

## EXECUTIVE 18<sup>th</sup> November 2021

<b>Report Title</b>	Capital Monitoring 2021/22 – Period 6
<b>Report Authors</b>	Janice Gotts Executive Director of Finance <a href="mailto:Janice.gotts@northnorthants.gov.uk">Janice.gotts@northnorthants.gov.uk</a>
<b>Executive 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 – Carry Forward Requests

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

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- 1.1. This report sets out the provisional capital outturn position for 2020/21 for all the sovereign North Northamptonshire Council (NNC) authorities, and the subsequent carry forward requests from each authority due to the rephasing of scheme expenditure profiles.
- 1.2. The report also details the latest revised capital budgets (2021/22) for the General Fund (GF) and the Housing Revenue Account (HRA) Capital Programme, including new schemes which have been approved since 1<sup>st</sup> April 2021.

## **2. Executive Summary**

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- 2.1 The report sets out the provisional 2020/21 outturn for each of the sovereign authority capital programmes. The position is provisional as the annual statutory audit of accounts for each legacy authority is still ongoing. As a part of the outturn process, active capital schemes have been identified which will carry forward into the new authority and form part of the revised capital programme for 2021/22.
- 2.2 The report provides commentary on the Council's current forecast financial outturn position for 2021/22 for both the GF and the HRA Capital Program. With the move to a new Unitary Council from 1<sup>st</sup> April 2021 and the continuing issues presented by COVID-19, financial forecasting remains challenging. The Council will continue to assess and refine the forecasts on a regular basis. The forecast presented in the report is based on the best available data and information of the operations of the Council and the expected impact of the pandemic. However, it must be recognised that determining the outturn under the current circumstances presents an element of risk which will be closely monitored during the financial year.
- 2.3 This report contains details of new schemes which have already received scrutiny and approval by the S151 Officer and members of the Strategic Capital Board, and which are key to the delivery of priorities and needs within North Northamptonshire.

## **3. Recommendations**

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- 3.1 It is recommended that the Executive:
- a) Note the draft capital outturn position of all sovereign council authorities for the financial year 2020/21.
  - b) Note the proposed capital carry forwards for the GF and HRA capital programmes as detailed in Appendix A.
  - c) Note the new schemes that have been approved since 1<sup>st</sup> April 2021.
  - d) Note the capital outturn position for the GF Capital Programme and HRA Capital Programme for 2021/22 initial monitoring commentary
- 3.2 Reason for Recommendations:
- This is in line with the Council's constitution and financial regulations in relation to governance.

## **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.

4.2 Resources come from Government grants and contributions, capital receipts from surplus land and buildings, revenue contributions and borrowing. The report provides an update to the approved Capital Programme.

#### 4.3 Capital Programme 2021/22 to 2024/25

The capital programme has been developed in line with the strategic priorities previously established within the District and Borough Councils and the relevant areas of the County Council. Looking ahead North Northamptonshire will need to consider the investment decisions for the whole of the area over the longer term and align to its vision and strategic priorities. The latter will become clearer as the Council is currently in the process of drawing up the corporate plan.

4.4 Table 1: The programme approved by the Shadow Executive totalled £219m with the breakdown as shown in the table below.

Table 1 Directorate	General Fund Capital Programme			General Fund Development Pool			Housing Revenue Account			Total £'000
	2021/22 £'000	2022-25 £'000	Total £'000	2021/22 £'000	2022-25 £'000	Total £'000	2021/22 £'000	2022-25 £'000	Total £'000	
Place	20,424	14,387	<b>34,811</b>	27,197	46,482	<b>73,679</b>	-	-	-	<b>108,490</b>
Children's Adults, Communities & Wellbeing	8,971	-	<b>8,971</b>	6,408	10,883	<b>17,291</b>	-	-	-	<b>26,262</b>
Transform'n	11,773	11,027	<b>22,800</b>	1,840	3,695	<b>5,535</b>	13,742	36,313	<b>50,055</b>	<b>78,390</b>
	2,245	1,110	<b>3,355</b>	1,778	981	<b>2,759</b>	-	-	-	<b>6,114</b>
<b>Total</b>	<b>43,413</b>	<b>26,524</b>	<b>69,937</b>	<b>37,223</b>	<b>62,041</b>	<b>99,264</b>	<b>13,742</b>	<b>36,313</b>	<b>50,055</b>	<b>219,256</b>

4.5 The programme has been split into three areas which have been amalgamated from the predecessor council's capital investment plans:

- General Fund Committed Capital Programme containing schemes approved by predecessor councils, 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 Strategic Capital Board prior to requests for approval from Executive.
- Housing Revenue Account Capital Programme contains all schemes; committed and those in their early stages of their life cycle.

#### 4.6 Draft Outturn 2020-21 and Re-profiling of Schemes.

On 25<sup>th</sup> February 2021, North Northamptonshire Shadow Authority approved the revenue and capital medium term budget plans. For capital this considered new schemes for 2021/22 which were part of an ongoing programme and estimates of the forecast remainder of the District and Council Capital Programmes that would be inherited. This report informs members of the provisional capital outturn position for 2020/21 for all legacy North Northamptonshire authorities, for both GF and HRA, and any potential re-profiling of budgets (carry forward) into 2021/22.

4.7 The provisional outturn outlined in table 2, is fully funded, either through borrowing, internal resources or external funding arrangements.

4.8 There may, however, be risks linked to these schemes that have slipped in relation to delivery and a review of any risks along with a review of the appropriateness of continuing with the schemes given the priorities of the new Council will be undertaken by the Directorates and the S151 Officer as part of the ongoing financial and project management of the programme.

4.9 Table 2 below shows the total summary capital outturn for each sovereign authority, these figures include the main Capital Programme and the HRA Capital Programme.

Table 2 Legacy Authority	Total Approved Budget	Actual Spend	Variance	WNC C/fwd	C/fwd in NNC Feb Budget	NNC C/fwd	Total	Budget not C/fwd
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NCC	169,538	63,966	-105,572	74,709	22,690	6,894	104,293	-1,279
Corby	19,326	8,991	-10,335	-	1,620	9,105	10,725	390
Kettering	47,250	7,676	-39,574	-	-	19,491	19,491	(*) -20,083
Wellingborough	19,880	10,339	-9,541	-	6,245	3,693	9,938	397
East Northants	3,970	2,672	-1,298	-	-	920	920	-378
<b>Total</b>	<b>259,964</b>	<b>93,644</b>	<b>-166,320</b>	<b>74,709</b>	<b>62,041</b>	<b>40,103</b>	<b>145,367</b>	<b>-20,953</b>

\*Note the -£20m variance shown against Kettering is due to the removal of the Commercial Properties investment Scheme from the programme when setting to 2021/22 budget.

4.10 In respect of the table above please note:

- The £1.2m variance show against NCC is mainly due to a £880k underspend on the £5.2m Isebrook expansion scheme where final costs were recognised in 2020/21.
- The February budget c/fwd inclusions were based on end of November 2020 (P8) monitoring forecasts, so many of the carry forward since budget variances were reported to later member meetings in the legacy authorities as a profiling change.

4.11 The further re-profiling of £40.1m in delivery of the Capital and HRA programmes shown above represents an addition to the Capital Programme for

the Council, however the funding requirement and overall treasury position reported as part of the budget will not be affected as these schemes were part of an approved programme.

#### **4.12 Capital Approval Process**

The capital approval process for North Northamptonshire Council was endorsed by the Finance and Resources Scrutiny Committee at its meeting on 13<sup>th</sup> July 2021. The process aims to:

- set out the requirements of the scheme including costs (capital and revenue) and funding opportunities over the life of the scheme, and
- provide greater emphasis on the link to strategic priorities and achievement of benefits and outcomes, including any contribution to reducing carbon and/or how the development or investment will support a zero-carbon agenda.

4.13 The governance process consists of Directorate Portfolio Boards or Management Teams which work to develop schemes to meet Council priorities and then submit business cases to the Strategic Capital Board (made up of Council Officers) for consideration. Each scheme requiring approval to enter the development pool or commitment must submit a business case setting out the requirement for funding and how it meets the Council's strategic priorities together with an identification of benefits, risks and expected outcomes including climate impact. Prior to submission there should be engagement with relevant stakeholders, such as Ward Members and a business case should not be submitted without the sign off from the relevant Executive Member.

4.14 The Strategic Capital Board meets each month to consider new proposals, and progress in relation to schemes already in delivery including any risks. The Board is chaired by the Executive Director of Finance and consists of the other Directors and Finance/Project Management support.

4.15 Once schemes are considered and agreed by the Board, they will then progress for Member review, firstly through consultation with the Deputy Leader and the Executive Member for Finance and Transformation and, subject to their approval and comments, on to Executive (or Council depending on the funding route and values) for formal approval. Generally, this will be through the monthly Capital Update Report to Executive.

#### **4.16 Capital Outturn P6 2021/22**

The Capital Outturn for P6, as shown in table 3 below, for the GF Capital Programme, shows a revised updated capital budget position by Directorate, including the re-profiling and in year approved programmes. This is forecasting a spend of £70.4m, an underspend of £27.6m, compared to budget and an underspend of £2.3m compared to the previous month.

Table 3 Directorate	General Fund Capital Programme					
	Original Budget	Budget C/wd	Approved in year	Revised Budget	P6 Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Place	20,412	14,735	14,015	49,162	38,587	-10,575
Children's	8,971	-322	12,088	20,737	10,887	-9,850
Adults, Communities & Wellbeing	11,784	13,231	348	25,363	18,171	-7,192
Transformation	2,245	490	34	2,769	2,769	0
<b>Total</b>	<b>43,413</b>	<b>28,134</b>	<b>26,485</b>	<b>98,032</b>	<b>70,414</b>	<b>-27,618</b>

#### 4.17 General Fund Capital Programme Funding

For the General Fund capital programme, funding sources have been identified to cover the MTFS capital budget requirements, as shown in table 4, of £124.555m, including the original MTFS budget of £69.937m, together with funding for the slippage (£28.134m) and in year approved schemes (£26.484m).

Table 4 Directorate	General Fund Capital Programme										
	Capital Receipts	Discretionary	Specific Grant	Grants & contrib	S106	RCCO	Basic Needs Grant	External contributions	Capital Reserves	BRR	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Place	8,082	18,572	10,017	12,154	7,449	2,333	0	2,416	2,795	0	63,819
Children's and Education	0	1,214	4,172	0	11,545	0	3,806	0	0	0	20,737
Adults, Communities & Wellbeing	1,702	14,978	13,402	4,040	245	384	0	137	1,232	0	36,120
Transformation	914	470	20	0	0	0	0	0	600	1,875	3,879
<b>Total</b>	<b>10,698</b>	<b>35,235</b>	<b>27,610</b>	<b>16,194</b>	<b>19,240</b>	<b>2,717</b>	<b>3,806</b>	<b>2,553</b>	<b>4,628</b>	<b>1,875</b>	<b>124,555</b>

#### 4.18 Development Pool

With a budget for 2021/22 of £37.2m, currently £12.9m has been transferred from the development pool into the current capital programme, leaving a remaining budget for 2021/22 of £24.3m, with a further £62m included within the MTFS for 2022 to 2024. The Development Pool will be reviewed as part of setting the Capital Strategy from 2022/23.

#### 4.19 HRA Capital Programme

The Capital Budget for 2021/22 approved at the 25<sup>th</sup> February 2021 Shadow Authority meeting totalled £13.742m. Since that time further re-profiling of

spend has been identified from the previous district and borough schemes totalling £11.970m, giving a 2021/22 budget of £25.712m. The P6 outturn forecast is a spend of £18.332m, an underspend of £7.380m against the revised budget. There have been no further new approvals since budget setting.

Housing Revenue Account	Original Budget	Budget C/wd	Revised Budget	P6 Forecast	Variance
	£'000	£'000	£'000	£'000	£'000
Corby	7,638	5,999	13,637	9,275	(4,362)
Kettering	6,104	5,971	12,075	9,057	(3,018)
<b>Total</b>	<b>13,742</b>	<b>11,970</b>	<b>25,712</b>	<b>18,332</b>	<b>(7,380)</b>

#### 4.20 HRA Capital Programme Funding

For the HRA capital programme funding sources have been identified to cover the MTFS capital budget requirements of £62.025m, including the original MTFS budget of £50.055m as set out in table 1, together with funding for the slippage £11.970m.

Total Funded By	Total Budget Funding	Reprofiling/ Carry Forward	TOTAL HRA Funding
	£000's	£000's	£000's
Revenue Contribution	20,416	1,567	21,984
Capital Receipts	17,537	3,486	21,023
Social Housing Borrowing/Use of Reserves	12,102	6,917	19,019
<b>Total</b>	<b>50,055</b>	<b>11,970</b>	<b>62,025</b>

## 5. Implications (including financial implications)

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### 5.1 Resources and Financial

5.1.1 The budget requirements are funded from external grants/contributions linked to the development (i.e., S106 contributions) or capital receipts. There is no requirement for the Council to undertake borrowing to support either of these schemes.

## 5.2 **Legal**

5.2.1 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.

## 5.3 **Risk**

5.3.1 The deliverability of the 2021/22 Capital Programme is monitored by each accountable project manager and senior officer. There is further review throughout the financial year reported through the Executive Committee.

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

5.3.3 Details of pressures, risks and mitigating actions implemented will be provided as part of the finance monitoring reports as the year progresses.

5.4.3 There is a risk that delays, and cost increases may arise as a result of COVID-19 restrictions and changes arising from EU Exit. Generally, this relates to the supply and price of materials with projects requiring increased lead in times.

5.4.4 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.

## 5.4 **Consultation**

5.4.1 The 2021/22 Capital Strategy and Capital Programme were subject to consultation prior to approval by the North Northamptonshire Shadow Authority in February 2020.

5.4.2 Consultation, where relevant, is detailed as part of the respective separate report elsewhere on the agenda.

## 5.5 **Climate Impact**

5.5.1 The climate impact would be considered and managed via the relevant planning process.

5.5.2 A number of capital schemes includes initiatives to offset/reduce carbon impact as a priority for the Council.



## 5.6 **Community Impact**

- 5.6.1 These proposals can be considered to have a positive impact on the community as the Capital Programme delivers the infrastructure to support and connect communities.