

EXECUTIVE 10th February 2022

Report Title	Capital Programme 2022-25
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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 checked="" type="checkbox"/> Yes <input 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** – Baseline Capital Programme 2022-25
- Appendix B** – Baseline HRA Capital Programme 2022-25
- Appendix C** – Baseline Development Pool
- Appendix D** – Capital Strategy

1. Purpose of Report

- 1.1. This report sets out the final Capital Programme for 2022-23 and the Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals were considered by the Executive on 23rd December 2021.
- 1.2. The budget consultation period commenced on 23rd December 2021 and ended on 28th January 2022. The draft budgets have been subject to scrutiny by the Finance and Scrutiny Committee. The consultation provided residents, local partners and other stakeholders the opportunity to review the budget proposals and provide feedback during the five-week consultation period.

- 1.3. This report sets out the baseline Capital Programme and identifies the key factors and challenges influencing the development of North Northamptonshire Council's future commitments for 2022-23 and beyond.

2. Executive Summary

2.1 This report presents the General Fund Capital Programme for 2022-25, the Baseline Development Pool and the Housing Revenue Account (HRA) Capital Programme 2022-25.

2.2 The key principles underpinning the current Capital programme are as follows:

- The delivery of a Medium-Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;
- New capital investment will only be permitted where it contributes to the achievement of the Council's corporate priorities;
- The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, Super Fast Broadband and Homelessness Prevention. Priority will be given to schemes that also deliver transformation and/or revenue savings;
- Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants;
- Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities;
- Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, and Asset Management Plan;
- Set out the Council's regeneration and economic development ambition and additional objectives;
- Set out the governance and risk management arrangements.

3. Recommendations

3.1 That the Executive recommend for approval to Full Council the following:-

- a) the General Fund Capital Programme 2022-25, Baseline Development Pool and HRA Capital Programme 2022-25.

3.2 Reason for Recommendations:

- *To ensure that the Council complies with its Constitution and legislative requirements in setting the budget for North Northamptonshire Council for 2022-23.*

4. Report Background

- 4.1 The current Capital Strategy demonstrates how the Council will make expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. It sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding and provides the context for how the Medium-Term Capital Programme seeks to support the realisation of the Council's vision and corporate objectives. The Strategy also provides details of the Council's planned future capital programme and capital funding expectations.

5. Issues and Choices

Capital Strategy 2022-25

- 5.1 The current Capital Strategy and the key principles has been developed with reference to the requirements of the current Prudential Code and Treasury Code of Practice. CIPFA consulted earlier in the year on the principles to support the changes to the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code). The consultation closed on 16 November 2021 and the revised code was issued on 20th December 2021. This has been considered when updating the Council's Treasury management Strategy for the reports to Executive and is expected to be fully implemented by 2023/24.
- 5.2 The key principles underpinning the Capital Strategy in compiling the Capital programme are as follows:
- The delivery of a Medium-Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;
 - New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
 - The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. Priority will be given to schemes that also deliver transformation and/or revenue savings;
 - Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants;

- Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities;
- Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan;
- Set out the Council's regeneration and economic development ambition and additional objectives;
- Set out the governance and risk management arrangements.

Governance Process and Approval of New Capital Schemes

- 5.3 The Capital Strategy outlines the Governance Structure for approving new capital schemes. New capital investment will only be permitted if it contributes to the achievement of the Council's strategic priorities. The use of external funding will be prioritised against the areas of greatest need within the North Northants area, in the main supporting highways maintenance and the delivery of education places. Priority will be given to schemes that deliver transformation that the council is aiming to deliver generating revenue savings or income streams to support the MTFP. An updated strategy is shown in **Appendix D**.

Capital Programme 2022-25, HRA Capital Programme 2022-25 and Development Pool

- 5.4 The Baseline Programme has been put together by taking the already approved schemes in year and the schemes already approved from the Medium-Term Capital Programme by Executive in February 2021. This has resulted in a Total Capital Programme of £75.1m (General Fund £37.0m, HRA £38.1m) over the three-year period, which comprises:
- A General Fund Baseline Programme totalling £37.0m including the completion of key projects including the Stanton Cross Primary School, and extensions, highways schemes and various property and environmental projects across North Northants.
 - A HRA Baseline Programme totalling £38.1m across Kettering and Corby grouped into statutory and priority works, decent homes, health, safety and compliance works, pre-planned stock investment, and enhancements and a significant investment of nearly £21.8m for the Housing Development and New Build Programmes.
 - A Development Pool totalling £81.8m and the prioritisation of 24 key schemes against the associated funding streams making up the Pool. This shows key highways infrastructure projects (A509 bypass and A43 improvements) into 2025-26 based on the current phasing and funding. The key themes are Children's Services including Basic Needs, increasing capacity for pupil numbers, schools' maintenance, looked after children's placements and fostering support, Place including highways maintenance, new road or extension schemes, cycleways, flood alleviation, regeneration and economic development projects and property asset management,

adults community equipment and Corporate Projects mainly corporate IT and service systems;

Minimum Revenue Provision

- 5.5 The disaggregation of the capital assets, balances and debt are still to be finalised and subject to audit of the 2020-21 financial accounts for Northamptonshire County Council.
- 5.6 The Minimum Revenue Provision (MRP) reflects the minimum amount a Council must charge to the revenue budget each year to set aside a provision for repaying external borrowing. The increase in the MRP provision of £1.549m for 2022/23 is to ensure the provision is aligned to the MRP policy moving into the medium term. This forms part of the Treasury Management Strategy, which being reported at this meeting
- 5.7 The Public Works Loan Board will no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing. To borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years including a commentary outlining the expenditure plans of the Council.

Funding

- 5.8 The capital programme assumes various sources of funding including capital receipts and grants, together with support from external/internal borrowing, which is at the discretion of the council for essential capital expenditure.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 The resource and financial implications of the Capital Strategy and Capital Programme are set out in the body and appendices of this report. Staff capacity/external support will need to be ensured to deliver the Council's capital projects and support the expansion of the programme and the Council's ambitions moving forward.

6.2 Legal

- 6.2.1 There are no legal implications arising from the proposals.

6.3 Risk

- 6.3.1 The following risks are associated with the budget proposals:

Risk	Mitigation	Residual RAG Risk
Capacity to deliver	Ensure co-ordinated delivery teams for the capital programme and sufficient resources for external support as required	Amber
Disaggregation not being agreed	Agreements on most splits are in place reducing the impact of remaining items	Amber
MRP policy not complete	Estimates based on current policies of current debt plus a phasing strategy included to reduce future one-off impact	Amber
Historic Commercial Schemes/Change in Government Policy	Commercial Assets to be managed to maximise performance and changes to policy will be paramount to future capital strategy and	Amber
Condition of assets transferring to the Council	Condition likely to be variable across the estate. Will need to be reviewed as part of the One Public Estate workstream to rationalise	Amber

6.4 Consultation

- 6.4.1 The formal consultation on the draft budget proposals commenced on 23rd December 2021 and concluded on 28th January 2022 this allowed time for the preparation of the final budget proposals for this meeting of the Executive and for the Council meeting on 24th February 2022.
- 6.4.2 There is an amendment to budget proposals presented to the Executive at the meeting on 23rd December, to include a capital contribution request of £1.012m to the Children's Trust. This request will be subject to a separate detailed business case in accordance with the Council's governance process.
- 6.4.3 The structure and design of the consultation will set out the budget proposals and will enable both online and non-digital means of participation, in accordance with good practice. This is to ensure the widest possible reach, a variety of

consultation methods will be used to maximise the range of accessible channels for consultees, these include:

- Online survey – available free at libraries for those without internet access (with hard copies and copies in other formats available on request)
- An email address and telephone number
- Social media - including Facebook, Twitter and LinkedIn
- Postal address
- Emails to key stakeholders, inviting them to comment through the above consultation channels and asking them to promote the consultation to their members/community: e.g., partner organisations, MPs, Town and Parish Councils, Voluntary Sector Infrastructure Organisations.
- Emails to Residents' Panel members and other stakeholders who have registered to receive consultation alerts, inviting them to comment through the above consultation channels.

6.4.4 The purpose of the consultation is to ensure that, when the Final Budget is considered by Council on 24th February 2022, Members are fully aware of the consultation feedback and are in a position to take it into account when making final decisions. This includes full consideration of any viable alternatives for ways to save money/generate income, if provided.

6.4.5 In addition, there was specific consultation with local residents regarding the HRA via the respective Tenants Forum, which was held on 20th January 2022 to consider the HRA budget.

6.5 Consideration by Scrutiny

6.5.1 The Finance and Resources Scrutiny Committee has a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they are subject to rigorous challenge.

6.5.2 Scrutiny is a means for councillors not on the Executive to influence the development of Council policies and services and hold decision makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and reporting their conclusions about the deliverability and service impact of these proposals to the Executive. In this way Budget Scrutiny contributes to the development of the final budget proposals and supports local democracy.

6.5.3 The scrutiny of the budget proposals took place following the presentation of the 2022/23 budget to Executive on 23rd December 2021 and was completed on 28th January 2022.

6.5.4 A total of 8 Budget Scrutiny sessions were undertaken and covered the main service areas:

- Place and Economy
- Adults, Communities and Wellbeing Services, including the HRA
- Children's and Education Services – this will include the Children's Trust

- Enabling and Support Services – Finance, Transformation and ICT, and Legal and Democratic (which includes HR).

6.5.5 The relevant senior Council Officers and Executive Member portfolio holders attended each scrutiny session to answer questions put forward by the Committee Members.

6.5.6 This is included in both the revenue budget and the capital programme for each of the main service areas.

6.5.7 Each service area, as outlined above, attended its respective scrutiny session to present its service and budget plans. The Finance and Resources Scrutiny Committee scrutinised each plan and requested further details on areas, which were discussed at that session or a subsequent follow up session.

6.5.8 The outcome from the scrutiny process have been included within the Budget Report (Item 5) **Appendix G** sets out Scrutiny's recommendations to Executive for consideration when making its decisions on the budget to recommend to Budget Council on 24th February.

6.5.9 Appendix G highlighted recommendations from Scrutiny in relation to the baseline capital programme which requested a review of the profiling of the proposed capital programme to be undertaken. This review has been completed by each Directorate and where appropriate, re-profiled the proposed capital programme, which is included in the Appendices to this report.

6.6 **Climate Impact**

6.6.1 The council is supportive of the key principles of raising awareness of the issues of climate change and its impact on the local area, reducing emissions of greenhouse gases across the area and planning for and adapting to the impacts of climate change and these were all considered as part of setting the initial capital programmes that have subsequently led to the baseline capital programme within this report.

6.7 **Community Impact**

6.7.1 No distinct community impacts have been identified as a result of the proposals included in this report, however, the successful delivery of various projects will have a positive result in the local communities once completed.

6.8 **Crime and Disorder Impact**

6.8.1 None

7. **Background Papers**

7.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.

- Suite of Budget reports to the Executive 23rd December 2021
<https://northnorthants.moderngov.co.uk/documents/s4617/Capital%20Programme%202022-25.pdf>
- Suite of Budget reports to North Northamptonshire Shadow Authority, 25th February 2021 (Budget Council):
<https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=138&MeetingId=109&DF=25%2f02%2f2021&Ver=2>
- Suite of Budget reports to North Northamptonshire Shadow Executive Committee 10th February 2021:
<https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=139&MeetingId=120&DF=10%2f02%2f2021&Ver=2>