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

## 7.5 **Equality Implications**

7.8.1 None specific within this report

## 7.9 **Climate and Environment Impact**



- 7.9.1 The climate impact of each capital project will be considered and managed within the relevant scheme.
- 7.9.2 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.

## 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, educate, connect and regenerate communities. This includes enhancing the cultural offer and promoting a positive environmental impact.

## 7.11 **Crime and Disorder Impact**

- 7.11.1 None specific within this report

## **8. Background Documents**

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

Capital Programme Budget 2023/24, approved by Council on 23<sup>rd</sup> February 2023, item C/208:

[Capital Programme Report 2023-26 - Feb Council.pdf \(moderngov.co.uk\)](#)

[Appendix A - Capital Programme 2023-26.pdf \(moderngov.co.uk\)](#)

[Appendix B - HRA Capital Programme 2023-26.pdf \(moderngov.co.uk\)](#)

[6. Appendix C - Development Pool.pdf \(moderngov.co.uk\)](#)

Capital Outturn 2022/23 – Provisional Outturn as at period 12, presented to Executive 8<sup>th</sup> June 2023, item 455:

[DRAFT P12 Draft Capital Outturn Report 2022-23.pdf \(moderngov.co.uk\)](#)

[Appendix A](#)

[Appendix B](#)