



**Hinckley & Bosworth  
Borough Council**

**FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING**

SCRUTINY COMMISSION/  
FINANCE & PERFORMANCE SCRUTINY  
COUNCIL

6 FEBRUARY 2020  
25 FEBRUARY 2020

WARDS AFFECTED: ALL WARDS

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**CAPITAL PROGRAMME 2019/20 TO 2022/2023**

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**Report of Head of Finance**

1. PURPOSE OF REPORT

1.1 To seek approval of the Capital Programme for the years 2019/2020 – 2022/2023.

2. RECOMMENDATION

2.1 That Council approve the proposed Capital Programme for the years 2019/2020 – 2022/2023.

2.2 That Council approve the growth bids and savings 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. The Capital Strategy reports which looks at the longer terms risks associated with capital expenditure and governance arrangements.

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 2019/2020 – 2022/2023 is contained within Appendix 1 along with supporting schedules showing spend by scheme.

### **Proposed Capital Programme - General Fund**

3.6 The General Fund Capital Programme is concentrated around achievement of the priority capital projects namely:

- Green Spaces Delivery Plan
- Rural Community assistance through the Parish & Community Initiatives Fund.
- Crematorium Scheme funding has been updated to reflect the change in funding.
- Heritage Action Zone.

### **New Scheme – Heritage Action Zone**

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. A new scheme for the Heritage Action Zone is requested to be approved. The scheme will result in circa

£2 million of public realm improvements in Hinckley Town Centre (£1.67million capital and £0.33 million revenue).

|   | Total              | 2020/21        | 2021/22        | 2022-23        | 2023-24        |
|---|--------------------|----------------|----------------|----------------|----------------|
|   | £                  | £              | £              | £              | £              |
| <b>Cost</b>   | <b>1,670,000</b>   | <b>153,000</b> | <b>608,000</b> | <b>518,000</b> | <b>391,000</b> |
| <b>SEA Reserves</b>   | <b>(147,000)</b>   | (19,000)       | (52,800)       | (40,300)       | (34,900)       |
| <b>Less: Contributions (primarily LEP &amp; English Heritage)</b> | <b>(1,326,000)</b> | (105,600)      | (489,050)      | (418,500)      | (312,850)      |
| <b>HBBC Element (Business Rates Pilot)</b>                        | <b>197,000</b>     | <b>28,400</b>  | <b>66,150</b>  | <b>59,200</b>  | <b>43,250</b>  |

### Savings

The following savings have been identified and reflected in the programme

|  | 2019/20<br>£000's | 2020/21<br>£000's | 2021/22<br>£000's |  |
|--|-------------------|-------------------|-------------------|--|
| <b>Earl Shilton Toilets</b>                      | (19)              | 0                 | 0                 | Final scheme cost below estimate.              |
| <b>Disabled Facilities Grants</b>                | (133)             | 0                 | 0                 | Reduction in year requirement based on demand. |
| <b>Parish &amp; Community Initiatives Grants</b> | (150)             | 0                 | 0                 | scheme budget changed to reflect demand.       |
| <b>Minor Works Grants</b>                        | (21)              | 0                 | 0                 | Reduction in year based on demand              |
| <b>Waste Management Receptacles</b>              | 0                 | (30)              | (8)               | Deduction based on latest requirement          |
| <b>Community Development Fund</b>                | (72)              | 0                 | 0                 | Lower than anticipated scheme take up.         |
| <b>Hinckley Community Development Fund</b>       | (150)             | (200)             | 0                 | No project spend currently planned             |
| <b>Other minor savings</b>                       |                   | (10)              | (10)              |  |
| <b>Total</b>                                     | <b>(545)</b>      | <b>(240)</b>      | <b>(18)</b>       |  |

### Schemes Re-phased

The following schemes have been rephrased as set out below:

|  | 2019/20<br>£000's | 2020/21<br>£000's | 2021/22<br>£000's |  |
|--|-------------------|-------------------|-------------------|--|
| <b>Making Tax Digital</b>                        | (12)              | 12                | 0                 | project re-phased due to software changes.               |
| <b>Renovation Assistance (Major Works)</b>       | (30)              | 30                | 0                 | re-phased based on contractual commitments               |
| <b>Home Improvement Assistance (Minor Works)</b> | (20)              | 10                | 10                | re-phased based on contractual commitments               |
| <b>Disabled Facilities Grants</b>                | (26)              | 26                | 0                 | re-phased based on contractual commitments               |
| <b>Earl Shilton Shop Fronts</b>                  | (10)              | 10                | 0                 | re-phasing of budget                                     |
| <b>Bosworth 1485 Sculpture Trail Project</b>     | (254)             | 254               | 0                 | re-phasing based on current project bid being finalised. |
| <b>New Crematorium</b>                           | (3,180)           | 3,180             | 0                 | re-phasing of approved budget                            |
| <b>Community Development Fund</b>                | (143)             | 143               | 0                 | Re-phasing of phase 1 and 2 commitments.                 |
| <b>Total</b>                                     | <b>(3,675)</b>    | <b>3,665</b>      | <b>10</b>         |  |

### Existing schemes

3.9 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).
- 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 Crematorium scheme has been reprofiled to reflect the latest expenditure profile

### **Proposed Capital Programme - Housing Revenue Account**

3.10 The proposed Capital Programme for the Housing Revenue Account (the HRA Programme) is included in Section 4 of Appendix 1. The HRA Programme reflects the main investment priorities included in the Housing Revenue Account Investment Plan which was approved by Council in November 2018 and allow for rephrasing of current expenditure but no additional increases. These were:

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

### Stock Enhancement/Investment

3.11 £19,831,481 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

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

- Middlefield Lane – Council approved a £1.2m scheme to purchase 11 dwellings on the former depot site. This scheme is included within the programme and has been rephrased into 2020/21.
- Ambion Court - situated in Southfield Way near the centre of the village of Market Bosworth. The building contained 25 studio flats and four 1 bedroomed flats for rent to older people and a 3 bedroomed warden's flat. The new scheme upgraded scheme will have 24 flats each with their own on suite facilities.

### Financing

3.13 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 earmarked reserves
- Grant Funding & External Contributions.
- Use of Right to Buy "Capital Receipts" obtained from the sale of HRA properties

### Funding Implications

3.14 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

3.15 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 2019/20 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 2019/20 onwards. These costs have been allowed for within the MTFS. At the end of 2022/23 there will be an estimated £1.762m in the reserve.

|   | 2019/20<br>£000's | 2020/21<br>£000's | 2021/22<br>£000's | 2022/23<br>£000's |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Opening Balance</b>                      | (5,981)           | (3,799)           | (1,786)           | (1,671)           |
| <b>In Year Receipts</b>                     | (2,135)           | (1,075)           | (1,075)           | (1,075)           |
| <b>Repayment of Debt<br/>Leisure Centre</b> | 3,236             | 0                 | 0                 | 0                 |
| <b>In Year Application</b>                  | 950               | 1,548             | 1,190             | 984               |
| <b>In Year Application<br/>Crem</b>         | 131               | 1,540             | 0                 | 0                 |
| <b>Closing Balance</b>                      | <b>(3,799)</b>    | <b>(1,786)</b>    | <b>(1,671)</b>    | <b>(1,762)</b>    |

3.16 Receipts assumptions are based on the following:

|                       | 2019/20<br>£000's | 2020/21<br>£000's | 2021/22<br>£000's | 2022/23<br>£000's |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Right to Buys</b>  | (960)             | (1,000)           | (1,000)           | (1,000)           |
| <b>Depot Site</b>     | 0                 | 0                 | 0                 | 0                 |
| <b>Block C</b>        | 0                 | 0                 | 0                 | 0                 |
| <b>Misc. Sales</b>    | (75)              | (75)              | (75)              | (75)              |
| <b>Leisure Centre</b> | (1,100)           | 0                 | 0                 | 0                 |
| <b>Total Receipts</b> | <b>(2,135)</b>    | <b>(1,075)</b>    | <b>(1,075)</b>    | <b>(1,075)</b>    |

### Borrowing

3.17 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.

3.18 The Council has loans of £67,652,000 within the Housing Revenue Account relating to the self financing settlement. These will start being repaid from March 2020.

3.19 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:

|                 | 2019/20<br>£ | 2020/21<br>£  | 2021/22<br>£   | 2022/23       |
|-----------------|--------------|---------------|----------------|---------------|
| <b>Interest</b> | 2,966        | 9,951         | 70,662         | 14,995        |
| <b>MRP</b>      | n/a          | 15,818        | 123,476        | 20,357        |
| <b>Total</b>    | <b>2,66</b>  | <b>25,769</b> | <b>194,138</b> | <b>35,352</b> |

3.20 Further details of the Council’s borrowing limits and indicators will be outlined in the 2019/2020 Treasury Management Policy.

## Use of Reserves

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

|   | 2019/20<br>£000's | 2020/21<br>£000's | 2021/22<br>£000's | 2022/23<br>£000's |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>ICT reserve</b>                        | 15                | 15                | 15                | 0                 |
| <b>Developing Communities Fund</b>        | 309               | 393               | 0                 | 0                 |
| <b>Earl Shilton Toilets Reserve</b>       | 32                | 0                 | 0                 | 0                 |
| <b>Business Rates (Pilot) HAZ Funding</b> | 0                 | 28                | 66                | 59                |
| <b>Total General Fund</b>                 | <b>356</b>        | <b>436</b>        | <b>81</b>         | <b>59</b>         |

- 3.22 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 [FA]

- 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. | <p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.</p> <p>Sufficient levels of reserves and balances have been maintained to ensure financial resilience</p> | 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

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