



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Scrutiny Commission	30 January 2025
Council	20 February 2025

Wards affected: All wards

Capital Programme 2024-25 to 2027-28 and Capital Strategy

Report of Head of Finance

1. Purpose of report

1.1 To seek approval of the Capital Strategy & Capital Programme for the years 2024/2025– 2027/2028.

2. Recommendation

2.1 That the Capital Strategy is approved.

2.2 That Council approves the proposed Capital Programme for the years 2024/2025 – 2027/2028.

2.3 That Council approves the growth bids detailed in section 3.29- 3.30 of this report.

3. Background to the report

Capital Strategy

3.1 CIPFA's updated prudential code & Treasury Management Code of Practice require local authorities to produce capital strategies from 1st April 2019. This requirement has also been confirmed by MHCLG.

3.2 The key drivers for the requirement are summarised below: -

- Understanding risks associated in investing in non-financial products with the primary aim of making a return (e.g., Local authorities investing in shopping malls and not understanding associated risks)

- Understanding risks and funding involved with third sector entities, wholly owned companies as part of regeneration etc.
- Underlying issues of how such investments are financed and setting aside a borrowing provision and due diligence.

Details of this Council's process regarding creation, approval and monitoring of schemes are included within section 7 of the financial procedure rules.

- 3.3 There is a requirement that the strategy is approved by Council.
- 3.4 This report should be read in conjunction with the Treasury Management report.

Capital Programme

- 3.5 Capital expenditure is 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 looks at the longer-term risks associated with capital expenditure and governance arrangements.
- 3.6 Any plans for capital expenditure must be financed through an approved method of funding. The main streams of such financing are summarised in paragraph 3.21: -
- 3.7 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.
- 3.8 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.
- 3.9 The overall Capital Programme for 2024/2025 – 2027/2028 is contained within Appendix 1 along with supporting schedules showing spend by scheme.

CAPITAL STRATEGY

Capital Expenditure

3.10 Primary legislation regarding capital finance is included in The Local Government Act 2003. The act refers to the following types of expenditure that fall under the capital financing regime.

- “expenditure of the authority which falls to be capitalised in accordance with proper practices” (i.e., the creation of an asset that has a useful life of more than one year).
- Expenditure under regulation prescribed by the Secretary of State which can or can’t be treated as capital expenditure.
- The Council’s definitions of the capital programme are included within Section 7 of the financial procedure rules. An extract is provided below: -

“Capital expenditure means the acquisition, construction, or enhancement of tangible/intangible fixed assets (land, buildings, vehicles, plant, equipment, hardware, and software). Capital assets shape the way services are delivered in the long-term and create financial commitments for the future in the form of financing and revenue running costs.

An enhancement is defined as:

- *Works that lengthen substantially the useful market value life of an asset.*
- *Works that increase substantially the market value of an asset.*
- *Works that increase the extent to which the property can be used for purposes of functions of the council “*

3.11 The Capital programme and its funding are summarised below. Details of individual schemes are presented within Appendix 1 of the Capital Programme Report. The future year’s capital programme will continue to be reliant on external funding and rental income for HRA schemes.

General Fund Schemes

	TOTAL	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
	COST	2024-2025	2025-2026	2026-2027	2027-2028
	£’000	£’000	£’000	£’000	£’000
Capital Expenditure					
Corporate & Support Services	24,169	5,225	17,437	847	660
Community Services	6,638	2,865	1,423	1,175	1,175
Total Capital Expenditure	30,807	8,090	18,860	2,022	1,835

Financing					
Capital Receipts	646	313	70	106	157
External Contributions	8,789	4,847	1,814	1,063	1,065
Borrowing GF	20,533	2,291	16,876	753	613
Contribution from reserves GF	839	639	100	100	0
Total Financing	30,807	8,090	18,860	2,022	1,835

HRA Schemes

	TOTAL	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
	COST	2024-2025	2025-2026	2026-2027	2027-2028
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
HRA					
Service Investment	36,649	9,575	9,122	9,182	8,770
Affordable Housing	17,757	8,207	4,850	2,850	1,850
Total Capital Expenditure	54,406	17,782	13,972	12,032	10,620
Financing					
Major Repairs Reserve	12,036	3,009	3,009	3,009	3,009
Regeneration Reserve	10,329	2,639	3,030	2,630	2,030
Earmarked Reserves	200	50	50	50	50
Borrowing	21,129	8,274	3,499	4,884	4,472
Grants	2,748	1,071	559	559	559
Capital Receipts	7,964	2,739	3,825	900	500
Total Financing	54,406	17,782	13,972	12,032	10,620

Capital Project Planning & Approval Framework.

3.12 Prior to consideration a capital bid form is submitted which details the following:

- Brief description of scheme and how the scheme meets the Councils priorities.
- Profiled spending proposals over 4 years.
- Sets out external contributions and grant funding for the scheme.
- Ongoing revenue implications (e.g., IT, Staffing costs).

3.13 Any additional bids that are agreed by SLT during the financial year are approved in accordance with financial procedure rules.

3.14 SLT will monitor progress and review the capital programme to ensure that the council's corporate objectives are being met and that there is consistency between the capital programme and the corporate plan.

Governance Arrangements

- 3.15 Scheme budgets are monitored monthly. Project Officers receive monthly reports and are discussed as part of the monthly meetings with their respective Accountant. Finance and Performance Committee receive quarterly updates. Additionally, budget variations are reported and approved in accordance with financial procedure rules.
- 3.16 For larger schemes a Project Board and Project Team oversee the scope and delivery of key strategic projects. Throughout the project both the Project Team and Project Board will monitor progress and be updated on any risks if they occur. Updates may also be reported to Executive and Full Council for major capital projects as required.

Longer Term Financial Planning

- 3.17 The availability of financing options is becoming restricted over the medium term as asset sales become less frequent and the availability of funding from central government becomes restricted. An Economic Prosperity Board has been set up which looks at various potential opportunities that may arise.

The Council will also have to set aside funds to ensure that parks, play areas, commercial units and corporate assets are maintained at a decent standard. A building maintenance reserve has been set aside to fund such developments.

- 3.18 Currently, the Council's capital activity for the general fund can be split into two areas. New one-off schemes and recurring schemes that are required to maintain the current level of service provision. i.e., this is the minimum value of the ongoing capital programme. The indicative cost for this is presented below.

	2025-26 Budget £000's
Enhancement & Improvement Works	1,998
Grants	1,126
Parks	251
Property, Plant and Equipment	4,783
Total	8,158

- 3.19 Resources are needed to ensure that this level of support can be maintained, and new commitments can be funded. In essence if no reserves or external funding is available, the cost of the capital programme is met by borrowing, the costs of which are charged to the revenue account through Minimum

Revenue Provision (principal repayment of debt funding) and any interest cost if actual borrowing has taken place.

3.20 The HRA Capital Programme is based on the 30 investment plan which will be included in the HRA Business Plan.

Capital Funding

3.21 The following areas of funding are available to fund the programme.

- Government Grants – Typically these are received to enable Councils to focus resources on central government priorities. e.g., disabled facilities grant. The grants have conditions attached so spending must focus on the area concerned and will normally only be given if a Council can also commit its own resources.
- Contributions and other grants – Typically these are like government grants. Expenditure will be limited to those set out in the conditions of the grant or legal contracts and may require a level of match funding by the local authority.
- Earmarked Reserves – Capital Expenditure can also be funded through the Council's earmarked reserves. Typically, these reserves are used to fund specific schemes or used for match funding to support partly funded projects. These reserves are reported as part of the MTFS and the revenue budget reports.
- Capital Receipts – These balances are the net sales proceeds that the Council can use to fund future capital projects. Part of the proceeds from the sale of Council Dwellings must be earmarked for the increase in affordable housing supply.
- Direct Revenue Financing – This is where the General Fund or HRA Balance is used to fund projects. Due to pressures on the revenue budget this is only used occasionally. Typically, this will arise when additional funding is received which can be used to fund either revenue or capital expenditure, or where specific underspends are used to part finance a capital project.
- 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.

Borrowing

- 3.22 The Council is allowed to borrow funds to finance capital expenditure as long as it is affordable (i.e., future MRP and interest Payments affordable).
- 3.23 The Council has long term surplus cash balances, and these funds can also be used for fund expenditure. Although this will not attract an interest cost MRP still has to be provided.
- 3.24 The Council's borrowing requirement, risks and affordability are considered as part of the Treasury Management and prudential Indicator report also approved by Council in February.

Asset Management Overview

- 3.25 The overall aim of the plan is to detail how property assets will be managed to support Hinckley and Bosworth Borough Council's Corporate Plan 2024 – 2028 which sets out the Council's commitments.
- People: Helping people to stay safe, healthy, active, and in employment
 - Places: Creating clean, sustainable and attractive places to live, visit and work in
 - Prosperity: Encouraging sustainable, commercial, economic and housing growth, as well as attracting businesses, improving skills and supporting regeneration
 - The asset management plan sets out the core elements of our property asset management process.

Commercial Activity & non-Treasury investments

- 3.26 On the Council's balance sheet the Council does not hold any investment properties. Investment properties are assets that are solely held for an investment return or capital appreciation and no other reason. For all our assets although a future return is one of the aims, there are other aims as well e.g., economic regeneration, employment etc.

Major income generation activity using council assets is listed below: -

Activity	Value £000's	Due Diligence
Leisure Centre Management Fee	1,186	This is a fixed fee based on a design build operate and maintain contract. The fee is payable regardless of the value of fees collected by the Leisure Provider. Due diligence was undertaken at pre contract stage with detailed financial checks, references and off site meets at centres where the provider has successfully implemented such schemes.

Hinckley Hub	176	The partners occupy the premises on a Licence agreement. Each agreement has contractual provisions for uplift of rent.
Commercial Estates Income	946	Before award of the lease, a financial check is undertaken, and trading references are also taken. This may either result in refusal of a lease, granting of a lease, or granting of the lease with additional guarantees
Car Parking	603	Income is monitored monthly and changes to the fee base are subject to Council approval.
Block C	368	Before award of the lease, a financial check is undertaken, and trading references are also taken. This may either result in refusal of a lease, granting of a lease, or granting of the lease with additional guarantees required.
New projects		At feasibility stage key risks are identified and any potential on going costs and or income are approved in accordance with financial procedure rules.

Knowledge & Skills - Capital Projects

3.27 The Council has resources to ensure projects are delivered successfully.

These officers have experience of: -

- Developing capital projects
- Acquiring and selling properties
- Commissioning partners to deliver the capital programme.
- Managing properties as a landlord

To support the Council's own resources, external support is also used for advice, due diligence, property assessments and valuations and project support. Architectural, Quantity Surveying and Engineering support is also used as and when required.

CAPITAL PROGRAMME

Proposed Capital Programme - General Fund

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

- Green Spaces Delivery Plan
- Private Sector Housing Assistance
- Crematorium Scheme funding has been updated to reflect the change in delivery approach.
- Heritage Action Zone.

3.29 New schemes 2024/25-2027/28

The following requests have been received in respect of new schemes for inclusion in the revised capital programme and require approval for inclusion. They have been reflected in the Capital Programme shown at Appendix 1.

Vehicle Communication System

The scheme relates to the procurement of a new vehicle communication system linked to the new HGV Fleet.

	Total	2025-26	2026-27	2027-28
	£	£	£	£
Total Cost (all HBBC)	27,000	27,000	0	0

Laptop Replacement

This scheme relates to the phased replacement of existing laptops procured in 2021/22 as part of the Future Operating Model project which are coming to the end of their serviceable life. It is intended to replace 63% of laptops in 2025/26 with the balance replaced the following year as phased below.

	Total	2025-26	2026-27	2027-28
	£	£	£	£
Total Cost (all HBBC)	475,000	300,000	175,000	0

Desktop Docking Station Replacement

This scheme relates to the phased replacement of docking stations procured in 2021/22 as part of the Future Operating Model project which are coming to the end of their serviceable life.

	Total	2025-26	2026-27	2027-28
	£	£	£	£
Total Cost (all HBBC)	38,000	38,000	0	0

UK Shared Prosperity Schemes

The Council has received an additional allocation of grant funding under this scheme for 2025/26 of £850,583 (Capital of £157,045 and Revenue of £693,539). - projects will support 5 key local priorities:

- Cost of Living challenges
- Climate Change impacts
- Town Centre enhancements
- Employment & Skills
- Health & Well Being

	Total	2025-26	2026-27	2027-28
	£	£	£	£
Total Cost	157,045	157,045	0	0
External Contributions	(157,045)	(175,045)	0	0
HBBC Element	0	0	0	0

3.30 Schemes Re-phased

The following schemes have been rephased as set out below:

	24/25 £000's	25/26 £000's	26/27 £000's	
Making Tax Digital	(12)	12	0	Project re-phased due to software changes.
Future Operating Model	(40)	40	0	Re-phasing of budget
Emergency Generator	(12)	12	0	Re-phasing of budget
UPS Replacement	(33)	33	0	Re-phasing of budget
Community Development Fund	(114)	0	0	Project complete – all existing commitments to projects have been met
Council Offices Solar Panel Scheme	0	1,000	0	See Comment below
Acquisition and Development Scheme	(15,000)	10,000	0	Existing scheme reprofiled and schemes shown separately for new crematorium and Council offices solar panel schemes funded from this budget

New Crematorium	0	4,000	0	See Comment above
Jubilee Depot	(747)	747	0	Re-phasing of budget
Total	(15,958)	15,844	0	

Existing schemes

3.31 The remainder of the Programme contains ongoing schemes which have been in place for several 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.

3.32 Future General Fund Schemes

The programme does not currently include the following schemes.

- New HGV purchases of circa £5.4m have already been agreed and have been allowed for in Treasury Borrowing assumptions but have been excluded from this report.

Proposed Capital Programme - Housing Revenue Account

3.33 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 taken from the latest 30-year investment data. The overall capital programme is based on the following criteria: -

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

Stock Enhancement/Investment

3.34 £36.6 million 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 from the Asset Management System which is informed by the most recent stock condition survey. This includes measures to decarbonise the housing stock estimated cost £8.3m across the term of this capital programme.

Affordable Housing/Housing Delivery.

3.35 At the date of drafting this report, the Affordable Housing arm of the Programme includes.

- 28 new units including Potential 13 properties purchased at Greenfinch Road, Hinckley.
- Additional £13.5 million for New Housing Delivery between 2024/25 and 2027/28. This will ensure that Council is committed to using up its allocation of right to buy capital receipts.
- £4.18m Set aside for a development at Peggs Close.

Financing

3.36 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

3.37 The main methods of financing the Capital Programme are detailed in section 3.21 of this report. The availability of financing options is 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

3.38 The estimated impact of the proposed programme on the Capital Receipts reserve is summarised below. It is estimated that £3.235m will be used in 2024/25 to reduce the Council’s overall borrowing position. Failure to pay off this debt will result in an additional MRP cost chargeable to the general fund from 2025/26 onwards. These costs have been allowed for within the MTFs. At the end of 2027/28 there will be an estimated £1,640m in the reserve.

	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Opening Balance	(11,461)	(5,924)	(2,429)	(1,847)
In Year Receipts	(750)	(400)	(425)	(450)
Repayment of Debt Leisure Centre	3,235	0	0	0
In Year Application	3,052	3,895	1,007	657
Closing Balance	(5,924)	(2,429)	(1,847)	(1,640)

3.39 Receipts assumptions are based on the following:

	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Right to Buys	(750)	(350)	(375)	(400)
Misc. Sales	0	(50)	(50)	(50)
Total Receipts	(750)	(400)	(425)	(450)

Borrowing

3.40 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.

3.41 The Council has loans of £52,945,000 within the Housing Revenue Account relating to the self-financing settlement. These started being repaid from March 2020.

3.42 In line with relevant accounting standards, the Council is required to budget for the cost of borrowing, to include any interest payable and a provision for the repayment of debt (the Minimum Revenue Position). Based on the current borrowing need the additional cost of capital financing costs for the General Fund is summarised below:

	2025/26 £	2026/27 £	2027/28 £
Interest	55,955	71,506	71,734
MRP	107,413	17,940	0
Total	163,368	89,446	71,734

3.43 Further details of the Council’s borrowing limits and indicators will be outlined in the 2025/2026 Treasury Management Policy.

Use of Reserves

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

	2024/2 5 £000's	2025/2 6 £000's	2026/2 7 £000's	2027/2 8 £000's
ICT reserve	30	0	0	0
Waste Management Reserve	15	0	0	0
Asset Management Reserve	280	100	100	0
Enterprise Zone – Covid	214	0	0	0
Building Maintenance Reserve	100	0	0	0
Total General Fund	639	100	100	0

3.45 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 taken in open session.

5. Financial implications [IB]

5.1 Contained in the body of the report.

6. Legal implications

6.1 The Local Government Act 2003 set out a framework for the financing of capital investments in Local Authorities.

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

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

6.4 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.

6.5 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 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 these 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. Climate implications

- 11.1 There are no direct implications arising from this report. However financial planning is a key tool for delivering the corporate priorities of the Council. Included in those priorities are the Climate change considerations for services. The budget decisions made by members in relation to issues such as Council tax, fees and charges, and in the longer-term asset investment directly affect the council’s abilities to invest in climate change priorities. The financial pressure on the council will mean it become increasing difficult to meet it carbon emergency targets by 2030.
- 11.2 The council currently wish to reduce the carbon emissions by a range of key initiatives as set out in the adopted Climate Change Strategy, including the program of installing electric charging points to car parks and increase biodiversity through management of our green spaces. The Council also has funds ring fenced to support voluntary and community sector organisations and consider environmental impact as key criteria of where these funds are used.

12. Corporate implications

- 12.1 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 Sector
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Background papers:

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