Hinckley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE SCRUTINY	30 JANUARY 2017
COUNCIL	23 FEBRUARY 2017
WARDS AFFECTED:	ALL WARDS

CAPITAL PROGRAMME 2016/2017 TO 2019/2020

Report of Head of Finance

1. PURPOSE OF REPORT

1.1 To seek approval of the General Fund Capital Programme for the years 2016/2017 – 2019/2020.

2. RECOMMENDATION

2.1 That the Council approve the proposed Capital Programme for the years 2016/2017 – 2019/2020.

2.2 That Council to approve the growth bids detailed in sections 3.5 and 3.20 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. 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 Team. Growths are assessed in terms of their contribution to corporate objectives and funding availability.

3.5 The overall Capital Programme for 2016/2017 – 2019/2020 is contained within Appendix 1 along with supporting schedules showing spend by scheme.

<u>Proposed Capital Programme - General Fund</u>

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:

- The Hinckley Bus Station Redevelopment - "The Crescent"
- Demolition and sale of the former Leisure Centre Site
- Capital works associated with the Former Co Op Site
- Rural Community assistance through the Developing Community Funds

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 16th July 2013 capital investment of £4,500,000 to purchase the freehold of the Leisure "Block C" upon completion. An additional budget was approved for further developer incentive payments to accelerate the letting of units within Block C. It is anticipated that all units will be let by year end 2017.

Hinckley Leisure Centre

3.8 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 2nd September 2014. Based on the development programme the Leisure Centre opened in May 2016.

3.9 Whilst the receipt from the sale of the 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 2017/18 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.

3.10 The Programme also includes the capital cost of demolishing the current Leisure Centre building. These works were completed in December 2016 and was under budget by £260,000.

Regional Growth Funding

3.11 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.

3.12 Funding is being 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.

3.13 The majority of capital works associated with this project are now complete.

Growths (New Schemes)

3.14 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 to the value of £378,860 have been included in the Programme going forward:

	2016/17	2017/18	2018/19	2019/20	
Car Parks		4,500	28,180	28,180	Based on latest Maintenance plan and 3 new machines per year
Burbage common visitor centre		50,000			New Septic Tank
Co op Upper Castle St	40,000				Additional Car Parking Upgrade
Asset Upgrade - existing properties	10,000	50,000	50,000	50,000	Essential Enhancement works to Commercial Estates
Data Centre Upgrade		40,000			Upgrade existing Data Centre
Unit Upgrade for Hansom CAB		28,000			Upgrade unit in Castle St for CAB relocation
Total	50,000	172,500	78,180	78,180	

3.15 In February 2016 Council endorsed a Special Purpose Reserve to earmark funds for rural developments. The reserve has been renamed the Community Development Fund. The first set of expressions of interest for the fund has been received. Therefore a capital scheme has been included to give financial assistance in relevant areas over the term of the capital programme.

Existing schemes

3.16 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:

- Purchase of the former Coop Site has been included in 2016/17.
- Parish and Community Initiative Grants have been revised to £125,000 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. Potentially this will mean a new supplier for surveying works and a smoother process for the claimant. The impacts of these changes on the Programme are currently being 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. For future years the DGF budget has been based on latest demand and funding details that are available.

- 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.
- RGF Scheme expenditure has been reprofiled based on the latest expenditure plans.
- Green Space strategy schemes have been reprofiled based on anticipated developer receipts and grant funding. HAC has reviewed and endorsed these schemes. These schemes are funded by SEA reserves or external contributions. There is no General Fund capital funding earmarked for these schemes.
- The Developing Communities Fund is expecting to fund £1.4million for Community developments between 2017/18 and 2018/19.

Savings

The following savings have been identified compared to the programme presented to Council in February 2016

	2016/17	
	£	
Leisure Centre Demolition	260,000	Final tender lower than budget
Leisure Centre Car Park	190,000	Scheme not required due to expansion in Hill Street
Total Savings	450,000	

Proposed Capital Programme - Housing Revenue Account

3.17 The proposed Capital Programme for the Housing Revenue Account (the HRA Programme) is included in Section 5 of 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

3.18 £16,451,406 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

3.19 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 expected to be completed by January 2018.

- Ambion Court - situated in Southfield Way near the centre of the village of Market Bosworth. The building contains 25 studio flats and 4 x 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 which 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 and work is due to commence early in 2018.

- 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 it is estimated that on site activity will commence in February 2017 with a completion date of early November 2017.

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

	2016/17	2017/18	2018/19	2019/20	
Legionella	0	50,000	50,000	50,000	Complete high priority works to communal areas following risk assessments
Bridge St Car park	20,000	0	0	0	Site Clearance for Development.
Orchard – Business Objects Software	0	30,000	0	0	Software Upgrade required
Total	0	80,000	50,000	50,000	

<u>Financing</u>

3.20 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

<u>Funding Implications</u>

3.21 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.

<u>Capital Receipts Reserve</u>

3.22 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. At the end of 2018/19, there will be an estimated £1.625m in the reserve compared against £2.083m reported to Council in February 2016.

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Opening Balance	683,195	1,458,447	1,676,612	1,624,932
In Year Receipts	1,270,000	4,275,000	675,000	675,000
Repayment of Debt Leisure Centre	0	-3,235,835	0	0
In Year Application (Non Leisure Centre)	-494,748	-821,000	-726,680	-726,680
Closing Balance	**1,458,447**	**1,676,612**	**1,624,932**	**1,573,252**

3.23 Receipts assumptions are based on the following:

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Right to Buys	1,110,000	600,000	600,000	600,000
Depot Site	0	1,800,000	0	0
Misc. Sales	160,000	75,000	75,000	75,000
Leisure Centre	0	1,800,000	0	0
Total Receipts	**1,270,000**	**4,275,000**	**675,000**	**675,000**

Borrowing

3.24 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.

3.25 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 has already been allowed for.

3.26 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:

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Interest	86,711	11,762	10,945	11,195
MRP	104,977	353,933	15,841	14,741
Total	**191,688**	**365,695**	**26,786**	**25,936**

3.27 New borrowing will be entered into on the principle that any decision to take out new loans will seek to have the minimum impact on the General Fund. Further details of the Council's borrowing limits and indicators will be outlined in the 2017/2018 Treasury Management Policy.

Use of Reserves

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

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Waste Management Reserve	126,460	113,800	0	0
Masterplan	1,071,478	0	0	0
Transformation	22,000	0	0	0
ICT	57,874	15,000	0	0
Developing Communities Fund	0	700,000	732,000	0
Leisure Centre Reserve	250,000	0	0	0
Total General Fund	1,527,812	828,800	732,000	0

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

4.1 This report is 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 The report provides a refresh of the Council's rolling Capital Programme. Major Projects included in the programme have been evaluated to ensure it contributes towards achievement of a Corporate Plan objective.

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. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. 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 Sector

Background papers: Capital Submissions, Civica Reports

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