Appendix I

Capital Strategy 2018-19
(Draft Budget)

Northamptonshire County Council

Foreword 2018-19

By the Cabinet Member for Finance – Robin Brown

The strategy sets out Northamptonshire County Council's approach to capital investment for the next five years, aligned to the Council's Medium Term Financial Plan.

It forms a key component of the Council's planning framework and provides a mechanism by which the County Council investment and financing plans can be prioritised and delivered over the medium term planning horizon.

It sets out the governance process by which the Council prioritises and monitors its capital resources to maximise their contribution towards the achievement of the Council's strategic objectives and to meet statutory requirements.

The Capital Strategy will:

- Ensure capital expenditure contributes to the achievement of the Council's strategic aims and objectives.
- Set a capital programme which is affordable and sustainable.
- Maximise the use of the Council's assets and resources and deliver value for money.
- Provide a clear framework for decision making and prioritisation relating to capital expenditure.
- Establish a corporate approach to the review of asset utilisation to ensure efficiency.
- Acquire assets necessary to provide sustainable services to Northamptonshire residents.
- Encourage invest to save investment in assets to make efficiencies within the Council's revenue budget.
- Ensure all investment decisions are based on a robust appraisal process and prioritised in accordance with the strategy.
- Work with partner organisations to maximise the efficiency of assets across the public sector and Northamptonshire.

The conversion of the former Barrack Road postal depot into a new educational facility in a central location enables the regeneration of an unused site which has previously been seen as a negative impact on the surrounding neighbourhoods. The new circ. £30m facility is being delivered in partnership with the Educational Funding Agency and will provide for Primary, Secondary and Sixth Form educational provision and associated sports and community facilities

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Northamptonshire Superfast Broadband will see investment of £20m in partnership with BDUK and BT seeing residents, businesses and visitors benefiting from improved broadband infrastructure in local areas not seeing the rollout of commercial broadband

1. Background

Operating Environment

Asset and Capital decisions need to be made in context of the following directions and influences to the environment in which they are made:

The National Context – Political, Economic and Market conditions

The snap general election in June 2017 has resulted in a new government being elected. Since the election there has been a change in the Government's legislative programme.

The referendum on 23 June 2016 resulted in the decision for the United Kingdom to leave the European Union. The negotiations on the exit arrangements are ongoing and therefore there is added uncertainty in the economic situation until the conclusion of these negotiations.

This plan period will see Northamptonshire County Council's revenue budget being cut further on top of prior years' reductions, having a direct impact on the Council's ability to self-fund capital investment.

The Government's Autumn Statement 2016 chose to prioritise additional high-value investment, specifically in infrastructure and innovation that will directly contribute to raising Britain's productivity confirming that national capital investment will increase. The Government has stated that its capacity to meet needs depends upon the productive potential of the economy. The Autumn Statement 2016 brought in the National Productivity Investment Fund (NPIF) to support investment in innovation, infrastructure and housing.

The Spring 2017 Statement confirmed the Autumn direction of travel and announced Capital Investment in a further 110 new free schools continuing the governments agenda to directly fund through grants specific new free school and academy build projects.

The Autumn Budget 2017 has broadly followed on from the previous year albeit with reduced projections for productivity growth over the term of the parliament.

Key Capital areas announced were:

- The expansion of the NPIF to support innovation, upgrade the UK's infrastructure and to underpin the government's modern Industrial Strategy. The NPIF will last an additional year and total over £31bn. This includes investment in 5G & full fibre technology alongside Roads and Housing.

- A Transforming Cities Fund of £1.7bn of which 50% will go to the six areas of the country with elected mayors with the other 50% open to bids. Whether this will extend outside of formally agreed cities will be within the detail to be published.

- Support for the development of the charging infrastructure for electric cars.

- £1bn of discounted lending for local authorities for high value infrastructure. It is unclear as yet whether this may be anything more than the discounted certainty rate currently available.

- Announcement that the Homes and Communities Agency will become Homes England to include money, expertise, planning & compulsory purchase powers to facilitate the new homes needed, with a target to nationally be delivering 300,000 new homes per year by the mid 2020's.

- £10bn Capital investment for the NHS. Although this will not directly come to the Council, it may support efficient service delivery in the care sector.

Over recent years, the Government has revised mechanisms to prioritise capital funding, such as revolving capital pots, increased business case bids and developments, such as the Better Care Fund and the Single Local Growth Fund, to bring together local public sector partners. The Council expects these trends to continue and to be further expanded under the influence of the South East Midlands Local Enterprise Partnership (SEMLEP). Through whichever mechanism they are delivered, direct grants are expected to be a significant source of capital funding for the Council.

The Capital budgets are set for every department to 2021-22 and are laid out below. This awaits further update following the 2017 Autumn Statement.

Northamptonshire County Council Position

The Council is focusing on the Digital Northamptonshire work programme into 2018-19. This is entering its delivery stage and builds upon established Next Generation Working principles to ensure that end to end business processes are fully exploiting existing technology.

Delivery structures and models need to be simplified to remove duplication, unnecessary oversight and management and to ensure the right services are delivered in the right place, (for customers), at the right cost. Services based on statutory duties or grant funded will be maintained, but remaining services will be scaled to what is affordable, or what communities can be supported to provide. The optimum mix of duty, quality and cost will be achieved.

The consolidation of capital investment coordination within Place continues to develop in leading the allocation of investment to meet local priorities and local needs focusing on the outcomes for local communities and the prosperity of Northamptonshire.
The reorganisation of posts within the service area and recruitment to an Assistant Director Assets and Capital and a Commercial Director are examples of the Council updating its structures to meet the new opportunities and requirements in order to deliver for Northamptonshire and support financial stability.

This will see the development of innovative solutions to deliver services differently, with new relationships with public/private and voluntary sectors through strategic alliances. One further stream directly related to capital investment is the refresh of the Asset Utilisation Strategy and the adoption of a Corporate Landlord model. The strategy will be far more commercial and ambitious in approach through a targeted capital investment programme that will generate a revenue income for the County Council.

2. Ambition

The Council's long term vision is 'to make Northamptonshire a great place to live and work'. The Capital Strategy supports the achievement of this vision through investment in the assets the Council owns, the delivery of key infrastructure to support growth and improvement in services, and through improvements to the services and systems that the Council utilises.

The Capital Strategy continues to be mapped to the general direction for public sector investment, partly driven by grant funding streams. It is envisaged that major elements within the plan will continue to be as follows:

Highways maintenance and infrastructure investment funded by grants such as the Local Growth Fund, the Revolving Infrastructure Fund and other Government grant allocations.

The extension of current schools and new additional schools to meet need, funded by a mix of Basic Needs Grant or specific grants through the Education Funding Agency and other bodies.

Other key Digital Northamptonshire projects.

Investment to Save along with other joint investments with partners to generate revenue savings and new ways of delivering services.

The Council is facing unprecedented demand on its services whilst financial support to provide services from central government declines there is a greater expectation on local funding to meet the gap.

This is driving a requirement over the current planning period to make better more efficient use of the assets that the Council uses to provide services from and to achieve a greater income from commercial assets that it holds.

In this regard, the Council has some bold plans to realise which require capital investment however, affordability of the borrowing requirements must be carefully considered and capital schemes are considered against three categories:

1. Capital investment which delivers a saving against current budget pressures.
2. Capital investment which meets additional demand for services through the provision of new or enhanced assets.
3. Capital investment which delivers an improvement in services through asset improvement or investment in new assets.

Work is in hand to review and prioritise current bids for new and extended scheme funding against the above criteria and with reference to the extent to which investment will lever external funding into the county. This exercise wil be completed within the anticipated envelope for new discretionary funding and the outcomes will be detailed in the Final Capital Strategy in February.

3. Key Themes/Objectives for the 2018 Strategy – Changes

Links to Themes for Change and Planning

Reduced Scope of Services –
Clear prioritisation

Strong Financial Control –
Review of current schemes and schemes in development pool, not just new proposals
Monthly monitoring improvements – PMO support
No block funding – annual allocations
Benchmarking of costs
Lessons learnt
Revenue impact and refocus back to revenue in later part of plan

Clear income and debt strategies –
Review use of non ring-fenced grants
Review implications and level of short term/bridge funding
Review of unviable schools assets
Maximisation of income potential from Assets

Market Management & Opportunities examples –
Moray Lodge and retirement village's proposals

Strengthened and Strategic Commissioning examples –
Corporate landlord

New Funding Sources and Models examples –
Managing Agent
Investment Property Initiative
Strategic Landholdings development

Automation to drive cost reductions -
Modular build considerations

Shared Utilisation of Assets –
Community Hubs Initiative
Community transfers

4. Funding Streams

Prudential Borrowing

- The introduction of the Prudential Code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. This funding can also be used as an option to front fund developments to stimulate growth. This type of borrowing has revenue implications for the Council in the form of financing costs.

Private Finance Initiative (PFI)

- The Council has made use of additional government support through PFI schemes. Current schemes funded this way include some Northamptonshire Schools, Adult Social Care Provision and Street Lighting.

Section 106 (S106) and External Contributions

- Elements of the Capital Programme are funded by contributions from private sector developers and partners. Growth in Northamptonshire has resulted in S106 contributions from developers accounting for significant elements of the funding of the Capital Programme in recent years.
- Funding has supported education and highways infrastructure programmes and is received in line with trigger points within individual negotiated S106 agreements.

Capital Receipts

- The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings.
- These capital receipts can be used to reduce down the Council's borrowing liability and be reinvested in the Capital Programme on a 50/50 basis (see Golden Rule Two and comments about the impact of the current flexibility around the use of capital receipts to fund transformation).
- The Council has an earmarked Asset Utilisation Reserve to provide the upfront financial investment to enable the consolidation and rationalisation of its property portfolio.

Revenue Funding

- The Council can use revenue resources to fund capital projects on a direct basis and this funding avenue has been used in the past. However austerity on the Council's revenue budget has reduced options in this area, there is therefore a preference for Invest to Save Business Cases.

External Grants

- The largest form of capital funding comes through as external grant allocations from central government departments. Although these grants are to support specific areas of investment the Government removed capital ring-fencing in 2010 enabling local authorities to prioritise grants to support local needs, pressures and statutory responsibilities.
- Sources of grant funding continue to evolve with the SLGFs and the increased role of LEPs. The Education sector has also seen similar changes with the Education Funding Agency providing direct support and grants to specific free school and academy build projects.

5. Borrowing Prioritisation

The ability for the Council to borrow funding for capital investment is determined by four key principles:

1. The ability to afford the borrowing from revenue budgets
2. The adoption within the Council's SORP of a borrowing 'golden' rule which limits capital borrowing to 9% of the total revenue budget.
3. The allocation of capital receipts 50:50 towards the repayment of Council borrowing, and to reinvest in funding of the capital programme.
4. Invest to save borrowing is not constrained by 1, however repayment must be charged back to service budgets in accordance with the business case identifying the savings and follow a strict governance process.

The above points must be tested against when considering capital investment proposals.

As borrowing headroom reduces, the ability of the Council to afford borrowing for discretionary schemes is limited and the strategy must prioritise investments which either deliver savings against revenue pressures or which help meet additional demand for services by the provision of new or enhanced assets. It is hoped that an improvement in services may also be achieved through this in many circumstances. The exception to this is where service provision is demonstrably failing due to a lack of asset investment, requiring capital investment to improve service provision without other savings being realised.

Current Borrowing Limits
The table below shows the borrowing limits which are in line with the outstanding unfinanced capital described as the Capital Financing Requirement (CFR).

The Council is expected to set its own borrowing limits based on revenue affordability, risk, etc.

	2017-18 Budget (£m)	2017-18 Forecast Q1 (£m)	2018-19 Budget (£m)	2019-20 Budget (£m)	2020-21 Budget (£m)	2021-22 Budget (£m)
Authorised Limit	757	757	772	767	763	750
Operational Boundary	727	727	742	737	733	720
CFR	697	722	712	707	703	690
Actual external borrowing	547	511	564	564	563	551

The KPMG Benchmarking Report from Autumn/Winter 2016 made a couple of observations in respect of NCC capital financing:

1. NCC had the highest capital financing requirement to net revenue expenditure ratio of its peers, (other county councils), suggesting the authority has yet to pay for more capital expenditure than its peers relative to its size 1.73X, (net budget £417m, CFR £722m). The other fifteen in the comparator group were between 0.75-1.5.
2. NCC sat within the middle of its peer group in terms of ratio of long-term borrowing to revenue expenditure. This may seem to conflict with the observation in point 1,

but is due to the fact that a significant element of the CFR of £722m is being financed by internal and short-term borrowing, (around 50%), leaving only 50% being financed by long-term borrowing agreements. Internal borrowing occurs as a result of cashflow and reserves within the Council.

The outcome of the above is that the Council could be at risk from increases in interest rates meaning new borrowing to replace short term borrowing or any reduction in internal borrowing could put significant revenue pressures on the council.
The management of this, and decisions in line with prudential concepts of how, where, when to borrow, are made by the Treasury Management team based on advice from advisors in the sector.

The recent Peer Group Review identified that within NCC there is a very short-term focus on solving the financial problems of today which could be to the detriment of the medium to longer-term. These particularly relate to the use of capital receipts, Section 106 monies and other treasury management approaches, many of which have revenue implications in the future.

The above are reasons why the middle to later part of the Capital Strategy needs to deal with this and refocus on repaying debt to reduce the council's vulnerability to interest rate changes.

Treasury Strategy Section approach to management of the CFR and Risk
The strategy of internally borrowing, by carefully managing the Council's balance sheet, is currently the most appropriate strategy which enables savings to be generated and reduces the level of cash invested and credit risk associated with investing. However the projected level of internal borrowing is not sustainable so loans from the PWLB and other sources are currently being considered.

Prudential Indicator
This is the ratio of financing costs to net revenue stream and golden rules state it should be below 9%.

The Treasury Revenue Budget 17-18 represents 7.1 % (This includes net interest costs and MRP). The June 2016 National Audit Office Report 'Challenges of Capital Resourcing' identified that 'A quarter of single tier and county councils now spend the equivalent of 9.9% or more of their revenue expenditure on debt servicing.'

Borrowing Headroom
The current revenue budget and growth proposals in the MTFP allow for the implications of the current Approved Capital Programme, the discretionary funding implications of the Development Pool 2017-18, as well as providing potential for further new schemes or funding gaps/pressures within current schemes to be addressed.

The implications of previous funding swaps and current year reviews to support revenue also need to be factored in.

Given the Councils current financial position it is important that schemes not currently in delivery are reviewed against funding priorities, risks and implications and are agreed between Senior Officers and Cabinet members.
It is currently estimated that there is headroom of £40m available for new and extended schemes.

6. Grant Funding

Education Funding Agency Grants

- The Education Funding Agency (EFA) administers education revenue and capital funding for learners between the ages of 3 and 19, or up to 25 for those with special educational needs and disabilities. It also supports building and maintenance programmes for schools, academies, free schools and sixth-form colleges. EFA is an executive agency of the Department for Education.

Regional Growth Deals (including SLGF)

- Growth Deals were a direct response to the London-focused and over centralised UK economy and form part of the proposed response following the publication of Lord Heseltine's report 'No Stone Unturned', placing power and money in the hands of cities, towns and counties for local communities to prioritise.

- Growth Deals bring together housing, infrastructure and other funding in a single pot put into local hands via the LEPs to release growth, jobs and educational opportunities.

Capital Grant Settlements 2018-19 to 2022-23

- Detailed capital grant settlements and assumptions from government departments are:

Department of Transport	**Indicative**				
All figures £m	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Integrated Transport Block (ITB)	3.08	3.08	3.08	3.08	3.08
Highways Capital Maintenance – Needs Based	12.29	12.29	12.29	12.29	12.29
Total LA Funding	**15.37**	**15.37**	**15.37**	**15.37**	**15.37**

- The settlement from the Department for Transport (DfT) is not ring-fenced although it should ideally be used within the scope of the Local Transport Plan (LTP).

- The Government announced Integrated Transport Block and Highways Capital Maintenance levels in the Autumn Statement 2014 with figures to 2017-18 only. Allocations for 2018-19 – 2020-21 are due to be announced shortly, the current figures shown figures are indicative pending a data refresh, the collection of cycleway and footway data and review of the bridges element within the formula. It is expected that allocations for 2021-22 and futures years will be advised towards the end of 2020-21.

- No similar forward allocations are made for the Highways Maintenance incentive and Challenge Funds which are allocated on an annual basis.

- In recent years, the Government has allocated funding for a Pothole Action Fund, and while it is possible this may continue, no details are currently available.

- Further potential changes to the mechanism for Highways Funding are currently being discussed as part of the current consultation on the Government's Devolution agenda around the 100% Business Rates Retention target by 2020.

Department for Education

All figures £m	2018-19	2019-20	2020-21	2021-22	2022-23
Basic Need	1.49	18.85	TBA	TBA	TBA
School Condition Allocation (SCA)	3.84	3.50	TBA	TBA	TBA
SEND Capital Grant	0.94	0.94	TBA	TBA	TBA
Total LA Direct Funding	**6.27**	**23.29**	**-**	**-**	**-**
Devolved Formula Capital (DFC)	0.49	0.25	0.1	0.1	TBA

- The settlement from the Department for Education (DfE) is not ring-fenced although its use is monitored as part of annual capital spend data returns.
- DFC is passported directly to schools to enable them to invest in ICT, minor repairs, etc.
- The School Condition Allocations have been announced for 2017-18 and the DfE have confirmed that the formula used to calculate this funding stream will remain the same for 2018-19. NCC can expect a small reduction of this funding stream as a result of schools that have converted to academy status since the last announcement.
- The Basic Need allocation for 2019-20 has increased by over £17m when compared to the previous year. At the present time, it is unclear whether this reflects a shift away from the central government policy of providing new school places through the ESFA's 'Free School' programme or an attempt to redress historic underfunding of school places in the county.
- Capital allocations for Voluntary Aided Schools are not included in the figures above.
- The DfE has announced a separate capital fund to allocate to local authorities to supplement their basic need funding and help them to enhance provision for children with EHC plans. NCC were allocated £2.82m over a three year period from 2017.

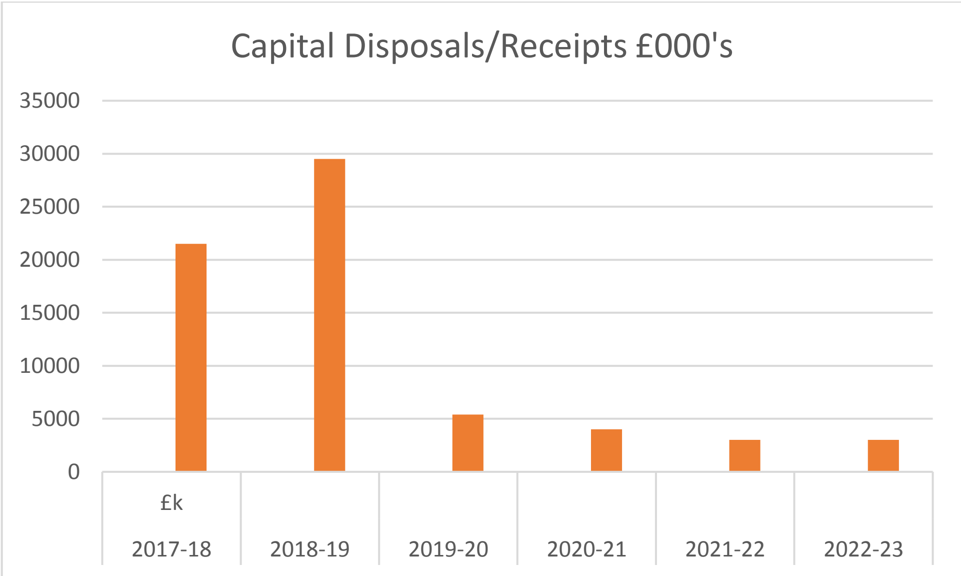
Department for Health (DOH)

- The announcement of the introduction of the Better Care Fund (BCF) saw the former PSS capital grant from the Department of Health being incorporated along with the Disabled Facilities Grant into the BCF.

Department for Communities and Local Government (DCLG)

- There have been no separate announcements regarding a separate fire capital grant for years beyond 2015-16. The Council benefited from this funding in previous years.

7. NCC Funding Streams



- Capital receipts have in the past provided an important funding stream to enable the Capital Programme to be supported.

- Following the announcement of SR 2015 allowing local authorities to use capital receipts to fund revenue costs of reform projects the Council has agreed to utilise the vast majority of its Capital Receipts from 2016-17 to 2018-19 to support the revenue implications of this transformation.

- The Council's Efficiency Plan approved by Full Council is the vehicle by which the plan and progress around the 'Flexible Use of Capital Receipts' is signed off.

- The Council's ability to rely on sizeable capital receipts from the sale of its asset base will be reaching its end by 2019-20 and the Council is therefore only forecasting relatively small opportunistic disposals after this period.

- Excluding the remainder of the Northampton Schools Reorganisation sites, Strategic Land Holdings (SLH) remain the only area of sizeable asset ownership under the Council's control however predicting the timescales and values of receipts on these areas is problematic due to the complex nature of these sites and the multiple interests of partners, developers and local interest groups. The need to secure appropriate infrastructure and receipts from the sale of strategic land holdings continues to be challenging.

Discretionary Funding Availability

- Assessment of the affordability of Council discretionary capital investment is still under review taking into account key areas such as capital receipts, interest rates, capital golden rules, grant allocations, austerity measures and the underlying need to invest.
- Discretionary investment this year will be prioritised to support three key areas:
  - Ongoing support to the Council's revenue budget;
  - Extending the plan period by an additional year; and
  - Dealing with risks and pressures within schemes in the current Capital Programme, e.g. Northampton International Academy.
- The policy continues to incorporate the use of Central Government grants where it is practical, affordable and necessary to support local prioritisation of investment.
- The Council reviews each year the discretionary funding envelope it is able to prioritise, including the use of grants it wishes to consider as part of its 'Discretionary Funding Pot'.

Below is the summary commitments bought forward from the 2017-18 Capital Strategy. The position on new funding will be finalised as part of the prioritisation and affordability review between Draft & Final Budget in February 2018.

Discretionary Funding	**£m**
Capital Strategy 2017-18 to 2021-22	39.552
Less, Approvals to date and forecast to end of 2017-18	4.616
Balance remaining/approved in 2017-18 Strategy for 2018-19 onwards	34.936

Invest to Save and Innovative Funding Availability

- The Council considers Invest to Save and Innovative Funding Investment critical to deliver the step changes required both in terms of managing pressure on Council budgets, but also in the delivery of services, jobs, growth and economic prosperity for Northamptonshire.
- The Council's ability to invest in capital projects is underpinned by the prudent self-imposed funding envelopes (Golden Rules) and its current revenue budget funding. However the discretionary funding envelope is only in place to control capital investment prioritised purely for, or to aid, service delivery.
- The Council continues to pursue innovative funding mechanisms and invest to save initiatives that will provide financial and/or economic benefits for the Council and/or Northamptonshire and capital investment in these areas continues to be developed.
- These type of schemes increase the Council's short term financing costs but the Council and Northamptonshire are more than compensated by the long term financial and non-cashable benefits in the future. This investment is not included with the 'traditional' measure of discretionary financing costs however robust capital governance continues to be maintained to ensure the distinction between elements remains clear and transparent.

8. Capital Programme

Committed Programme Expenditure

- The Council's Medium Term Capital Programme (MTCP) only shows the committed expenditure on schemes that have passed the first gateway in the capital programme process. This means it has passed the scheme outline, corporate review of the business case and funding and prioritisation activities, and is now at least at the detailed scheme planning phase and can start to incur spending.
- The committed programme is funded using a number of different mechanisms. All external grants or contributions have either been received by the Council, are contractually committed to be received or fall into the indicative and prudent predictions of Government grant settlements or announcements that the Council will be allocated over the plan period.
- The Table below represents the Forecast Plan as at October 2017

Current Programme Expenditure	**Forecast 2017-18 £m**	**Forecast 2018-19 £m**	**Forecast 2019-20 £m**	**Forecast 2020-21 £m**	**Forecast 2021-22 £m**	**Forecast Total £m**
Environment, Development and Transport	88.3	36.2	4.5	1.8	1.8	**132.6**
Children, Families and Education	66.0	26.5	3.5	1.6	0	**97.6**
Adult Social Care Services	0.6	2.3	0	0	0	**2.9**
Public Health and Wellbeing	1.0	0.1	0	0.1	0	**1.2**
IT Infrastructure/ Development	2.2	0	0	0	0	**2.2**
Property Maintenance	4.7	0.6	0	0	0	**5.3**
NCC Core	0.8	0.4	0.4	0.4	0	**2.0**
Total	**163.6**	**66.1**	**8.4**	**3.9**	**1.8**	**243.8**

Committed Programme Funding

- Discretionary funding amounts to some £58m (24%) of the overall committed Capital Programme over the plan period and reflects the decisions to invest Council resources in the county's infrastructure, and also strategies to support the Council's revenue position through S106 funding switched to prudential borrowing and the review of the capital/revenue budgets within Highways.
- Total Council investment (Discretionary, Invest to Save, Innovative and Revenue Funding) accounts for 32% (£77m) of the overall funding of the committed Capital Programme over the life of the plan. It should be noted that Innovative Funding is only temporary in nature (front funding) but does carry short term financing costs which do need to be met from existing resources.
- The time lag nature of capital investment dictates that a decision to invest can sometimes be expensed many years later, e.g. the decision to invest in the construction of a new road that could take 3-4 years to construct before it becomes operational.

Funding table

Capital Programme Funding	Forecast 2017-18 £m	Forecast 2018-19 £m	Forecast 2019-20 £m	Forecast 2020-21 £m	Forecast 2021-22 £m	Forecast Total £m
Grants and External Funding	115.6	38.7	3.0	1.5	1.8	**160.6**
Discretionary (Inc. use of capital receipts)	32.0	19.0	5.0	2.0	0	**58.0**
Invest to Save	1.0	3.8	0.4	0.4	0	**5.6**
Innovative	15	4.6	0	0	0	**19.6**
Revenue Contributions	0	0	0	0	0	**0**
Total Funding	**163.6**	**66.1**	**8.4**	**3.9**	**1.8**	**243.8**

Chester Farm Impressionist's Sketch once completed the Chester Farm project will see the development of this outstanding heritage site as a place for learning, participation and leisure.
Chester Farm Heritage Park is a £12.7m project funded by Heritage Lottery Fund and Northamptonshire County Council. By 2018 the many stories of 10,000 years of Northamptonshire heritage will be told on this extraordinary but little known site

Selected Major Scheme Details (committed and development pool)

Some of the larger schemes the Council will be delivering over the course of the plan period include:

Scheme Name	Scheme Description	Total Scheme Cost £m
Northampton International Academy	The 2–19 academy will eventually house 2,220 pupils comprising 420 primary, 1,500 secondary and 300 post-16 students. It admitted children in Reception and Year 7 from September 2016. EMLC Academy Trust is the sponsor of the 'all-through' 2-19 Northampton International Academy on the Barrack Road site and a unique feature of the Barrack Road site is the commercial opportunities that have been developed into the design. The aim is to create an outstanding and high performing international academy, which offers a strong academic curriculum, specialising in modern foreign languages.	44.9
A45 Daventry Development Link	Identified as a priority in the Northamptonshire Arc to create additional road network to release future growth and development in the west of the county earmarked for substantial growth. This scheme is developed and delivered with partner organisations adopting innovative funding approaches that will see the removal of traditional barriers to funding key infrastructure. Funding will be from development related income along with grants and contributions. This approach has been badged as a Northamptonshire Revolving Infrastructure approach (NRIF).	39.2
Superfast Broadband	This scheme will deliver the roll out of superfast broadband to provide coverage of the 'white areas' of the county. National Government through BDUK plans to ensure the UK has the best broadband network in Europe and this scheme will provide the infrastructure for areas not already being planned under existing commercial rollouts. There is a requirement for local investment to match BDUK grants to fill the gap in financial viability for commercial delivery.	22.3

9. Capital Investment

Key Areas of Capital Investment 2018-19 to 2022-23

- The annual budget cycle has focussed on the capital funding the Council does have and the key areas it wishes to invest in. During this particularly austere period the Council does not have sufficient capital resources to invest in all the areas identified as part of the budget process.
- Given the anticipated continuing long term reduction in the availability of Council capital funding and the challenges of disposing of capital assets, the Council is actively exploring new methods of financing and paying for infrastructure such as Innovative Funding.
- Key areas of capital investment (schemes) which have been granted valid submissions have been divided into two groups:

Development Pool – schemes that the Council would be prepared to fund, subject to final negotiations, confirmation and evidencing of funding and submission of robust business cases to the Capital Programme Board (CPB) for approval by Cabinet.

Pre-Qualification Group – schemes on which the Council will conduct a preliminary appraisal, but at this stage remain unaffordable pending scheme funding allocations.

Daventry Development Link view from the M1 interchange

The delivery of the DDL is essential for long-term growth in the west of the county, and particularly of Daventry. It will also stimulate private sector investment, business growth and new jobs. The 6km single carriageway link road will extend between Junction 15 of the M1 Motorway and connect to the existing A45 west of Weedon Village

Development Pool

- Further prioritisation through the Council's Officer and Member Forums will take place reflecting views of internal and external consultation. This will match the key areas of capital investment for the Council with available resources.
- This prioritisation process will identify the capital investment schemes that are of greatest priority to the Council, within the resources available, and that have received indicative funding to enable them to be confirmed for inclusion into the Development Pool.
- These schemes will offer good value for money and the Council will conduct further analysis on these schemes to develop detailed business cases to enable the submission of Proposed Investment Decisions (PIDs) to the Capital Programme Board (CPB).

Below are the Development Pool Schemes bought forward from last year's strategy alongside new bids for future years Discretionary Funding support

Discretionary Funding Pot	Budget 2018-19 to 2022-23 B/F	Prioritised Balance 2018-19	Prioritised Balance 2019-20	Prioritised Balance 2020-21 to 2021-2022	New Discretionary bids 2022-23 and other uplifts	Total Discretionary Funding Bid 2018-19 to 2022-23 (TBA)
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property Minor Works	**4,000**	1,000	1,000	2,000	**0**	**4,000**
Highway Management	**8,700**	0	3,250	5,450	**2,200**	**10,900**
IT Infrastructure	**5,155**	1,285	870	3,000	**0**	**5,155**
Daventry Library Fit Out	**109**	109	0	0	**-109**	**0**
A14 Cambridge to Huntingdon Improvement Scheme	**180**	0	60	120	**60**	**240**
Highway Asset Maintenance Strategy(capitalisation)	**8,000**	2,000	2,000	4,000	**2,000**	**10,000**
Fire Appliance Replacement Programme	**7,425**	2,430	1,532	3,463	**1,594**	**9,019**
Equipment (Fire & Rescue)	**547**	266	57	224	**205**	**752**
RTC Equipment	**580**	0	580	0	**-202**	**378**
Registration Office Moves	**100**	100	0	0	0	**100**
Octigo Phase 3 & 4	**140**	140	0	0	0	**140**
Total Discretionary Funding Balance (2017 Dev. Pool Schemes)	**34,936**	**7,330**	**9,349**	**18,257**	**5,748**	**40,684**
New bids		**2018-19**	**2019-20**	**2020-21 to 2021-22**	**2022 onwards**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**
New Schools to support Housing Growth funding shortfall Inc. NIA	**0**	9,000	8,100	0	0	17,100
A509 Wellingborough Dev. Link Phase 1 (Isham bypass) (funding gap)	**0**	1,305	0	10,695	0	12,000
A43 Northampton to Kettering Phase 1b (funding gap)	**0**	0	6,000	0	0	6,000
Northampton Northern Orbital Preliminary Works	**0**	1,551	1,067	800	0	3,418
Chester Farm (funding gap)	**0**	2,200	0	0	0	2,200
TOTAL Discretionary Funding request 2018-19 Strategy		**21,386**	**24,516**	**29,752**	**5,748**	**81,402**

Affordability of Discretionary Funding bids

As previously stated, It is currently estimated that there is headroom of £40m available for new and extended schemes. The Table above shows a total request for £81m, including £35m already approved, giving a requested increase of £46m, i.e. £6m over the anticipated available funding.

The Table above excludes the recognised requirement for a centrally held contingency pot of 10% against both the new programme (£81m) and the remainder of the committed programme (approx. £80m) – a total £16m, to cover risk of overspends and issues arising from works. Offsetting this, confirmation of the transfer of Fire governance to the OPCC would remove approx. £10m from the Development Pool funding requirement.

The net impact is therefore an overcommitment of £12m. This figure does not take account of:

- Additional property maintenance arising from Library Transfers and basic maintenance issues catch-up.
- Community Hub potential investment requirement.
- Daventry Development Link pressures.
- Schools Programme beyond 2021.
- Isham Bypass phase 2.
- Childrens Improvement Schemes.

Pre-Qualification Group

- Capital Schemes that are greatest priority within the resources available and therefore which can be committed to the Council's future Capital Programme are promoted to the Development Pool.
- All other schemes which have not yet been approved into the Development Pool have achieved programme entry into the Council's Pre-Qualification Group.
- The Pre-Qualification Group recognises the schemes/priorities the Council wishes to consider for future capital investment.
- This could be due to a number of factors:
    - Scheme is in early stage of development
    - Scheme requires submission of revised outline business case
    - Funding unavailable
    - Earmarked for central government or external funding yet to be announced

10. Governance

Committed Capital Programme Approval

- All capital expenditure must be carried out in accordance with financial regulations, the Council's Constitution and the Council's Contract Procedure Rules.
- The expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards.

- The Capital Strategy approved by Full Council as part of the Council's annual budget (usually in February of each year) sets the capital funding availability for the Council, the prioritisation of funding and the schemes receiving entry into the Capital Strategy.
- Schemes are formally approved into the Council's Committed Capital Programme, enabling schemes to progress to the committing of expenditure, following Cabinet approval, (usually following CPB recommendation). Cabinet sign off is normally obtained through the Monthly Capital Report (MCR).
- Schemes requesting entry into the Council's Committed Capital Programme not already entered into the Council's Capital Strategy require recommendation from Cabinet for Full Council approval, (subject to a lower limit of £100k).
- All schemes must be approved by Cabinet via the procedures outlined in this document and the wider documentation available within the Council.
- Officers are not authorised to commit expenditure without prior formal approval as outlined.
- Each scheme must be under the control of a nominated budget/project manager and a nominated project sponsor, (senior responsible officer (SRO)).
- A separate Cabinet report is required for any capital scheme(s) which have a capital expenditure value of £500k or above.
- Any agreements (such as section 106) which contractually commit to procure capital schemes (such as school builds) will need to follow the same approval process as other capital expenditure before they can formally be entered into the Council's Capital Programme. Schemes of this type valued at £500k or above will also need a separate Cabinet report.

Capital strategy improvements

Following the LGA Peer Review recommendations it is proposed to strengthen our governance arrangements with the following governance structure and responsibilities:

1. Capital Board
   - to own the capital strategy
   - to decide on in-year scheme bids and variations
   - to monitor programme contingency
   - to approve schemes moving forward though gateways: Development Pool submission, Feasibility, Detailed Business Case (Cabinet approval) & PID, Close (benefits realisation and lessons learnt)
   - The Full Business Case must identify the funding mechanism for the scheme and load the budget changes into the MTFP
   - Block allocations not permitted

2. Value Management workshop
   - All schemes much have gone through value management workshop to review specification, asset performance, value engineering and contract options.
   - This must be ahead of PID approval.

3. Review and ensure we have a robust performance management approach to capital scheme delivery

   Programme Board

   - monitor progress
   - challenge delivery and contracts
   - update forecasts and risks
   - all schemes must have gone through a quantified risk assessment before entry into programme board monitoring

This purpose of this structure is to reinforce our monitoring of capital expenditure and approvals to ensure that schemes represent the best value possible and to protect the limited borrowing capacity of the Council, having reference to capital rules and regulations and agreed project management best practice.

Virements

- Virement of funding from one capital scheme to another is not permitted within the Council's capital governance arrangements. This results in a consistent approach over the treatment of any over or underspends against approved funding limits.

Review and Challenge

- The plan is scheduled to last for the duration of the financial year 2018-19
- It will be kept under review and replaced on an annual basis during the formal budget approval round.

11. Development Pool Bids 2018-19

	Schemes	Service Area	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Total MTP £000	Funding Source
1	Care Village	ASC	6,600	6,600	6,600	0	0	**19,800**	**Invest to Save**
2	Community Equipment	ASC	900	0	0	0	0	**900**	**Grant**
3	Ridgeway House ExtraCare Facility	ASC	500	6,500	0	0	0	**7,000**	**Invest to Save**
4	Brackley ExtraCare Facility	ASC	500	4,000	3,500	1,000	0	**9,000**	**Invest to Save**
	Total ASC		**8,500**	**17,100**	**10,100**	**1,000**	**0**	**36,700**	

	Schemes	Service Area	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Total MTP £000	Funding Source
5	New Primary Schools to support housing growth	CFE	1,700	12,800	15,300	10,800	39,500	**80,100**	**DFE, S106 & External**
6	New Secondary Schools to support housing growth	CFE	2,500	15,000	22,500	10,000	25,000	**75,000**	**DFE, S106 & Discretionary**
7	Secondary Schools: extensions for new pupil places	CFE	600	10,900	5,500	0	0	**17,000**	**DFE & S106**
8	Primary School extensions	CFE	785	1,185	935	375	250	**3,530**	**DFE & S106**
9	Devolved Formula Capital	CFE	TBA	TBA	TBA	TBA	TBA	**0**	**DFE**
10	Schools Strategic Repairs and Maintenance	CFE	1,000	1,000	750	750	750	**4,250**	**DFE**
11	Schools Temporary Accom./Mobile Classrooms	CFE	500	500	500	500	500	**2,500**	**DFE**
	Total CFE		**7,085**	**41,385**	**45,485**	**22,425**	**66,000**	**182,380**	

	Schemes	Service Area	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Total MTP £000	Funding Source
12	LTP Maintenance	EDT	11,542	11,542	11,542	TBA	TBA	**34,626**	**DfT**
13	Highways Asset Management	EDT	750	750	750	750	750	**3,750**	**DfT**
14	LTP Integrated Transport	EDT	2,828	3,078	3,078	3,078	3,078	**15,140**	**DfT**
15	Victoria Promenade	EDT	250	0	0	0	0	**250**	**DfT**
16	Incentive fund	EDT	1,750	1,280	768	0	TBC	**3,798**	**DfT**
17	Pothole Fund	EDT	TBC	TBC	TBC	TBC	TBC	**0**	**DfT**
18	S106 Developers Contribution Schemes	EDT	0	0	3,083	4,091	2,113	**9,287**	**S106**
19	Smart Corridor	EDT	1,000	1,500	1,500	1,300	0	**5,300**	**S106**
20	Northampton North West Relief Road - Grange Farm A5199	EDT	1,626	5,304	11,000	5,000	0	**22,930**	**Grant & Innovative**
21	Heritage Gateway	EDT	1,500	5,000	2,000	1,000		**9,500**	**Invest to Save**
22	A509 Wellingborough Development Link Phase 1 (Isham Bypass)	EDT	2,258	10,982	15,767	10,695	0	**39,702**	**Grant, Innovative & Discretionary**
23	A43 Northampton to Kettering Phase 1B	EDT	0	6,000	0	0	0	**6,000**	**Discretionary**
24	A43 Northampton to Kettering Phase 3 (Overstone Grange to Holcot/Sywell)	EDT	0	800	10,700	10,600	0	**22,100**	**Grant & Innovative**
25	Smart Commuter	EDT	1,500	0	0	0		**1,500**	**S106**
26	Highway Structural Maintenance	EDT	0	3,250	2,900	2,550	2,200	**10,900**	**Discretionary**
27	A14 Cambridge to Huntingdon Improvement Scheme	EDT	0	60	60	60	60	**240**	**Discretionary**
28	Fire Appliance Replacement Programme	EDT	2,430	1,532	1,442	2,021	1,594	**9,019**	**Discretionary**

29	Equipment (Fire & Rescue)	EDT	469	57	198	26	2	**752**	**Discretionary**
30	RTC Equipment	EDT	378	0	0	0		**378**	**Discretionary**
31	Highway Asset Maintenance Strategy	EDT	2,000	2,000	2,000	2,000	2,000	**10,000**	**Discretionary**
32	St James Mill Link Road	EDT	600	2,000	0	0	0	**2,600**	**NBC**
33	Northampton Northern Orbital Preliminary Works	EDT	1,551	1,067	0	0	0	**2,618**	**DfT, External & Discretionary**
34	Commercial Property Strategy	EDT	20,000	10,000	TBA	TBA	TBA	**30,000**	**Investment to generate revenue**
35	Property Asset Managemnt Minor Works	EDT	1,000	1,000	1,000	1,000		**4,000**	**Discretionary**
36	Chester Farm – Funding risk	EDT	2,200	0	0	0	0	**2,200**	**Discretionary**
	Total EDT		**55,632**	**67,202**	**67,788**	**44,171**	**11,797**	**246,590**	

	Schemes	Service Area	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Total MTP £000	
37	Tablet Refresh	LGSS	0	400	400	400	0	**1,200**	**Discretionary**
38	PC Refresh	LGSS	0	0	0	400	0	**400**	**Discretionary**
39	Wide Area Network	LGSS	600	400	0	0	0	**1,000**	**Discretionary**
40	Security Solutions to meet new standards	LGSS	0	70	100	0	0	**170**	**Discretionary**
41	Exchange Upgrade	LGSS	0	0	230	0	0	**230**	**Discretionary**
42	SQL Server Farm Refresh	LGSS	0	0	270	0	0	**270**	**Discretionary**
43	SAN Replacement	LGSS	0	0	0	1,000	0	**1,000**	**Discretionary**
44	Netscaler Replacement	LGSS	0	0	0	200	0	**200**	**Discretionary**
	Total LGSS		**600**	**870**	**1000**	**2000**	**0**	**4,470**	

	Schemes	Service Area	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Total MTP £000	Funding Source
45	SharePoint Upgrade or Replacement	CEX	108	0	0	0	0	**108**	**Recycled balances**
46	EDRMS Solution for Capita ONE	CEX	250	0	0	0	0	**250**	**Recycled balances**
47	Carefirst Replacement	CEX	375	503	0	0	0	**878**	**Discretionary, Recycled & new**
	Total CEX		**733**	**503**	**0**	**0**	**0**	**1,236**	

	Schemes	Service Area	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Total MTP £000	Funding Source
48	Registration Moves	PHWB	100	0	0	0	0	**100**	**Discretionary**
49	Octigo phase 4	PHWB	140	0	0	0	0	**140**	**Discretionary**
	Total PHWB		**240**	**0**	**0**	**0**	**0**	**240**	
	Total Development Pool Bids		**72,790**	**127,060**	**124,373**	**69,596**	**77,797**	**471,616**	

12. Pre-Qualification Pool Bids 2018-19

	Pre-Qualification Pool Schemes	Service Area	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Total MTP £000	Funding Source
1	Adult Social Care Reviews	ASC	TBA	TBA	TBA	TBA	TBA	-	**Invest to Save**
2	Adult Social Care Service Transformation	ASC	TBA	TBA	TBA	TBA	TBA	-	**Invest to Save**
3	Telephony Upgrade - call centre technology	CEx	10	0	0	0	0	**10**	**Discretionary**
4	New Models of Care Delivery - Placement Management Services	CFE	TBA	TBA	TBA	TBA	TBA	-	**Invest to Save**
5	Early Years Learning Provision	CFE	TBA	TBA	TBA	TBA	TBA	-	**DfE & External**
6	Buildings for Complex Needs	CFE	TBA	TBA	TBA	TBA	TBA	-	**Discretionary & External**
7	CFE Conferencing Facilities	CFE	TBA	TBA	TBA	TBA	TBA	-	**Discretionary & External**
8	Buildings for 'Stay Close' Duty	CFE	TBA	TBA	TBA	TBA	TBA	-	**Discretionary & External**
9	Safe Space/'Short Stay' Project	CFE	TBA	TBA	TBA	TBA	TBA	-	**Discretionary & External**
10	A509 Wellingborough Development Link Phase 2 (Isham to Wellingborough Imp)	EDT	500	750	750	3,500	28,500	**34,000**	**Grant/Developers**
11	Weekley/Warkton Avenue	EDT	500	500	500	1,000	37,500	**40,000**	**Grant/Developers**
12	Third Party (Developer) Highway Scheme Delivery	EDT	1,500	1,500	1,500	1,500	1,500	**7,500**	**External**
13	A43 Northampton to Kettering Phase 4 (location to be determined)	EDT	0	0	0	0	20,000	**20,000**	**External**

14	A509 Park Farm Way	EDT	0	0	0	0	23,900	**23,900**	**Grant/Developers**
15	A422 Farthinghoe Bypass	EDT	0	0	0	0	12,000	**12,000**	**External**
16	Cliftonville Improvements	EDT	591	2,000	0	0	0	**2,591**	**Grant**
17	Other Local Authority Highway & Transport Schemes	EDT	1,000	1,000	1,000	1,000	1,000	**5,000**	**External**
18	A508 Plough Hotel & Inner Ring Road Improvements	EDT	0	2,000	4,000	2,950	0	**8,950**	**External**
19	Eskdale Street & Queen Street Kettering	EDT	300	3,000	0	0	0	**3,300**	**S106**
20	Kettering Fire Station Relocation	EDT	2,000	0	0	0	0	**2,000**	**Discretionary**
21	Flood Alleviation	EDT	609	359	230	230	230	**1,658**	**External**
22	NORTONOMOUS	EDT	3,000	7,300	0	0	0	**10,300**	**External**
23	Integrated Transport Third Party Schemes	EDT	200	200	200	200	200	**1,000**	**External**
24	Phase 3 - development of tactical firefighting complex	EDT	800	0	0	0	0	**800**	**Discretionary**
25	Eastern Way Daventry	EDT	0	800	0	0	0	**800**	**External**
26	Highway Maintenance Challenge Fund	EDT	TBA	TBA	TBA	TBA	TBA	**-**	**DfT**
27	Burcote Road Improvement Scheme	EDT	0	0	0	250	250	**500**	**S106**
28	Infrastructure for new Highways Contract	EDT	0	0	TBA	0	0	-	**Discretionary**
29	North Northern Orbital Main Works	EDT	0	0	792	23,977	24,000	**48,769**	**DfT, External & Discretionary**
30	A6 Finedon Roundabout	EDT	0	100	0	0	0	**100**	**Grant/Developers**
31	Corby Northern Orbital (CNOR)	EDT	500	5,000	10,000	10,000	4,500	**30,000**	**Grant/Developers**
32	A43 Junction Improvements in North Northamptonshire	EDT	1,000	6,000	6,000	6,000	11,000	**30,000**	**Grant/Developers**
33	SMART Commuting in North Northants	EDT	1,000	2,500	1,000	0	0	**4,500**	**Grant/Developers**

34	A6 Rushden	EDT	500	2,000	6,000	7,500	4,000	**20,000**	**Grant/Developers**
35	LED Street Lighting Replacement	EDT	500	250	0	0	0	**750**	**Salix Loan & Invest to Save**
36	Development of an Energy From Waste Facility	EDT	TBA	TBA	TBA	TBA	TBA	**-**	**Invest to Save & External**
37	Community Hubs	EDT	500	TBA	TBA	TBA	0	**500**	**Invest to Save**
38	Total Transport	EDT	TBA	TBA	TBA	TBA	0	-	**Invest to Save & External**
39	Olympus Care Property Improvements	EDT	500	500	0	0	0	**1,000**	**External**
40	People's Network Replacement	PHWB	150	0	0	0	0	**150**	**Invest to Save**
41	Library Management System	PHWB	0	0	0	350	0	**350**	**Discretionary**
42	Digital Community Information Screens	PHWB	100	0	0	0	0	**100**	**Discretionary**
43	Sywell Country Park Reservoir Trail	PHWB	175	0	0	0	0	**175**	**Discretionary**
44	Sywell Country Park Car Park Expansion	PHWB	100	0	0	0	0	**100**	**External**
45	Public Access Wi-Fi	PHWB	100	0	0	0	0	**100**	**Discretionary**
46	Ceremony Planning System	PHWB	30	0	0	0	0	**30**	**Invest to Save**
47	Country Parks Minor Developments	PHWB	TBA	TBA	TBA	TBA	TBA	**-**	**External**
48	Sywell Country Park Reservoir Heritage	PHWB	120	0	0	0	0	**120**	**External**
49	Houghton Gate Park and Ride Site and Development	EDT	TBA	TBA	TBA	TBA	TBA	**-**	**External**
50	Houghton Gate Freeschool	CFE	TBA	TBA	TBA	TBA	TBA	**-**	**DFE**
	Total Pre-Qualification Pool		**16,285**	**35,759**	**31,972**	**58,457**	**168,580**	**311,053**	

13. Appendices

13.1 What is Capital Expenditure?

Capital expenditure and finance is governed and operated under the Prudential Framework for Local Authorities in England. The Prudential Framework is an umbrella term for a number of statutory provisions and professional requirements that allow authorities largely to determine their own plans for capital investment and expenditure, subject to an authority following due process in agreeing these plans and being able to provide assurance that they are prudent and affordable.

Long term assets, often referred to as 'fixed assets', are defined as those that have an economic life of more than one year. The provision of long term assets is further defined as being capital expenditure.

An understanding of what constitutes capital expenditure is fundamental to realising the benefits that an authority can obtain under the Prudential Framework. Unless expenditure qualifies as capital it will normally fall outside the scope of the framework and be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

In England and Wales, there are three routes by which expenditure can qualify as capital under the framework:

- The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with 'proper practices'.
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

Section 16 of the Local Government Act 2003 specifies that the definition of capital expenditure comprises these three descriptions of expenditure.

Regulation 29A of the Capital Financing Regulations (England) 2003 then exempts these three categories from being charged as revenue.

Regulations 31 (England) define proper accounting practices as those contained in the SORP.

Financial regulations prescribe certain costs from being capitalised, in particular administrative and other general overheads, together with employee costs not related to the specific asset, (such as configuration and selection activities). Authorities are also required to write off abnormal costs that arise from inefficiencies, (such as design faults, thefts of materials, etc.). The following table provides some examples of the costs incurred by a local authority in the process of constructing a new administrative building on the site of an existing office accommodation.

The positions taken in relation to each item should be regarded as illustrative rather than definitive – any interpretation of the accounting rules will require some subjective judgement that will depend on the specific circumstances of each project.

Item of expenditure	Capital or revenue?
Feasibility Studies	Revenue. All costs incurred whilst an authority is deliberating on the problems it wishes to resolve by having a new building, scoping potential solutions and choosing between them and assessing whether resources will be available to finance a project will normally be revenue. This is because, until a specific solution has been decided upon, costs cannot be directly attributable to bringing an asset into working condition.
Demolition of existing building	Capital. Demolition would usually be an act of destruction that would be charged to revenue. However, if the costs are incurred as a necessary step in preparing a site for a new building, it can be argued that they are an integral part of the new works.
Costs of renting alternative accommodation for staff during building works	Revenue. All costs incurred in carrying out the authority's regular business while construction is under way, (no matter how great the cost of the inconvenience caused), will be revenue as they make no direct contribution of any value to the new building.
Site security during construction	Revenue. This activity protects the investment made in the building during construction, but does not enhance it.
Professional fees	Capital. To the extent that the services provided make a contribution to the physical fabric of the new building (e.g. architecture design) or the work required to bring the property into working condition for its intended use (e.g. legal advice in the preparation of building contracts).
Furniture and fittings	Capital. Items that are needed to bring an asset into working condition for its intended use are often capitalised as part of the overall cost of the property, even if such items would normally be below the authority's de minis limit.
Rectification of design faults	Capital. Rectification work will take an asset closer to being in working condition. However, the expenditure previously incurred on the defective work would need to be written off to revenue.
Training and familiarisation of staff in operation of new building	Revenue. The building will be regarded as being in working condition, even if there is no one competent at the authority actually to operate it. Training and associated costs do not therefore qualify for capitalisation.
Apportionment of costs of capital expenditure team and internal audit	Revenue. These costs are generally incurred to make sure the project runs as intended, rather than enhancing it.

13.2 Golden Rules

Golden Rule One – Discretionary finance cost ceiling of 9%

Northamptonshire County Council's annual discretionary capital financing costs (not including Invest to Save and Innovative type investment) should not rise above the self-imposed ceiling of 9% of its annual net revenue budget over the plan period and any future plan periods.

Impacts and outcomes:

- Financing costs include both interest and minimum revenue provision (MRP) costs.
- As revenue budget levels come under pressure during the plan period it is critical that financing costs do not rise to unaffordable levels. This will protect revenue funding for direct service delivery. The level of revenue funding available may be less than the 9%.
- This rule will not be affected by Invest to Save Schemes as financing costs for such schemes will be met by the scheme directly and schemes of this nature are delivered to provide budgetary savings and wider benefits.
- This rule is not affected by Innovative Investment which by its nature is a temporary 'bridge' funding pending repayment from external contributions and partners over a pre-determined timeframe.
- This rule results in a funding ceiling, prudent and affordable, which the Council will seek to operate within to fund the Council's Capital Programme priorities over the plan period.
- The Council's use of the capitalisation flexibilities set out in the Local Government Finance Settlement, will impact on the level of borrowing the Council needs to undertake where capital receipts are used to fund transformation costs. This in effect will see the relaxation of this Golden Rule for the MTFP covering 2016-17 to 2018-19 in line with the period of the flexibility. The financing levels will be bought back in line with this Golden Rule in the subsequent MTFP period from 2019-20.

Golden Rule Two – Capital receipts allocation

All net capital receipts/disposals will be allocated in the first instance:

- 50% to repay Council borrowing, and
- 50% to re-invest in the funding of the Council's Capital Programme

Impacts and outcomes:

- Release and prioritisation of the 50% of capital receipts to be re-invested in the Capital Programme will be through the normal governance routes concluding with Council approval as part of the annual budget and Medium Term Financial Plan (MTFP).
- The underlying capital disposals forecast of £44.9m (2018-19 to 2022-23) underpins the affordability of the Council's direct discretionary investment after allowing for assumptions within revenue budgeting to support transformation under the SR2015 Flexibility. This amounts to £29.5m in 2018-19 the last year of the flexibility.
- SR 2015 announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100%

of their fixed asset receipts on the revenue costs of transformation projects. The Council intends to take advantage of this concession to use capital receipts in more innovative ways and target disposal receipts where need is greatest. This is especially the case as the Council starts to implement NGC over the life of the MTFP. This will see the Golden Rule relaxed to accommodate the transformation in the early years of the plan with a renewed focus on repayment of debt towards the end of the plan period as the transformation is embedded.

- As a general rule capital receipts cannot be earmarked for specific scheme delivery. However, exceptional circumstances may result in this being advantageous for the Council to support priority projects and agendas.

Golden Rule Three – Invest to Save and Innovative unlimited

Invest to Save and Innovative Capital Funding will be unlimited but are subject to strict investment criteria and robust business cases.

Impacts and outcomes:

- Robust business cases must be submitted and formally approved following strict governance arrangements before funding can be made available.
- The embedded net revenue savings will be built into service budgets over the timeframe approved within the business case. This will be set in stone in service budgets and will not flex if revenue budgets come under pressure from other external sources.
- These types of schemes can increase the Council's short term financing costs where the Council is more than compensated by the long term financial and non-cashable benefits in the future.
- Financing costs (MRP and interest) will be charged to service area budgets along the lines of the business case agreement.
- Interest rates will be amended by taking into account prevailing interest rates as and when it is prudent and necessary to do so. This will be communicated to service areas to enable the correct rate to be used in formulating the business case. This rate will remain fixed for the term of the investment period.
- Invest to Save and Innovative evaluation will be undertaken considering various investment measurements including Net Present Value (NPV), Internal Rate of Return (IRR) and payback periods. Direct annual revenue effects will also be considered when assessing affordability.

13.3 Northamptonshire Local Growth Deals (Grant)

Local Growth Deal Funding

- The County Council has won £72m from Government through the Local Growth Deal Funding for projects in Northamptonshire.
- This funding is awarded through the Local Enterprise Partnership(s).
- A formal Memorandum of Understanding is in place between the County Council, SEMLEP and Luton Council (the Accountable Body) which covers these projects and related governance and other arrangements.

Schemes	Total cost £m[1]	Total LGF Funds £m	LGF claim 2014-17 £m	LGF spend 2017-18 £m	LGF spend 2018-21 £m	Comments
Daventry Development Link	35.2	14.0	14.0	0	0	Due to complete summer 2018
A43 Northampton to Kettering 1b	17.8	7.9	1.1	0.6	6.2	
Superfast Northamptonshire	33.5	2.0	2.0	0	0	LGF element of project complete
A43 Northampton to Kettering Phase 2	9.3	6.5	2.8	3.7	0	Due to complete Spring 2018
Smart Commuting	3.5	3.5	0.2	1.8	1.5	
Smart Corridors	9.5	3.5	1.5	2.0	0	Weedon Road Smart Corridor complete Summer 2017. Progression of other Smart Corridors dependent on developer income and other funding
A509 Wellingborough to Kettering (Isham Bypass)		25.0	0	0	25.0	Project funding held by DFT. This includes £10m awarded through the third round of Local Growth Funding (LGF3). Funding agreement not yet in place
Wootton Hall Access		1.7	1.7	0	0	Complete
Northampton North West Relief Road		7.9	0	0	7.9	This is awarded through LGF3. Funding agreement not yet in place
TOTAL		70.0	21.3	8.1[2]	40.6	

National Productivity Investment Fund

In October 2017 Government announced that the County Council has also secured £1.814m towards the Cliftonville Smart Corridor scheme (Northampton) from the National Productivity Investment Fund (NPIF). This is for spend between 2018-19 and 2019-20. The total scheme costs are estimated at £2.591m.

[1] These are either provisional or final cost depending on the progression of the scheme

[2] At April 2017 the County Council held £13.2m of LGF for the delivery of the above projects (excluding LGF3 projects). A further £2m is due to be paid to the County Council via SEMLEP and Luton Council for the Smart Commuter/Smart Corridor project (s).

13.4 Major Schemes completed and due to complete in 2017-18

Scheme	Funding	Project Type	Total Cost £m
Project Angel	Discretionary	Administration Building	49
EN Restructure (except Prince William)	DFE Condition Grant/S106/Capital Receipts/Discretionary	Schools Reorganisation	21
A43 Phase 2	SLGF/S106	Highways	9
Pineham Barns	Basic Needs Grant/S106	School	9
Broadband Contract 2	BDUK/NCC/Districts/SLGF	Infrastructure	8
Corby Technical College	Basic Needs Grant/S106	School	8
A605 Thrapson to County Boundary	DFT Specific Grant and DFT annual grant	Highways	6
NIA Temporary	Basic Needs Grant/ (EFA Grant bid)	School	4