

WEST NORTHAMPTONSHIRE COUNCIL CABINET

13th FEBRUARY 2023

CABINET MEMBER RESPONSIBLE FOR FINANCE: COUNCILLOR MALCOLM LONGLEY

Report Title **Quarter 3 General Fund and Housing Revenue Account (HRA)
Capital Monitoring Report 2022-23**

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List of Appendices

Appendix A – Revised General Fund capital programme

Appendix B – Revised Housing Revenue Account (HRA) capital programme

1. Purpose of Report

- 1.1. The report sets out the latest General Fund and HRA capital programme monitoring positions for 2022-26 for West Northamptonshire Council, and identifies new schemes which have been approved for submission into the capital programme since the last update to Cabinet in December 2022.

2. Recommendations

2.1 It is recommended that the Cabinet:

- a) Note the latest capital monitoring position for the General Fund and HRA.
- b) Note the new capital schemes and changes to the Capital Programme since the report that was considered by Cabinet in December 2022.

3. Reason for recommendations

- In order to continue to ensure sound management of the council's finances.

4. Report Background

4.1 The General Fund and HRA Capital budgets were approved by Full Council in February 2022 as part of the authority's budget-setting process.

4.2 As part of that approval, Full Council gave delegated authority to the Executive Director - Finance in consultation with the cabinet member for Finance to amend the capital programme for 2022-23 going forward so that it accurately reflects a number of issues. These include rephrasing on 2021-22 projects that will need to be added to the programme, any amendments made to existing capital programmes, adjustments to accommodate any future use of capital receipts policy and for any other reason where the capital programme needs to be adjusted.

4.3 The approvals for in year changes to the Capital programme are set out below:

- the Executive Director – Finance can approve new schemes estimated to cost less than £100k and fully funded schemes.
- Cabinet can approve new schemes under £500k
- Full Council must approve schemes over £500k.

4.4 This report sets out the latest capital programme for the General Fund and HRA since the previously reported Q2 position to Cabinet in December 2022. It provides an update on new capital schemes, the latest monitoring position and any other technical issues that need to be raised.

5. Governance and process

5.1 The Council maintains a well-established robust approval and monitoring process for the capital programme. This governance ensures the Council has financial rigour and strict management controls in place to manage the programme effectively.

5.2 The Executive Leadership Team (ELT) and the Capital and Assets Board (CAB) are key elements of the governance process.

Executive Leadership Team(ELT)

- ELT will have first sight of all budget proposals / capital bids and will undertake a review in order to grant support, before any schemes are submitted to the Capital and Assets Board for consideration (see below).

Capital and Assets Board (CAB)

- This is an officer and councillor group, chaired by the S151 Officer. The purpose of this Board is to review and challenge capital schemes. The group will also monitor and challenge active projects, holding project managers to account for specific project performance.

5.3 All elements of proposed, and active schemes are robustly challenged and monitored throughout the project lifetime, and in some cases will be subject to a ‘lessons learned’ review on completion.

5.4 All schemes will be in line with Council objectives, and must have clear, measurable deliverables or outcomes. Applications must show how projects will deliver value for money, meet council priorities, assess and mitigate risk, and manage resource capacity issues.

6. Monitoring of the General Fund Capital Programme 2022-2026

6.1 Since the Q2 monitoring report there have been several changes to the capital programme. These changes are outlined below and reflect changes up until the end of December:

Table 1 – Changes to the General Fund capital programme since Q2 September Cabinet.

Scheme		2022-23 £k	2023-24 £k	2024-25 £k	2025-26 £k	Total £k	Funding Source
Budget no longer required - Lodge Road Fire Risk Assessment	Assets and Environment Capital	-33				-33	Capital Receipts
Budget no longer required - Public Offices - Improvements, Plant & Equip.	Assets and Environment Capital	-5	-5	-5		-15	Borrowing
Project complete with underspend - Middlemore Minor Works	Assets and Environment Capital	-21				-21	Capital Receipts
New scheme - The Abbey Centre approved by Cabinet and Full Council Nov 23	Assets and Environment Capital	1,000				1,000	Borrowing

New scheme - Daventry Leisure Centre approved by Cabinet and Full Council Nov 23	Assets and Environment Capital	1,000				1,000	Borrowing
Reduced carry forward budget from 21/22 based on final outturn - Disabled Facilities Grant Northampton	Adults, Housing & Communities	-79				-79	Grant
Works now being funded by other available budgets - Replacement of Boiler Management System at One Angel Square	Assets and Environment Capital	-49				-49	Borrowing
Rephasing - Leisure Facilities Contract	Adults, Housing & Communities	15	-15			0	Borrowing
Reduced budget as no longer required - Parks/Allotments/Cemeteries Enhancements	Assets and Environment Capital	-118				-118	Borrowing
Budget no longer required - Country Park Improvements (S106 Funded)	Assets and Environment Capital	-27				-27	S106
Budget no longer required - Northampton Parks and Open Spaces (additional)	Assets and Environment Capital	-2				-2	Borrowing
Reduced carry forward budget from 21/22 based on final outturn - DfT Highways 2020-21 Further Works	Highways & Waste	-35				-35	Grant
Reduced carry forward budget from 21/22 based on final outturn - DfT Pothole Fund 21/22	Highways & Waste	-487				-487	Grant
Reduced carry forward budget from 21/22 based on final outturn - DfT Highway Maintenance Incentive Block 21/22	Highways & Waste	-161				-161	Grant

Reduced carry forward budget from 21/22 based on final outturn - Magdalen College School Expansion	Highways & Waste	-21				-21	S106
New scheme - Kingsthorpe College S106 improvement project considered at CAB Dec 22	Children's	188				188	S106
Virement from Northampton Leisure Centres Fire Assessment Works project to Northampton Leisure Trust project Approved at Cabinet December 2022.	Assets and Environment Capital	-650				-650	Borrowing
Virement to Northampton Leisure Trust project from Northampton Leisure Centres Fire Assessment Works project Approved at Cabinet December 2022.	Assets and Environment Capital	650				650	Borrowing
Budget reduced - Operational Buildings - Enhancements	Assets and Environment Capital	-40				-40	S106
Increased budget based on increased funding from Department for Transport - LTP Integrated Transport Block 2022-23	Highways & Waste	187				187	Grant
Total		1,314	-20	-5		1,289	

7. Summary of Changes and Revised 2022-26 Capital Programme – General Fund

7.1 The full updated capital programme is shown in Appendix A. Summary information is shown in the tables below.

Table 2 - Quarter 3 Revisions to the General Fund Capital Programme

West Northants GF Capital Budget	2022-23	2023-24	2024-25	2025-26	Total
	£k	£k	£k	£k	£k
Approved Budget 2022-23 December Cabinet	136,450	71,350	40,453	14,093	262,346
New scheme approvals	2,189	0	0	0	2,189
Changes to existing scheme budgets	-875	-20	-5	0	-900
Total	137,765	71,330	40,448	14,093	263,635
Movement from September Cabinet	1,314	-20	-5	0	1,289

Table 3 - Revised WNC capital programme by Directorate

Revised WN Capital Programme as at December 22	Approved Capital Programme September Cabinet Report £k	New scheme approvals £k	Changes to existing scheme budgets £k	Total 2022-23 to 2025-26 £k
Adults, Housing & Communities	31,725	0	-79	31,645
Assets and Environment Capital	44,522	2,000	-304	46,218
Children's	52,615	189	-21	52,783
Corporate	4,966	0	0	4,966
Economic Growth & Regeneration	48,786	0	0	48,786
Finance	732	0	0	732
Highways and Waste Capital	78,999	0	-496	78,503
Total	262,346	2,189	-900	263,635

The funding table has been updated to reflect the latest position.

Table 4 - Funding for the revised WNC capital programme

WN Revised Capital Financing	2022/23 £k	2023/24 £k	2024/25 £k	2025/26 £k	Total £k
Capital receipts	2,390	85	85	0	2,560
Prudential Borrowing	61,603	20,423	15,195	10,118	107,339
Internal Borrowing	659	226	239	0	1,123
S106**	8,488	6,119	3,750	0	18,357
Community Infrastructure Levy (CIL)**	3,980	14,117	1,000	393	19,490
Grant Funding	54,760	26,545	9,879	382	91,566
Funded from Reserve	546	0	0	0	546
Revenue Funding	1,047	0	0	0	1,047
External Funding	4,292	3,816	10,300	3,200	21,608
Total Funding	137,765	71,330	40,448	14,093	263,635

** Some of the s.106 and CIL funding will be received several years after the completion of the project in some cases. Those schemes will be forward funded with Discretionary funding, which will be repaid when the relevant CIL and s.106 are received. The funding table shows the eventual funding source for these, rather than the forward funding.

8. Latest Forecasts on the GF Capital Programme

8.1 Through the forecasting process, a number of schemes have identified potential carry forwards from 22/23 into 23/24 as well as some potential over/underspends. These are only forecasts at this stage, so have not been included in the updated capital programme, but are summarised below for information.

Table 5 – Latest Forecasts for the GF Capital Programme

Directorate	Budget 2022-23 £k	22-23 Forecast spend in year* £k	Forecast Carry Forward Budget into 23-24 £k	Forecast Under / overspend 22-23 £k
Adults, Housing & Communities	11,828	11,451	96	281
Assets & Environment Capital	17,699	10,084	7,917	-301
Children's	18,542	16,230	2,312	0
Children's Trust	2,398	116	2,283	0
Corporate	4,565	4,335	230	0
Economic Growth & Regeneration	27,558	14,013	13,545	0
Finance	732	193	539	0
Highways and Waste Capital	54,443	53,776	666	0
Total	137,765	110,197	27,588	-20

*These figures are likely to change with finance working closely with project managers to obtain accurate forecasts.

8.2 As stated above, these forecasts are not yet included in the capital programme. As we approach the end of the year, more certainty on these forecasts will be obtained, and the official capital programme can be reprofiled accordingly.

8.3 The largest of these forecast changes are outlined below.

- Market Square - £5.875m of budget is being forecast to be carried forward into 23/24. This is due to the final scope of the project still being discussed delaying start to the works.
- Abington Street Redevelopments - £2.65m of budget is being forecast to be carried forward into 23/24. The project is progressing and this simply reflects general rephasing of works.
- 24 Guildhall Road Block - £2.249m of budget is being forecast to be carried forward into 23/24. Phase 2 of the project is underway with design costs expected this financial year. Work will not start on site until May 2023.

- Northampton Town Centre Public Realm - £1.881m of budget is being forecast to be carried forward into 23/24. Some initial costs are expected this year with most of the work officially starting June/July 2023.
- Tiffield SEND School - £1.12m of budget is being forecast to be carried forward into 23/24. Delays in the project getting started is pushing back the majority of expenditure into 2023.

9. Revenue impact of the General Fund Capital Programme.

- 9.1 The current approved capital programme includes borrowing of c£107m over the medium term, as shown in Table 4.
- 9.2 Based on the forecasts above, around £11.5m of borrowing is likely to be reprofiled from 2022-23 to 2023-24.
- 9.3 Actual borrowing in year will not necessarily be at the levels outlined above. This is because:
- Expenditure may be lower than forecast due to additional scheme slippage.
 - The authority may use some cash reserves to fund capital expenditure i.e. the authority may use its available cash instead of borrowing externally.
- 9.4 Whether funded by external borrowing or internal cash reserves, these two options result in a cost to the authority through interest payable on borrowing or interest foregone on investments.
- 9.5 Where capital expenditure is financed by borrowing, authorities also have a statutory duty to set aside revenue funds to repay the borrowing principal. This is known as Minimum Revenue Provision (MRP). MRP is charged over the lifetime of the asset incurring the capital expenditure.
- 9.6 Interest and MRP are charged to the General Fund revenue account. The current forecast impact of the capital programme, taking into account the reprofiling outlined in table 5 is £20.0m over the medium term, with £1.8m forecast for 2022-23.

10. HRA Capital Monitoring Report – Quarter 3

- 10.1 The Council's Housing Revenue Account Capital Programme is mainly managed by Northampton Partnership Homes (NPH) under the management agreement. NPH are responsible for the new build programme along with the major repairs and Improvement programme for existing HRA stock. The only element of the programme not managed by NPH is the buy-back and acquisitions budget.
- 10.2 Revisions to the 2022/23 HRA Capital programme since the Quarter 2 reported position are set out in Table 7.

Table7 Forecast HRA Capital Outturn 2022/23 - Period 9						
Programme	Re-profiled Budget 2022/23 £k	Actual Expenditure to Period 9 £k	Virements £k	New Approvals £k	Re-phasing of Projects £k	Period 9 Forecast Outturn 2022/23 £k
External Improvements	16,806	9,908			2,925	19,731
Internal Works	2,466	1,826				2,466
Structural Works and Disabled Adaptations	858	742				858
Environmental Improvements	1,500	1,438				1,500
IT Development	2,890	593				2,890
IT Development	409	286				409
New Build Projects	14,807	7,734			(921)	13,886
Buybacks and Spot Purchases	4,409	-		0		4,409
Total	44,144	22,526	0	0	2,004	46,148

10.3 Table 7 shows the movements in the 2022/23 capital programme since the Q2 position was reported to Cabinet in December 2022. The main movements are as follows.

Re-phasing of New Build Schemes

10.4 Dover Court roof extension project has been delayed by three months due to issues relating to the sub-contractors. These delays have resulted in the re-phasing of the capital programme

10.5 The other change to report is the cancellation of “The Bungalows, Lings” project. This is because the Council has taken the decision to sell the property rather than develop it. The £136k budget allocated to this project has been moved to the new build pool which will be used to finance future new build projects.

10.6 There has also been some re-phasing of External Improvements programme. Future years budgets have been rolled back due to extensive decarbonisation programme and the increasing demand from tenants for energy efficiency measures

10.7 Set out in Table 8 and in Appendix B is a summary of all the re-phasing which is be proposed by the NPH Board.

Table 8 - Re-profiling the Capital Programme over the Medium Term 2022-2027

Description	Forecast 2022-23 £k	Estimate 2023-24 £k	Estimate 2024-25 £k	Estimate 2025-26 £k	Estimate 2026-27 £k	Total £k
HRA approved Capital Programme plus 2021/22 carryovers and the re-phasing previously reported - P7	44,144	61,439	59,394	73,649	46,359	284,985
Changes to Existing Schemes in 2022/23 Budget	0	0	0	0	0	0

Re-phasing of New Build Schemes	(921)	250	10	(14,669)	15,331	0
Schemes brought forward from future years	2,925	75	(3,000)	0	0	(0)
New Schemes into Approved Capital Programme	0	0	0	0	0	0
New Funding Announcements			0	0	0	0
Revised HRA Capital Programme	46,148	61,764	56,404	58,980	61,690	284,985

Schemes re-phased in 2025/26

10.8 NPH are re-phasing the new build pool in 2025/26 to even out the expenditure profile between years. They are also drawing £50k of the new build pool to finance one of the disabled adaptations in Windrush Road.

10.9 Set out in Table 9 is the HRA Medium term capital programme

Table 9 - Revised HRA Capital Budget 2022/23 and Medium Term						
Description	Budget 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26	Estimate 2026-27	Total
	£k	£k	£k	£k	£k	£k
External Improvements	19,731	12,712	4,850	6,850	10,437	54,580
Internal Works	2,466	2,134	2,134	2,134	2,134	11,000
Structural Works and Compliance	858	461	461	461	461	2,700
Disabled Adaptations	1,500	1,285	1,285	1,285	1,285	6,640
Environmental Improvements	2,890	2,815	2,815	2,815	2,815	14,150
IT Development	409	480	430	395	340	2,054
New Build/Major Projects	13,886	39,378	41,929	42,541	43,715	181,449
Buybacks and Spot Purchases	4,409	2,500	2,500	2,500	503	12,412
Total Expenditure	46,148	61,764	56,404	58,980	61,690	284,986

10.10 Set out in table 10 is the financing of the medium-term capital programme.

Table 10 - Funding of Revised HRA Capital Budget 2022/23 and Medium Term						
Description	Budget 2022- 23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26	Estimate 2026-27	Total
	£k	£k	£k	£k	£k	£k
Major Repairs Reserve/Depreciation	13,500	13,699	13,585	13,494	13,726	68,004
Capital Receipts - (not restricted)	2,576	3,135	3,178	3,222	3,266	15,377
Capital Receipts - RTB 1-4-1 Receipts	2,999	7,948	6,002	3,808	8,944	29,701
Grant Funding	12,073	10,094	-	-		22,167
Revenue Contributions Earmarked Reserve	1,238	1,492	1,898	2,752	4,064	11,444
Borrowing / CFR	13,762	25,396	31,741	35,704	31,690	138,293
Total Funding	46,148	61,764	56,404	58,980	61,690	284,986

11. Implications (including financial implications)

11.1 Resources and Financial

- This report informs Cabinet of the latest capital position for 2022-23 and for the medium term. The capital programme outlined in this report is fully funded, either through borrowing, internal resources or external funding arrangements. Ongoing expenditure relating to these projects will continue to be robustly challenged and monitored by budget managers, Finance and the Capital and Assets Board.

11.2 Legal

- There are no legal implications arising directly from the recommendations of this report.

11.3 Risk

- There are a number of processes in place to robustly challenge new schemes and progress for existing schemes such as through the Executive Leadership Team, the Capital and Assets Board and in reports to Cabinet. Funding for all capital schemes has been identified, and progress against budgets will be closely monitored to Cabinet on a regular basis

11.4 **Consultation**

- There has been no consultation in relation to this report.

11.5 **Climate impact**

- There is no direct climate impact in relation to this report.

11.6 **Community impact**

- All capital programme schemes are assessed for their impact on the community and individual Project Boards liaise with relevant community group.

12. **Background Papers**

- Provisional Outturn 2021-22 and Revised Capital Programme for 2022-26 report
- September 2022 Q1 report.
- December 2022 Q2 report