

# **WEST NORTHAMPTONSHIRE COUNCIL CABINET**

**20 DECEMBER 2022**

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR  
MALCOLM LONGLEY**

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<b>Report Title</b>	<b>Quarter 2 General Fund and Housing Revenue Account (HRA) Capital Monitoring Report 2022-23</b>
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## **Contributors/Checkers/Approvers**

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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**

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- 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 September 2022.

## **2. Recommendations**

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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 September 2022.
- c) Approve the budget virement outlined in section 10.
- d)

## **3. Reason for recommendations**

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

## **4. Report Background**

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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 In year:

- the Executive Director – Finance can approve new schemes estimated to cost less than £100k.
- 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 Q1 position to Cabinet in September 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**

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5.1 The Council maintains a well-established robust review 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 an initial scrutiny and challenge process 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 emerging 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**

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- 6.1 Since the Q1 monitoring report there have been several changes to the capital programme. These changes are outlined below and reflect changes up until the end of October:

**Table 1 – Changes to the General Fund capital programme since Q1 September Cabinet.**

Scheme		2022- 23 £k	2023- 24 £k	2024- 25 £k	2025- 26 £k	Total £k	Funding Source
Virement from Telephony & Contact Centre Replacement to Civica Digital 360 Licence Renewal	Corporate	-168				-168	Borrowing
Virement to Civica Digital 360 Licence Renewal from Telephony & Contact Centre Replacement	Corporate	168				168	Borrowing
Reduced carry forward budget from 21/22 based on final outturn - Disabled Facilities Grant Daventry	Adults, Communities and Wellbeing	-20				-20	Grant
Additional carry forward budget from 21/22 based on final outturn - S106 Chaplins Yd Stratford Road Road	Highways and Waste Capital	28				28	S106

New scheme - Death Management Services. Approved by Cabinet and Full Council September 22.	Assets & Environment	400	5,300	6,700	1,000	13,400	Borrowing
New scheme – Dallington Cemetery Extension (part of Death Management Service approved budget but separated out for monitoring purposes). Approved by Cabinet and Full Council September 22.	Assets & Environment	300	300	100		700	Borrowing
New scheme - Tiffeld SEND School. Approved by Cabinet and Full Council September 22	Children's	1,150	17,250	4,600		23,000	Grant/Borrowing
New scheme - Financial Online Assessment Systems. Approved by CFO under delegated powers and signed off by CAB.	Adults, Communities and Wellbeing	64				64	Borrowing
<b>Total</b>		<b>1,922</b>	<b>22,850</b>	<b>11,400</b>	<b>1,000</b>	<b>37,172</b>	

## 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 2 Revisions to the General Fund Capital Programme**

<b>West Northants GF Capital Budget</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>Total</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Approved Budget 2022-23 September Cabinet	134,529	48,500	29,053	13,093	225,175
New scheme approvals	1,914	22,850	11,400	1,000	37,164
Changes to existing scheme budgets	8	0	0	0	8
<b>Total</b>	<b>136,451</b>	<b>71,350</b>	<b>40,453</b>	<b>14,093</b>	<b>262,347</b>
<b>Movement from September Cabinet</b>	<b>1,922</b>	<b>22,850</b>	<b>11,400</b>	<b>1,000</b>	<b>37,172</b>

**Table 3 - Revised WNC capital programme by Directorate**

Revised WN Capital Programme as at October 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	31,681	64	-20	31,725
Assets and Environment Capital	36,177	14,100	-5,755*	44,522
Children's	29,615	23,000	0	52,615
Corporate	4,966	0	0	4,966
Economic Growth & Regeneration	48,787	0	0	48,787
Finance	732	0	0	732
Highways and Waste Capital	73,217	0	5,783*	79,000
<b>Total</b>	<b>225,175</b>	<b>37,164</b>	<b>8</b>	<b>262,347</b>

\*Please note that £5.755m of budget associated with the Street Lighting Upgrade project has been moved from Assets and Environment to Highways and Waste as it was incorrectly allocated in the previous report.

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	2,578	85	85	0	2,748
Prudential Borrowing	59,769	20,438	15,196	10,118	105,521
Internal Borrowing	834	415	428	0	1,677
S106**	8,387	6,119	3,750	0	18,256
Community Infrastructure Levy (CIL)**	3,980	14,117	1,000	393	19,490
Grant Funding	55,151	26,360	9,694	382	91,393
Funded from Reserve	413	0	0	0	413
Revenue Funding	1,047	0	0	0	1,047
External Funding	4,292	3,816	10,300	3,200	21,608
<b>Total Funding</b>	<b>136,451</b>	<b>71,350</b>	<b>40,453</b>	<b>14,093</b>	<b>262,347</b>

\*\* 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	11,892	11,813	96	-17
Assets & Environment Capital	15,993	11,247	4,955	-209
Children's	18,374	18,374	0	0
Children's Trust	2,398	2,398	0	0
Corporate	4,565	4,335	230	0
Economic Growth & Regeneration	27,558	14,838	12,720	0
Finance	732	193	539	0
Highways and Waste Capital	54,939	54,554	385	0
<b>Total</b>	<b>136,451</b>	<b>117,752</b>	<b>18,925</b>	<b>-226</b>

\*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. For the next monitoring report, 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 - £5.5m 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 - £2m 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 - £1.8m 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.

## **9. Revenue impact of the General Fund Capital Programme.**

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- 9.1 The current approved capital programme includes borrowing of c£105m over the medium term, as shown in Table 4.
- 9.2 Based on the forecasts above, around £6m 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 £19.1m over the medium term, with £1.9m forecast for 2022-23.

## **10. Virement**

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- 10.1 It is requested that Cabinet consider a budget virement moving £650k of budget from the Northampton Leisure Centres Fire Assessment Works project across to the Northampton Leisure Trust energy savings project.
- 10.2 Since the fire risk assessment work budget was approved, further analysis has been undertaken and the scope of works required has reduced. However, as the energy saving works have progressed, it has been determined that the budget is insufficient to deliver the full scope of the original former Northampton Borough Council legacy project, so the full benefits will not be realised unless the budget is increased by £650k. This is due to additional works, that were originally unforeseen, being required during the first phases of works to Mounts Baths and Lings Forum and cost increasing significantly due to the demand in the market and supply chain for heating and ventilation works. Tender prices obtained for the works to Danes Camp and subsequent phases at Mounts Baths have exceeded the budget by circa £600k with £50k being required to cover risk and contingency. The Council's aim to achieve net zero should also be considered as these properties are large users of both gas and electricity and the aim of these works is primarily to reduce energy consumption and improve energy efficiency. There will also be reduced running costs for the centres.

## 11. HRA Capital Monitoring Report – Quarter 2

- 11.1 The Council's Housing Revenue Account Capital 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.
- 11.2 Revisions to the 2022/23 HRA Capital programme since the Quarter 1 reported position are set out in Table 7.

<b>Table7 Forecast HRA Capital Outturn 2022/23 - Period 7</b>					
<b>Programme</b>	<b>Re-profiled Budget 2022/23 £k</b>	<b>Virements £k</b>	<b>New Approvals £k</b>	<b>Re-phasing of Projects £k</b>	<b>Period 7 Forecast Outturn 2022/23 £k</b>
External Improvements	17,307			(501)	16,806
Internal Works	2,716	(250)			2,466
Structural Works and Disabled Adaptations	408	250	200		858
Environmental Improvements	1,500				1,500
IT Development	2,890				2,890
	512			(103)	409
New Build Projects	15,652			(846)	14,806
Buybacks and Spot Purchases	4,409				4,409
<b>Total</b>	<b>45,394</b>	<b>0</b>	<b>200</b>	<b>(1,450)</b>	<b>44,144</b>

- 11.3 The table above sets out the HRA capital Programme for 2022/23, including an overview of budget movements in the 2022/23 capital programme are as follows.
- A £200k increase in the budget to re-build a semi-detached property in Windflower Place. This property was destroyed by fire in December 2021 and part of the cost was to underpin and repair the damage to the adjoining property. This has been funded from the structural works programme.
  - A £250k virement from the internal works budget to the structural works and compliance budget. This is due to the increased demand for damp proofing and the removal of mould in several properties, a re-profiling of work has enabled a transfer of resource.
- 11.4 Table 8 is a summary of all the HRA capital scheme re-phasing reported by NPH. A detailed breakdown of schemes are reported in Appendix B.



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

<b>Description</b>	<b>Forecast 2022-23 £k</b>	<b>Estimate 2023-24 £k</b>	<b>Estimate 2024-25 £k</b>	<b>Estimate 2025-26 £k</b>	<b>Estimate 2026-27 £k</b>	<b>Total £k</b>
HRA approved Capital Programme plus 2021/22 carryovers and the re-phasing previously reported	45,394	74,787	50,106	57,058	57,439	284,785
Changes to Existing Schemes in 2022/23 Budget	0	0	0	0	0	0
Re-phasing of New Build, External Improvement and ICT Schemes	(1,450)	(13,347)	9,287	16,591	(11,080)	0
Schemes brought forward from future years	0	0	0	0	0	0
New Schemes into Approved Capital Programme	200	0	0	0	0	200
New Funding Announcements	0	0	0	0	0	0
<b>Revised HRA Capital Programme</b>	<b>44,144</b>	<b>61,440</b>	<b>59,393</b>	<b>73,649</b>	<b>46,359</b>	<b>284,985</b>

11.5 The key changes to the schemes are as follows.;

Schemes Aborted in 2022/23

- The new build single dwelling in Ambush Street and the development at Prentice Court (Phase 4) have been aborted because of escalating costs following design changes. The £475k budget provision allocated to these two developments will be partly (£300k) reallocated by NPH under the Management Agreement virements rules for urgent Disabled Adaptations projects which were deemed high priority.

Schemes Re-phased in 2022/23

- Planning permission has been received for the development at Derwent Drive, Kings Heath. The work will not start until the last quarter of 2022/23 which means that part of the budget will have to be carried forward into 2023/24.

Schemes Re-phased in 2023/24

- The largest scheme to be re-phased is the Fraser Road development, Thorplands. Due to planning issues this project has now been re-scheduled for 2025/26.
- Building control negotiations at Belgrave House have concluded which have resulted in design amendments and changes to the fire cladding. This is in line with the Hackitt Review recommendations and will result in increased costs and further delays. NPH are waiting for

revised costings and a further financial appraisal will be made. In August, Homes England awarded the Council of £706k towards the cost of the project.

- Demolition and enabling works at Avenue Campus are continuing. However, due to the volume of asbestos present, construction is now scheduled to start in 2023/24 and continue into 2025/26.
- The developments at Bouverie Road, Hardingstone and Colwyn Road, Town Centre have encountered problems with site access. This has delayed the feasibility stage and it is now anticipated that construction will begin in 2024/25.

There are similar delays with the developments at Althorp Road West and East where difficult site conditions are causing delays to the planning and design processes. Stage 2 design is underway at the Harefield Road, Blackthorn development but this too is subject to delays and is not now scheduled to start until 2024/25.

#### Schemes Over -Budget

- The external improvements budget is overspending due to the extra cost of asbestos removal on the Bellinge estate. There is currently an estimated overspend of £140k on this project and further costs are anticipated.
- Following the collapse of the company manufacturing the steel framework for the roof extensions at Woodstock and Dover Court, a fresh round of procurement is taking place. It is anticipated that additional costs will be incurred, and these will be reported when finalised.

#### Disabled Adaptations

- The demand for disabled adaptations is continuing NPH are carrying out a review of current expenditure and a further report will be tabled at the next meeting of the Capital Assets Board (CAB).

#### Grant Notifications

- In July the Council received notification from Homes England of a grant of £10.2 million for the Avenue Campus development. When the 2022-27 capital programme was approved by full Council in February 2022, it was assumed that grant funding of £12 million would be received for this project. As the grant is lower than budgeted, this will be realigned as part of the capital programme 2023-24
- The Council also received notification from Homes England of a £706k grant for the Belgrave House Clock House project. Unlike Avenue Campus no grant was assumed when the budget was prepared. The additional grant will reduce the borrowing to fund the capital programme.

11.6 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 £k	Estimate 2023-24 £k	Estimate 2024-25 £k	Estimate 2025-26 £k	Estimate 2026-27 £k	Total £k
External Improvements	16,806	12,637	7,850	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	14,807	39,128	41,919	57,210	28,384	181,449
Buybacks and Spot Purchases	4,409	2,500	2,500	2,500	503	12,412
Total Expenditure	44,144	61,440	59,393	73,649	46,359	284,985

11.7 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 £k	Estimate 2023-24 £k	Estimate 2024-25 £k	Estimate 2025-26 £k	Estimate 2026-27 £k	Total £k
Major Repairs Reserve/Depreciation	13,500	13,699	13,585	13,494	13,726	68,004
Capital Receipts - RTB (excl 1-4-1)	2,735	3,135	3,178	3,222	3,266	15,534
Capital Receipts - RTB 1-4-1 Receipts	3,480	6,099	4,301	12,085	4,270	30,234
Grant Funding	12,073	10,094	-	-	-	22,167
Revenue Contributions	1,238	1,492	1,898	2,752	4,064	11,444
Earmarked Reserve						
Borrowing / CFR	11,119	26,921	36,431	42,097	21,033	137,601
Total Funding	44,144	61,440	59,393	73,649	46,359	284,985

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

### **12.1 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 Finance and the Capital and Assets Board.

### **12.2 Legal**

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

### 12.3 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

### 12.4 Communication and consultation

- Capital programme projects and schemes set out within the report are subject to communications and consultation activities to keep stakeholders informed and engaged on how public funds are being spent to achieve the council's corporate objectives and outcomes.

### 12.5 Climate impact

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

### 12.6 Community impact

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

## 13. Background Papers

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