Hinckley & Bosworth
Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

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|---|---|
| STRUTINY | 1 FEBRUARY 2018 |
| COUNCIL | 22 FEBRUARY 2018 |
| WARDS AFFECTED: | ALL WARDS |

**CAPITAL PROGRAMME 2017/18 TO 2020/2021**

**Report of Head of Finance**

1. PURPOSE OF REPORT

1.1 To seek approval of the Capital Programme for the years 2017/2018 – 2020/2021.

2. RECOMMENDATION

2.1 That Council approve the proposed Capital Programme for the years 2017/2018 – 2020/2021(detailed in Appendix 1).

2.2 That Council approve the growth bids detailed in sections 3.7 and 3.11 of this report.

3. BACKGROUND TO THE REPORT

3.1 Capital expenditure is essentially expenditure that results in the creation of an asset that has a life expectancy of more than one year and where use of the asset will result in benefits in future years. Capital expenditure may be used to generate assets for the Council's own use or to provide support for third party capital enhancements.

3.2 Any plans for capital expenditure must be financed through an approved method of funding. The main streams of such financing are:

- Supported borrowing - where the costs of the borrowing are part recognised in the formula grant settlement and are therefore 'supported'
- Unsupported borrowing – the Council is permitted to set within its "Prudential Indicators" a level of borrowing that can be obtained to fund capital expenditure. The Council must be satisfied that this borrowing is used to fund projects that are prudent, sustainable and affordable
- Government Grants – where specific monies have been awarded by Government to fund a particular project. In these cases the monies are often time limited and ring fenced for specific purposes.

- Third Party Contributions – these include contributions made from bodies such as the National Lottery, as well as planning obligations funded from section 106 agreements received from developers. As with Government Grants, these contributions tend to contain conditions on how they can be spent
- Capital receipts – these are derived from asset sales and can only be used to fund future capital expenditure.
- Revenue contributions – the Council is permitted to contribute revenue balances to capital, however this should be a minimal amount and only used to fund minor shortfalls in funding
- Earmarked reserves – funds that have been put aside from previous years under spends for specific capital schemes that will occur in the future. For this Council, the Leisure Centre reserve is an example of where funds have been put aside to finance a specific capital priority in the future

3.3 The Capital Programme (the Programme) is produced on an annual basis to cover the current year and forecasts for the next three financial years. The Programme supports the Council's Corporate Plan and Medium Term Financial Strategy and ensures that resources are allocated and are used effectively to achieve corporate targets. At the same time, the Programme is an integral element of the financial planning procedures of the Council and forecasts how the Council will deliver key projects affordably and within relevant Prudential Limits. The Programme should therefore be read in conjunction with these documents, alongside the Council's Corporate Asset Management Strategy and Housing Revenue Account Investment Plan.

3.4 The Capital Programme is prepared in conjunction with budget holders and Directors. Project officers are invited as part of the budget setting process to submit requests for capital growths which are considered by Directors and the Strategic Leadership Team. Growths are assessed in terms of their contribution to corporate objectives and funding availability.

3.5 The overall Capital Programme for 2017/2018 – 2020/2021 is contained within Appendix 1 along with supporting schedules showing spend by scheme.

**Proposed Capital Programme - General Fund**

3.6 As outlined in the Medium Term Financial Strategy, the General Fund Capital Programme is concentrated around achievement of the priority capital projects namely:

- Continued redevelopment of The Hinckley Bus Station Site - "The Crescent"
- Green Spaces Delivery Plan
- Rural Community assistance through the Developing Community Funds
- Land off A47 - A report has already been presented to members outlining the proposed new development. The Development will result in an increase in the Council's Borrowing requirement of £4.76 million. The borrowing costs and associated income have been allowed for within the Business Case presented to members.

Growths (New Schemes)

3.7 In order to promote growth and investment in the local economy, the Council is continuing to look for further opportunities for capital investment. The following new schemes have been included in the Programme going forward:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | |
| Car Parks | 0 | 30,000 | 30,000 | 30,000 | To allow for replacement ticketing machines |
| Land off A47 | 60,000 | 1,500,000 | 3,202,020 | 0 | Allow for Site development |
| Server / Hardware replacements | 0 | 20,000 | 12,000 | 12,000 | Equipment to ensure service needs can be met |
| Citrix Upgrade | 0 | 50,400 | 0 | 0 | Equipment to ensure service needs can be met |
| Data Centre Upgrade | 0 | 15,000 | 0 | 0 | Equipment to ensure service needs can be met |
| Parish Community Imitative funds | 0 | 25,000 | 150,000 | 150,000 | Increase in anticipated demand |
| Hinckley Community Development Fund | 0 | 0 | 150,000 | 200,000 | Community development projects for Hinckley |
| Minor Capital Projects | 0 | 0 | 35,000 | 35,000 | Small development projects for Hinckley |
| Community Development Fund | 0 | 0 | 0 | 25,000 | Additional one-off support |
| 1485 Legacy Project | 0 | 28,000 | 0 | 0 | Community led arts development project |
| **Total** | **60,000** | **1,668,400** | **3,579,020** | **452,000** | |

Existing schemes

3.8 The remainder of the Programme contains ongoing schemes which have been in place for a number of financial years. The following points should be noted when reviewing these schemes:

- Hinckley Area Community Initiatives grant (funded from the Special Expenses Reserves).
- An increase in the Better Care Funding Allocation for Disabled Facilities Grant of £33,180 from 2017/18 onwards.
- Green Space strategy schemes have been re-profiled based on anticipated developer receipts and grant funding. HAC has reviewed and endorsed these schemes. These schemes are funded by SEA reserves or be external contributions. There is no General Fund capital funding earmarked for these schemes.
- The Developing Communities Fund is expecting to fund £1.612million for Community developments between 2017/18 and 2020/21.

**Proposed Capital Programme - Housing Revenue Account**

3.9 The proposed Capital Programme for the Housing Revenue Account (the HRA Programme) is included in the Appendix. The HRA Programme reflects the main investment priorities included in the Housing Revenue Account Investment Plan which was approved by Council in July 2013. These were:

- Ongoing investment to existing stock
- Service improvements
- Affordable Housing

Stock Enhancement/Investment

3.10 £17,568,329 of investment has been proposed over the life of the HRA Programme into existing stock. The sequence of these works is based on the outputs of the most recent stock condition survey.

Affordable Housing

3.11 At the date of drafting this report, there are three schemes have been confirmed within the Affordable Housing arm of the Programme. These are:

- Southfield Road Hinckley - A development in partnership with a developer and a Housing Association for the development of 68 units of affordable housing. The Council will own and manage 30 of these units, comprising of 12 one bed flats, 8 two bed houses, 5 three bed houses and 5 two bed bungalows, all for affordable rent. Development started on site in November 2016 and is now completed.

- Ambion Court - situated in Southfield Way near the centre of the village of Market Bosworth. The building contains 25 studio flats and four 1 bedroomed flats for rent to older people and a 3 bedroomed warden's flat. The scheme was built in the 1970s and there are essential works needed to the building that will require significant financial outlay. The studio flats do not have their own bathrooms and the accommodation does not meet the expectations of modern sheltered housing. The scheme will be remodelled and refurbished to provide a fit for purpose scheme will be completed in 2018/19.

- Martinshaw Lane - This is a Council site in Groby. The project will see the site being developed to include the construction of nine bungalows which will be made available for rent to the elderly as part of the Council's social housing stock. The bungalows will be a mixture of one and two bedroom homes and on site activity commenced in 2017.

- Additionally, the following growth bids have been included within the capital programme.

| | 2018/19 | 2019/20 | |
|---|---|---|---|
| | £ | £ | |
| Piper Alarm | 162,350 | 0 | Upgrade Alarm system at assisting housing sites. Funded from Piper Alarm Reserve. |
| Orchard – Business Objects Software | 7,000 | 0 | Software Upgrade required |
| Major Voids | 60,000 | 60,000 | Annual Increase in budget to cope with additional demand) |
| Total | 229,350 | 60,000 | |

Financing

3.12 Expenditure in the Capital Programme will be funded by the following key streams:

- Contributions from the Major Repairs Reserve for the cyclical stock programmes
- Use of the HRA “Regeneration Reserve” which has been set up following the introduction of self financing
- Use of Right to Buy “Capital Receipts” obtained from the sale of HRA properties

Funding Implications

3.13 The main methods of financing the Capital Programme are detailed in section 3.2 of this report. The availability of financing options are becoming restricted over the medium term as asset sales become less frequent and the availability of funding from central government becomes restricted.

Capital Receipts Reserve

3.14 The estimated impact of the proposed programme on the Capital Receipts reserve is summarised below. It is estimated that £3.2m will be used in 2017/18 to reduce the Council’s overall borrowing position. Failure to pay of this debt will result in an additional MRP cost chargeable to the general fund from 2017/18 onwards. These costs have been allowed for within the MTFS. At the end of 2020/21 there will be an estimated £3.743m in the reserve. The primary reason for the increase is due to an increase in right to buy sales. If new development sites are bought forward there is a potential to earmark receipts to increase the supply of dwellings.

| | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| Opening Balance | 2,642,000 | 2,049,165 | 3,866,165 | 3,835,885 |
| In Year Receipts | 3,593,000 | 2,910,000 | 903,000 | 737,400 |
| Repayment of Debt Leisure Centre | (3,235,835) | 0 | 0 | 0 |
| In Year Application | (950,000) | (1,093,000) | (933,280) | (830,763) |
| **Closing Balance** | **2,049,165** | **3,866,165** | **3,835,885** | **3,742,522** |

3.15 Receipts assumptions are based on the following:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Right to Buys | 1,725,000 | 1,035,000 | 828,000 | 662,400 |
| Depot Site | 1,800,000 | 0 | 0 | 0 |
| Misc. Sales | 68,000 | 75,000 | 75,000 | 75,000 |
| Leisure Centre | 0 | 1,800,000 | 0 | 0 |
| Total Receipts | **3,593,000** | **2,910,000** | **903,000** | **737,400** |

Borrowing

3.16 As outlined in section 3.2, the Council is permitted to borrow within approved limits to finance capital expenditure. This "authorised limit" is recommended as part of the Treasury Management Policy and Prudential Indicators each year and is based on the level of borrowing that is recommended by the S151 officer as being sustainable, affordable and prudent.

3.17 The Council has loans of £67,652,000 within the Housing Revenue Account relating to the self financing settlement. These will start being repaid in 2019/2020. Due to the one percent rent reduction imposed by the DCLG additional borrowing will be required from 2020/21. The impact of this has already been allowed for.

3.18 In line with relevant accounting standards, the Council is required to budget for the cost of borrowing, to include any interest payable and also a provision for the repayment of debt (the Minimum Revenue Position). Based on the current borrowing need detailed in the Programme, the additional cost of borrowing has been calculated as follows:

| | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|
| | £ | £ | £ |
| Interest | 9,102 | 14,597 | 10,960 |
| MRP | 20,624 | 25,110 | 15,157 |
| **Total** | **29,726** | **39,707** | **26,117** |

3.19 Further details of the Council's borrowing limits and indicators will be outlined in the 2018/2019 Treasury Management Policy.

Use of Reserves

3.20 The following reserves (excluding special expenses) have been used to finance specific capital schemes outlined in the Programme:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Waste Management | 113,800 | 0 | 0 | 0 |
| Grounds Machinery | 0 | 200,000 | 0 | 0 |
| Asset Management Reserve | 496,066 | 615,526 | 0 | 0 |
| ICT | 15,000 | 0 | 0 | 0 |
| Developing Communities Fund | 288,020 | 711,980 | 400,000 | 250,000 |

| | | | | |
|---|---|---|---|---|
| Minor Projects | 0 | 0 | 35,000 | 35,000 |
| Hinckley Community Development Fund | 0 | 0 | 150,000 | 200,000 |
| Parish and Communities Fund | 0 | 0 | 125,000 | 125,000 |
| **Total General Fund** | **912,886** | **1,527,506** | **710,000** | **610,000** |

3.21 All transfers to/from reserves (i.e. including revenue expenditure and transfers from balances) are detailed in the General Fund budget report contained on this agenda

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 Report will be taken in open session

5. FINANCIAL IMPLICATIONS [IB]

5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS [AR]

6.1 The Council is legally required to set a balanced 3 year capital programme.

6.2 Whilst there are no implications arising directly from the recommendation of this report there are some legal considerations which should be noted:

6.3 In relation to the property transactions identified within the report, relevant officers will need to ensure that authority is obtained from Council for any acquisition or disposal of land. This applies in relation to the Affordable Housing purchases detailed within the body of the report.

6.4 Any contracts will need to be dealt with in accordance with the constitution and all relevant authorities for spending secured as necessary.

7. CORPORATE PLAN IMPLICATIONS

7.1 The report provides a refresh of the Council's rolling Capital Programme. Any item included in the programme has been evaluated to ensure it contributes towards achievement of a Corporate Plan objective.

8. CONSULTATION

8.1 Major schemes have been subject to individual consultations as part of the viability and design process.

9. RISK IMPLICATIONS

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

| Management of significant (Net Red) Risks | | |
|---|---|---|
| Risk Description | Mitigating actions | Owner |
| [S.11 - Failure to successfully deliver the Medium Term Financial Strategy. | A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.<br><br>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.<br><br>Sufficient levels of reserves and balances have been maintained to ensure financial resilience | A Wilson |

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 The programme contains schemes which will assist in equality and rural development. Equality and rural issues are considered separately for each project.

11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary

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Background papers: Capital Submissions, Civica Reports

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