



**CAPITAL PROGRAMME 2015/2016 TO 2018/2019**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

**WARDS AFFECTED: ALL WARDS**

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1. PURPOSE OF REPORT

- 1.1 To seek endorsement of the General Fund Capital Programme for the years 2015/2016 – 2018/2019 ahead of submission to Council for approval.

2. RECOMMENDATION

- 2.1 That Scrutiny Commission endorse the proposed Capital Programme for the years 2015/2016 – 2018/2019 for submission to Council for approval.

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. One of the largest government grants awarded to this Council is Regional Growth Funding for the works on the A5 and MIRA Enterprise Zone
- 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 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 Chief Officers. Project officers are invited as part of the budget setting process to submit requests for capital growths which are considered by Chief Officers and the Strategic Leadership Board. Growths are assessed in terms of their contribution to corporate objectives and funding availability.
- 3.5 The overall Capital Programme for 2015/2016 – 2018/2019 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 three priority capital projects namely:
- The Hinckley Bus Station Redevelopment - "The Crescent"
  - Build of the new Hinckley Leisure Centre and demolition of the current site
  - Capital works associated with the Regional Growth Fund

#### The Crescent

- 3.7 This scheme involves redevelopment of the town centre bus station site, including a new supermarket, bus station, 560 space car park, new shops, family restaurants and cinema. Following renegotiation of the Development Agreement with the schemes developer, The Tin Hat Partnership, Council approved on 16<sup>th</sup> July 2013 capital investment of £4,500,000 to purchase the freehold of the Leisure "Block C" upon completion. A report was presented to Council on 12<sup>th</sup> January requesting further developer incentive payments to accelerate the letting of units within Block C

#### Hinckley Leisure Centre

- 3.8 The current Leisure Centre building on Coventry Road was opened in 1975 and reached the end of its design life in 2014. Council approved the decision in November 2012 to proceed with the procurement of a Partner (or Partners) to develop a new Leisure Centre and deliver the ongoing management of the Centre. Having considered all of the alternatives, Council agreed to relocate the Leisure Centre to the former Council Offices location on Argents Mead.
- 3.11 The preferred bidder (DC Leisure, now re-named Places For People Leisure Management Ltd) for the New Leisure Centre was approved by Council on 21<sup>st</sup> January 2014 and the contract signed with Places For People Leisure Management Ltd on 24<sup>th</sup> September 2014.
- 3.12 The final agreed scheme has an estimated capital cost of £15.2 million. This amount includes the cost of ground works required on the Leisure Centre site and also the cost of a moveable floor in the main pool which was approved by Council on 2<sup>nd</sup> September 2014. Based on the current development programme the opening of the Leisure Centre is expected in May 2016.

3.13 The capital cost of the final scheme will be expended and financed as follows:

	2014/2015	2015/2016	2016/2017	Total
	£	£	£	£
<b>Expenditure</b>	<b>3,369,175</b>	<b>11,132,480</b>	<b>698,120</b>	<b>15,199,775</b>
<i>Financed from:</i>				
Leisure Centre Reserve	3,369,175	947,370	0	4,316,545
Capital Receipts	0	2,050,000	0	2,050,000
Temporary Financing	0	3,235,835	0	3,235,835
Long Term Borrowing	0	4,899,275	698,120	5,597,395
<b>Total financing</b>	<b>3,369,175</b>	<b>11,132,480</b>	<b>698,120</b>	<b>15,199,775</b>

3.14 Whilst the receipt from the sale of old depot site and the current Leisure Centre site will not directly finance the cost of the new facility, it will be used to repay the temporary financing above. It is therefore important to ensure that the receipt from the sale of the former depot site is received in 2016/17 and the receipt from the sale of the current Leisure Centre Site is received in 2017/18 to ensure that this financing does not extend to over 1 year and therefore attract Minimum Revenue Provision costs.

3.16 The Programme also includes the capital cost of demolishing the current Leisure Centre building.

#### Regional Growth Funding

3.17 During 2012/2013, the Secretary for State for Business Innovation and Skills (BIS) confirmed that Hinckley and Bosworth Borough Council would receive £19,474,000 in Regional Growth Funding (RGF) to support the development of the MIRA Enterprise Zone and wider economy. This funding has subsequently been reduced to £17,671,000 as the difference (£1,803,000) has now been transferred to be spent directly by the Highways Agency as "Pinchpoint" funding.

3.18 Funding will be spent in conjunction with MIRA, the Highways Agency and Highways Authorities to provide enhanced highway capacity on the A5 around the Zone and other sustainable transport initiatives. In addition, elements of the funding have been provided to fund a new primary electrical substation on Wood Lane, the relocation of a substation on the current site and also to support sustainable transport links for the Zone.

3.19 The capital works associated with this project are now forecast to conclude in 2016/2017.

#### New Schemes

3.20 Following a review of submitted proposals, the following additional bids have been requested from 2016/2017 onwards. The schemes are currently not included within the Capital Programme.

	2015-2016	2016-2017	2017-2018	2018-2019	Total
	£	£	£	£	£
<b>Additional Bins</b> - Additional bins required because of increased numbers of properties in the Borough. This budget is not included within the "Waste Management Receptacle" budget scheme in section 1 of the Appendix.					
(ALL HBBC)	0	2,130	19,310	9,140	<b>30,580</b>
<b>Refuse Collection Vehicles</b> - £100,000 capital budget needed in 2016/17 to purchase replacement (second hand/ used) refuse collection vehicle. The current spare is 12 years old and is no longer economical to maintain or reliable enough to ensure service continuity. As the current fleet ages and has more down time, the requirement for a reliable spare vehicle has increased.					
(ALL HBBC)	0	100,000	0	0	<b>100,000</b>

### Potential Schemes

3.21 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 two projects are currently being investigated for inclusion in the Programme going forward:

- The set up of a Local Housing Company owned solely by the Council to deliver new housing in the Borough. This Company would be financed from the General Fund on commercial terms and would provide an interest return as well as contributing towards running cost incurred by the Council. In the longer term, assets built by the Company would either be retained to be rented on a commercial/affordable basis or sold on the open market to generate receipts for reinvestment in new stock. If this Company is set up,

3.22 Updates on all projects, along with the budget impact will be brought to members in due course

### Existing schemes

3.23 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:

- Parish and Community Initiative Grants have been retained at £100,000 per annum.
- Introduction of Hinckley Area Community Initiatives grant (funded from the Special Expenses Reserves)
- Changes in the allocation method for Disabled Facilities Grant are being proposed from 2017/2018 onwards. The impact of these changes on the Programme will be considered once a county procurement method has been finalised. For 2016/17, funding will be passported to HBBC through LCC as part of the Government's Better Care Funding regime.
- Based on anticipated demand a one of increase of £50,000 has been included in the Disabled Facilities Grants budget for 2016/17. This will be funded from historic income received from charges to properties arising from grant aided private properties have been sold.

- Due to changes in demand between Major and Minor Private Sector Home Repairs, the Major Works budgets for 2016/17 onwards has been increased by £10,000 and the Minor works budget has been reduced by £30,000.
- Software upgrade. Due to the change in ICT software management software upgrade budgets will not be required in 2016/17 and 2017/18.

### **Funding Implications**

3.24 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**

3.25 The estimated impact of the proposed programme on the Capital Receipts reserve is summarised below. Based on current expenditure proposals, all receipts will be quickly used for financing expenditure and therefore the timings of these receipts are crucial to achieve prudent capital investment:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening Balance	1,799,000	524,000	113,165	2,413,165
In Year Receipts	1,000,000	3,000,000	2,750,000	550,000
Repayment of Debt Leisure Centre	0	(3,235,835)	0	0
In Year Application (Non Leisure Centre)	(225,000)	(175,000)	(450,000)	(450,000)
In Year Application Leisure Centre	(2,050,000)	0	0	0
<b>Closing Balance</b>	<b>524,000</b>	<b>113,165</b>	<b>2,413,165</b>	<b>2,513,165</b>

3.26 Receipts assumptions are based on the following:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Right to Buys	1,000,000	750,000	500,000	500,000
Depot Site	0	2,200,000	0	0
Misc. Sales	0	50,000	50,000	50,000
Leisure Centre	0	0	2,200,000	0
<b>Total Receipts</b>	<b>1,000,000</b>	<b>3,000,000</b>	<b>2,750,000</b>	<b>550,000</b>

### **Borrowing**

3.27 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.

3.28 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 CLG additional borrowing will be required from 2020/21. The impact of this will be presented in a separate report.

3.29 The total borrowing for the General Fund Programme is detailed below.

	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
General Borrowing	286,378	590,025	963,855	233,855
Leisure Centre Borrowing	0	4,891,505	705,890	0
Leisure Centre Temporary Financing	0	3,235,835	0	0
Crescent Borrowing	0	4,500,000	0	0
<b>Total General Fund Borrowing</b>	<b>286,378</b>	<b>13,217,365</b>	<b>1,669,745</b>	<b>233,855</b>

3.30 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:

	2015/16	2016/17	2017/18	2018/19
	£	£	£	£
Borrowing	190,165	195,734	17,050	6,863
MRP	(7,900)	190,641	11,766	(7,794)
<b>Total</b>	<b>182,265</b>	<b>180,627</b>	<b>352,550</b>	<b>79,629</b>

3.31 Further details of the Council's borrowing limits and indicators will be outlined in the 2015/2016 Treasury Management Policy.

#### Use of Reserves

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

	Use of Reserves	Use of Reserves	Use of Reserves	Use of Reserves
	2015/2016	2016/2017	2017/2018	2018/2019
	£	£	£	£
Waste Management Reserve	(89,700)	(71,870)	(78,600)	(32,000)
ICT Reserve	(74,840)	(15,000)	(15,000)	(75,000)
Transformation Reserve	(100,000)	(22,000)	0	0
Masterplan Reserve	(771,353)	(650,000)	0	0
Leisure Centre Reserve	(947,370)	0	0	0
<b>Total General Fund</b>	<b>(1,983,263)</b>	<b>(758,870)</b>	<b>(93,600)</b>	<b>(107,000)</b>

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

#### 4. FINANCIAL IMPLICATIONS [IB]

Contained within the body of the report.

#### 5. LEGAL IMPLICATIONS [MR]

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

- 5.2 Whilst there are no implications arising directly from the recommendation of this report there are some legal considerations which should be noted:
- 5.3 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.
- 5.4 Any contracts will need to be dealt with in accordance with the constitution and all relevant authorities for spending secured as necessary.

6. CORPORATE PLAN IMPLICATIONS

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.

7. CONSULTATION

Material schemes (e.g. the Leisure Centre and Bus Station Redevelopment) have been subject to individual consultations as part of the viability and design process.

8. RISK IMPLICATIONS

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

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.

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	The financial position of the Council becomes more challenging. Members made the decision at full Council on 2nd September 2014 to add to the specification of the swimming pool in the new Leisure Centre. This will add a further £500K to £705K to the cost of the Leisure centre (this is in addition to the £1m cost of the ground remediation work that was previously reported). This now takes the total cost of construction to just over £15m. The cost of the ground works and the moveable floor has resulted in a shortfall in capital funding which has been met through utilisation of the Hub rental reserve (£1m) and by borrowing. The total impact on the Revenue funding is a further strain of just over £130K for 2015/16. This together with the known circa 16.8% reduction in RSG and reductions in budgets by the County Council having a direct impact on this Council's budgets means that the	Sanjiv Kohli

	<p>shortfall in funding for 2015/16 exceeds £500,000 and for 2016/17 could increase to £1.2m with further removal of dry recycling credits by LCC. Meetings have taken place with the ruling (Lib Dem) group and Middle Managers to identify areas for savings and additional revenue generation. A key decision has been made by Council to withdraw the 25% of NHB support given to Parish Councils from 2015/16 but to carry on with the LCTS support to Parishes. This decision means that the Borough Council's budgets will be better off by over £350K. Further support has been demonstrated by the ruling group over introducing new charges e.g charge for pre-application planning advice for domestic planning applications and a charge for replacement bins that have been damaged by residents. Also considering introducing a charge for green waste recycling</p>	
<p>S.37 - Non delivery of capital projects which are interdependent</p>	<p>Members made the decision at full Council on 2nd September 2014 to add to the specification of the swimming pool in the new Leisure Centre. This will add a further £500K to £705K to the cost of the Leisure centre (this is in addition to the £1m cost of the ground remediation work that was previously reported). This now takes the total cost of construction to just over £15m. The cost of the ground works and the moveable floor has resulted in a shortfall in capital funding which has been met through utilisation of the Hub rental reserve (£1m) and by borrowing.</p>	<p>Sanjiv Kohli</p>

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

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

10. **CORPORATE IMPLICATIONS**

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

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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**Background Papers:** Capital Estimates submissions

**Contact Officer:** Ilyas Bham, Accountancy Manager (ext 5924)

**Lead Member:** Cllr M Surtees