

WEST NORTHAMPTONSHIRE COUNCIL CABINET

12 July 2022

CABINET MEMBER RESPONSIBLE FOR FINANCE: COUNCILLOR MALCOLM LONGLEY

Report Title	General Fund Capital and Housing Revenue Account Capital Monitoring Provisional Outturn 2021-22 and Revised Capital Programme for 2022-26
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List of Appendices

- Appendix A – Proposed carry forwards for the GF capital programme
- Appendix B – Proposed carry forwards for the HRA capital programme
- Appendix C – Revised GF capital programme 2022-26
- Appendix D – Revised HRA capital programme 2022-26

1. Purpose of Report

- 1.1. This report sets out the 2021-22 provisional capital outturn position for the West Northamptonshire Council general fund (GF) and Housing Revenue Account (HRA), and the subsequent carry forward requests due to the rephasing of scheme expenditure profiles. This report also provides the subsequent impact on the medium-term position and the revised Capital Programme for 2022-26 following the setting of the capital budget by Full Council on 24 February 2022.

2. Recommendations

2.1 It is recommended that the Cabinet:

- a) Note the 2021-22 provisional capital outturn position for WNC general fund and HRA;
- b) Note the proposed capital carry forwards for the GF capital programme which are required as a result of rephasing in the 2021-22 programme. These are detailed in appendix A;
- c) Note the proposed capital carry forwards for the HRA capital programme which are required as a result of rephasing in the 2021-22 programme. These are detailed in appendix B;
- d) Note the revised GF capital programme for 2022-26 (appendix C) including the new schemes which have been added to the programme since the 2022-23 budget was approved in February 2022.
- e) Note the revised HRA capital programme for 2022-26 (appendix D) including the new schemes which have been added to the programme since the 2022-23 budget was approved in February 2022.

3 Reason for recommendations:

- This in accordance with the policy of the Council and Constitution
- To ensure that the Authority complies with its financial regulations

4. Provisional GF Capital Outturn 2021-22

4.1 This section sets out the 2021-22 provisional outturn for WNC's General Fund capital programme. The position is provisional as the annual statutory audit of accounts is still ongoing and balances are being finalised which could result in a change to the outturn position. As part of the outturn process, the Council has identified:

- Capital expenditure incurred in year and how it is financed
- Which capital schemes have completed?
- Which schemes have been subject to rephasing and are therefore still active, requiring a carry forward of unspent budget into 2022-23

4.2 During the year the original budget for the capital programme has been revised to allow for revisions to project delivery plans, new schemes and cost variations to existing schemes.

4.3 During 2021-22, circa 180 schemes were included in the general fund capital programme, the vast majority of which (167) were inherited schemes from legacy authorities. 34 schemes were completed during the year. WNC residents have benefitted from and will continue to benefit from investment in:

- The brand-new Arc Cinema complex in Daventry which was completed and opened this financial year.
- The redevelopment of 41-45 Abington Street in Northampton Town centre (former Marks and Spencer's building). Significant work has been undertaken this year as part of the overall project to create new residential units enhancing the town centre.
- New vehicles to deliver Environmental services in the South Northants area.

- The Vulcan Works project which is now approaching completion. This will soon open offering a brand-new creative hub aimed at start-ups and growing businesses within the creative industry.

4.4 Table 1 sets out the summary budget for 2021-22 by Directorate and the movements since the Q3 forecast position that was previously reported to Cabinet.

Table 1 – Revised Capital Budget 2021-22 £k

Directorate	Q3 Reported Budget Position £k	New Schemes / changes to existing schemes (approved) £k	Additional Reported Rephasing since Q3 report* £k	Approved Capital position 2021-22 £k
Adults, Housing & Communities	5,707	0	-2,010	3,697
Assets and Environment Capital	7,924	-3	-6,174	1,747
Children's	22,408	662	-5,091	17,979
Corporate	1,751	0	-1,574	177
Economic Growth & Regeneration	26,427	-78	-5,680	20,669
Finance	179	0	-179	0
Highways and Waste Capital	23,901	0	-9,740	14,161
Total	88,297	581	-30,448	58,430

4.5 Provisional spend against the budget for 2021-22 is £59.5m. Given the significant number of capital schemes the analysis of spend against individual budget and therefore by directorate is still being progressed.

4.6 There have been a number of challenges during the first year of the authority in terms of monitoring the capital programme. The finance team is in the process of closing down the accounts in relation to capital and is undertaking the necessary due diligence to understand any potential variances in the programme. The position reported here is provisional and will be finalised as part of finalising the accounts for 2021-22.

4.7 Scheme progress is monitored during the year and reported to Cabinet on a quarterly basis. This includes changes to scheme timelines (where it is anticipated that costs will be moved to the following financial year). The Q3 report included £9.908m of rephasing. As part of the outturn process a further £30.448m of rephasing has been identified, bringing the total carry forward request to £40.356m

4.8 The key changes since Q3 are as follows:

New schemes / changes to existing schemes

- Southfields Primary School – removal of £324k budget. This was a specific scheme and the service advises that it has been cancelled.
- Sponne School – addition of £986k. Scheme previously approved by Cabinet and capital programme has now been updated to reflect this. This scheme was funded through S106 contributions.
(The sum of these 2 adjustments in the Children’s area is £662k as highlighted in Table 1 above)

Rephasing >£500k

- Northampton School for Girls Extension - £2,750k
- Superfast Broadband - £2,597k
- North West Relief Road - £1,770k
- LTP Integrated Transport Block - £1,439k
- Northampton Leisure Trust - £1,290k
- Pothole Fund £1,162k
- Disabled Facilities Grant - £1,174k
- Social Care Replacement System - £896k
- Homelessness Temporary Accommodation - £890k
- 24 Guildhall Road Block - £750k
- Operational Building Enhancements - £544k
- Northampton Market Square - £533k

4.9 Rephasing of schemes is required for several reasons, including the reprioritising of projects following the move to unitary status, the impact of COVID 19 and contractor availability.

4.10 A full list of rephased projects which require carry forwards into 2022-23 is shown in Appendix A.

Table 2 – Funding of the GF capital expenditure (provisional outturn) £k

Prudential Borrowing	Internal Borrowing	Capital Receipts	Grants and other contributions	S106 and CIL	External Funding	Total
£k	£k	£k	£k	£k	£k	£k
17,247	479	1,984	22,626	15,930	164	58,430

5. Revised 2022-23 Capital Programme (General Fund)

- 5.1 In February 2022, Full Council gave delegated authority to the Executive Director - Finance in consultation with the portfolio holder for Finance to amend the capital programme for 2022-23 going forward so that it accurately reflects issues such as rephasing 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.
- 5.2 Table 3 sets out the changes to West Northamptonshire's General Fund capital programme updating for the following:
- Scheme rephasing from 2021-22 (requested carry forwards into 2022-23 as per appendix A)
 - New schemes which have been approved after the setting of the WNC capital programme
 - New schemes as a result of recent government funding allocations.

Table 3 – Revised GF 2022-23 and Medium Term Financial Position £k

	2022-23 £k	2023-24 £k	2024-25 £k	2025-26 £k	Total £k
WNC approved GF capital budget as at Feb 22	91,700	48,134	28,680	12,711	181,225
Changes to existing schemes in 22-23 budget	38	0	0	0	38
Newly identified additional rephasing from 21-22 programme (not already reported in Feb 22 Capital Budget)	27,412	0	0	0	27,412
New approved schemes into capital programme	14,933	366	373	382	16,055
Revised GF capital programme	134,083	48,500	29,053	13,093	224,729

- 5.3 £14.9m of new schemes have been added to the 2022-23 GF capital budget since it was approved in February 2022. All additions to the programme have been made in accordance with the approved Capital Strategy, including consideration and sign off by the Executive Leadership Team (ELT) and the Capital and Assets Board (CAB).
- 5.4 Additions to the programme include the following:

New funding announcements from central Government:

- DfT Highway Maintenance Needs Block 2022-23 £4.742m
- DfT Highway Maintenance Incentive Block 2022-23 £1.185m
- DfT Pothole Fund 2022-23 £4.742m
- DfT Integrated Transport Block £1.550m
- DfE Schools Condition Allocation 2022-23 (Schools Minor Works 22-23) £1.733m

All of the above were funded through external funding and therefore have no impact upon the Council's finances.

Additional schemes approved through ELT and CAB

- Northampton Schools PFI Wave 2 Lifecycle Funding – grant funded scheme £0.358m
- Sponne School – legacy authority approved scheme now included in the GF capital programme £0.493m. This has been funded through S106 contributions.
- Active Traffic Management and Air Quality – grant funded scheme £0.130m

5.5 The funding for the revised programme is as follows:

Table 4 – Funding for the Revised WNC GF capital programme £k

WN Revised Capital Financing	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Total £
Capital receipts	2,578	85	85	0	2,748
Prudential Borrowing	57,887	9,587	4,795	9,118	81,387
Internal Borrowing	833	231	244	0	1,308
S106	8,125	6,119	3,750	0	17,994
Community Infrastructure Levy (CIL)	4,176	14,117	1,000	393	19,686
Grant Funding	54,732	14,645	8,979	382	78,738
Funded from Reserve	413	0	0	0	413
Revenue Funding	1,047	0	0	0	1,047
External Funding	4,292	3,716	10,200	3,200	21,408
Total Funding	134,083	48,500	29,053	13,093	224,729

6. HRA Capital Programme Outturn 2021-22

Table 5 Provisional HRA Capital Outturn 2021/22

Programme	Previously Reported Budget (P7) 2021-22	Net Over (Under) Spends	New Rephasing	Schemes Brought Forward from Future Years	Latest Capital Expenditure Provisional Outturn
	£k	£k	£k	£k	£k
External Improvements	18,808	0	(3,140)	0	15,668
Internal Works	2,300	0	0	49	2,349
Structural Works and Compliance	480	0	0	278	758
Disabled Adaptations	429	2,792	0	0	3,221
Environmental Improvements	2,752	0	(411)	0	2,341
IT Development	331	0	(16)	0	315
New Build Programme/Major Projects	36,329	0	(11,224)	0	25,105
Buybacks and Spot Purchases	10,018	0	(8,306)	0	1,712
Total	71,447	2,792	(23,097)	327	51,469

Cost variations

- 6.1 The only cost variation within 2021-22 was in respect of an overspend for disabled adaptations. Following the pandemic there has been an unprecedented high demand from tenants for disabled adaptations, in addition to a number of complex works which significantly increased costs over assumed levels.
- 6.2 Due to the urgent nature of some of the requests, it has been necessary to prioritise the adaptations and bring forward the expenditure in 2021/22, which will mean demand will need to be reassessed with a potential rebalancing of costs in 2022-23.
- 6.3 NPH now report their capital position into the Capital Assets Board on a regular basis in order for the Council to understand emerging pressures at the earliest point and also to be informed of the mitigation to be employed in order to bring the position back into balance across the capital programme.

Rephasing

6.4 The key projects which were delayed and therefore require the budget to be rephased are the following;

- Riverside House development
- Belgrave House development
- Ringway development, Briar Hill
- New Southbridge Road development

Table 6 Funding of the HRA Capital Expenditure (Provisional Outturn)

Funding Source	Major Repairs Reserve Depreciation	Capital Receipts - RTB (excl. 1-4-1)	Capital Receipts RTB 1-4-1	Grant Funding	Revenue Contributions Earmarked Reserves	Borrowing CFR	Total
	£k	£k	£k	£k	£k	£k	£k
Total	13,500	3,192	3,090	7,245	511	23,931	51,469

Table 7 - Revised HRA Capital Budget 2022/23 and Medium Term Financial Position

Description	Budget 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26	Total
	£k	£k	£k	£k	£k
WNC approved HRA Capital Budget as at February 2022	71,971	67,292	53,019	39,083	231,365
Changes to Existing Schemes in 2022/23 Budget	0	0	0	0	0
Provisional Rephasing from the 2021/22 Capital Programme	14,770	0	0	0	14,770
New Schemes into Approved Capital Programme	0	0	0	0	0
New Funding Announcements	0	0	0	0	0
Revised HRA Capital Programme	86,741	67,292	53,019	39,083	246,135

Table 8 - Funding of Revised HRA Capital Budget 2022/23 and Medium Term

Description	Budget 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26	Total
	£k	£k	£k	£k	£k
Major Repairs Reserve/Depreciation	13,500	13,500	13,500	13,500	54,000
Capital Receipts - RTB (excl. 1-4-1)	3,192	3,192	3,192	3,192	12,768
Capital Receipts - RTB 1-4-1 Receipts	3,100	3,900	8,300	6,300	21,600
Grant Funding	16,543	4,000	4,000	-	24,543
Revenue Contributions Earmarked Reserve	1,238	1,492	1,898	2,752	7,380
Borrowing / CFR	49,168	41,208	22,129	13,339	125,844
Total Funding	86,741	67,292	53,019	39,083	246,135

7. Implications (including financial implications)

7.1 Resources and Financial

- This report informs Cabinet of the provisional capital outturn position 2021-22 for all legacy West Northamptonshire authorities, for both the general fund and HRA. Carry forwards and sources of funding have been identified. The latest 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 be robustly challenged and monitored by Finance and the Capital and Assets Board.

7.2 Legal

- There are no legal implications arising from the proposals.

7.3 Risk

- There are a number of processes in place to robustly challenge new schemes and progress for existing schemes such as through ELT, CAB and in reports to Cabinet. Where required, completed projects will be subject to a 'lessons learned' exercise. Funding for all capital
 - schemes has been identified, and progress against budgets will be closely monitored to Cabinet on a regular basis

8. Background Papers

8.1 Final Capital Budget to West Northants Full Council – February 2022