



## Full Council Thursday 31 August 2023

<b>Report Title</b>	<b>Capital Programme and Revenue Budget Update 2023/24</b>
<b>Executive Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation
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<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

None

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

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- 1.1 The purpose of this report is to request approval for:
- a virement for a capital scheme which is in excess of £0.5m, in relation to the Phase 2 Refugee Resettlement Scheme;
  - new borrowing in relation to a capital scheme for Environmental Services grounds maintenance equipment; and
  - the use of the Transformation Reserve to fund one-off revenue implementation costs of the Education Case Management System and the inclusion of ongoing annual revenue costs of the system into the Medium Term Financial Plan (MTFP)
- 1.2 Approval of the funding will allow the schemes to move forward to procurement and delivery. The Executive considered these items at its meetings on 12<sup>th</sup> July 2023 and 17<sup>th</sup> August 2023 and recommended that Full Council grant approval for the funding requests as outlined in this report.

## **2. Executive Summary**

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- 2.1 This report contains details of capital 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**

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- 3.1 It is recommended that Council:

**a) Approve the funding for the following changes to the capital programme:**

- i) Phase 2 Refugee Resettlement Scheme – approve a budget in 2023/24 of £3.298m for phase 2 of the Refugee Resettlement Scheme funded through £1.298m from the Local Authority Housing Grant and a virement of £2m from the Housing and Homelessness prevention capital programme to the Resettlement capital programme to meet the match funding requirement for the grant.
- ii) Environmental Services ground maintenance equipment – approve a budget in 2023/24 of £445k for the replacement of grounds maintenance equipment funding from borrowing.

**b) Approve the funding for the following changes to the revenue budget:**

- i) Education Case Management System (ECMS) – approve a revenue budget of £1.362m in 2023/24 for the procurement and one-off implementation costs of a new ECMS funded through use of the Transformation Reserve, and approve the inclusion of ongoing revenue costs of £131k in 2024/25 and £142.5k in 2025/26 into the MTFP.

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

- i) To support the housing provision in North Northamptonshire;
- ii) To support the achievement of corporate plan objectives; and
- iii) To improve service provision in relation to children, young people, parents and carers

- 3.3 Alternative Options Considered:

- i) Alternative options in relation to the Phase 2 Refugee Resettlement Scheme can be summarised as follows:–
  - o Do nothing – if the Council does not participate in this programme, it will not receive the funding allocation and the challenge of finding onward settled accommodation for refugees will remain;.

- Commit to delivering a smaller number of homes – whilst this may be easier to achieve, the government grant allocation will reduce proportionately and less homes will be acquired into our temporary accommodation stock. Ultimately fewer additional homes will be available to the Council to use as affordable housing for our residents in the longer term.
- ii) Alternative options in relation to Environmental Services Grounds Maintenance Equipment can be summarised as follows:-
- 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.
- iii) Alternative options considered for the ECMS can be summarised as follows:-
- Do nothing;
  - Apply for a variation with the current supplier, subject to this option being available under the current contract and such modification satisfying the Public Contracts Regulations 2015;
  - Reprocure the current system through a direct award; or
  - Build a bespoke system for the Education Service.
- iv) More detail in relation to alternative options considered by the Executive in respect of the three schemes are set out in the reports presented on 12<sup>th</sup> July and 17<sup>th</sup> August 2023, as referenced in Section 8 of this report.

## **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 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 Council, changes to it are also approved by Council 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.
- 4.4 This report also covers the request for approval for the use of reserves in relation to the ECMS which are revenue costs and therefore seeks to update the revenue budget for 2023/24 as included within the Medium Term Financial Plan, as adopted by the Council in February 2023, and requests the proposed changes are approved and reflected within the revenue budget.

## **5. Issues and Choices – Further Detail on the Recommendations and Updates to the Capital Programme and Revenue Budget for 2023/24**

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- 5.1 **Phase 2 Refugee Resettlement scheme – capital budget of £1.298m in 2023/24 which is to be funded from the Local Authority Housing Fund Round 2, together with a virement of £2m from homelessness prevention capital programme to the resettlement programme:** Further funding from the Department of Levelling Up Housing and Communities of £1.298m for a further 11 homes is available to deliver additional housing for those on Afghan resettlement schemes and to ease the wider homelessness pressure. The grant requires match funding from the Council of £2m which will be met from accelerating the current homelessness prevention budget from 2024/25 and 2025/26, £1m for each year respectively, into 2023/24. It is proposed that this budget will then be vired into the resettlement capital programme.
- 5.2 Further information on this scheme is available from the separate report to Executive on 17<sup>th</sup> August 2023.
- 5.3 **Environmental Services grounds maintenance equipment – capital budget of £445k in 2023/24 (£400k brought forward from the development pool in 2024/25) which is to be funded from borrowing:** This proposal is seeking vital funds necessary to ensure the environment service continues to be deliverable. 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.
- 5.4 Further information on this scheme is available from the Capital Update Report to Executive on 12th July 2023.
- 5.5 **Education Case Management System (ECMS) – revenue budget approval in 2023/24 for of £1.362m in 2023/24 for the procurement and one-off implementation costs of a new ECMS funded through use of the Transformation Reserve, and approve the inclusion of ongoing revenue costs of £131k in 2024/25 and £142.5k in 2025/26 into the MTFP:** The current ECMS is coming to the end of its contract on 31<sup>st</sup> March 2024, and

therefore a procurement exercise needs to be undertaken to replace the existing ECMS. The system is essential to the delivery of an effective and efficient education service.

- 5.6 Further information on this scheme is available from the separate report to Executive on 17<sup>th</sup> August 2023.

## **6. Next Steps**

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- 6.1 The next steps of the capital schemes and the ECMS are detailed within the reports to Executive, as referenced in section 8 below.

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

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### **7.1 Resources, Finance and Transformation**

- 7.1.1 The additional budget requirements in this report are funded from the use of external grants, borrowing and reserves. 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 of this report.

- 7.1.2 A virement request as set out in section 5 is to support the match funding of government grant.

### **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, as requested in this report.

### **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).

7.3.5 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.

7.3.6 The deliverability of the revenue budget is monitored by Service Managers and Assistant Directors across the Council. There is further review throughout the year reported through to Executive.

#### **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, Capital Programme and Revenue Budget as part of the MTFP, were subject to consultation prior to approval by North Northamptonshire Council in February 2023. The programme was approved by Council at its meeting on 23<sup>rd</sup> February 2023 and was subject to consultation from 22<sup>nd</sup> December 2022 to 27<sup>th</sup> 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**

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

Capital Programme Budget 2023/24 – Full Council, 23<sup>rd</sup> February 2023 - [Capital Programme Report 2023-26 - Feb Council.pdf](#)

General Fund Budget 2023/24 – Full Council, 23<sup>rd</sup> February 2023 – [Budget 2023-24 - Council 23 Feb.pdf](#)

Capital Programme Update 2023/24 - Executive 17<sup>th</sup> August 2023 – [Capital Programme Update 2023-24.pdf](#)

Local Authority Housing Fund Round 2 Report – Executive, 17<sup>th</sup> August 2023 - [Local Authority Housing Fund Round 2 Funding.pdf](#)

Education Case Management System Procurement and Implementation Business Case – Executive 17<sup>th</sup> August 2023 – [Education Case Management System Procurement and Implementation Business Case.pdf](#)

Capital Programme Update 2023/24 – 12<sup>th</sup> July 2023 – [Capital Programme Update.pdf](#)