

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 2 FEBRUARY 2021



<b>Title of Report</b>	<b>2021/22 CAPITAL STRATEGY AND 2021/22 - 2025/26 CAPITAL PROGRAMMES</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<a href="#"><u>Corporate Scrutiny Minutes</u></a> – 11 November 2020	<b>Public Report:</b> Yes
	<a href="#"><u>Draft Capital Programme – Cabinet</u></a> – 8 December 2020  <a href="#"><u>Draft Minutes</u></a> – Corporate Scrutiny Committee - 6 January 2021	<b>Key Decision:</b> Yes
<b>Financial Implications</b>	<p>The General Fund Capital Programme for 2021/22 is £20.2 million. The main schemes are the new leisure centre in Coalville, Council Offices Refurbishment project, Coalville Regeneration and Marlborough Square.</p> <p>The Housing Revenue Account Capital Programme for 2021/22 is £15.6 million. The main schemes are the Home Improvement Programme and the New Supply programme, which make up 77% (£12.0 million) of the programme.</p> <p>Both programmes account for considerable slippage of funding from the 2020/21 financial year that is currently forecast for delivery in 2021/22.</p>	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	None	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	None	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	<p>To advise Members of the likely Capital Outturn and the relevant financing for 2020/21 for the General Fund and the Housing Revenue Account (HRA).</p>	
	<p>To seek approval to the General Fund and HRA Capital Programmes for 2021/22 and to note indications for future years and associated funding.</p>	

<b>Reason for Decision</b>	To enable projects to be included in the Programmes for approval at Cabinet.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1) <b>THAT COUNCIL BE RECOMMENDED TO APPROVE THE 2021/22 CAPITAL STRATEGY INCLUDED IN APPENDIX A, IN LINE WITH THE PRUDENTIAL CODE.</b></li> <li>2) <b>THAT THE FORECAST GENERAL FUND AND HRA CAPITAL OUTTURN FOR 2020/21 AND PLANNED FINANCING BE NOTED IN APPENDICES B AND C.</b></li> <li>3) <b>THAT COUNCIL BE RECOMMENDED TO APPROVE THE CAPITAL PROGRAMMES IN 2021/22 DETAILED IN:</b> <ul style="list-style-type: none"> <li>• <b>APPENDIX B – THE GENERAL FUND CAPITAL PROGRAMME</b></li> <li>• <b>APPENDIX C – HRA CAPITAL SCHEMES</b></li> </ul> </li> <li>4) <b>THAT CABINET NOTES THE PROPOSED PROCUREMENT ROUTES IN RESPECT OF VEHICLES, EQUIPMENT AND PLANT AND DELEGATES THE AUTHORITY TO AWARD THESE CONTRACTS AND ANY ASSOCIATED AGREEMENTS TO THE RELEVANT STRATEGIC DIRECTOR IN CONSULTATION WITH THE PORTFOLIO HOLDER, SUBJECT TO FINAL APPROVAL OF THE CAPITAL PROGRAMMES IN FEBRUARY 2021.</b></li> </ol>

## **1.0 INTRODUCTION**

- 1.1 Cabinet considered the draft capital programmes on 8 December 2020. This was followed up by a report to the Corporate Scrutiny Committee on 6 January 2021. A link to the draft minutes has been included as a background paper.
- 1.2 By regulation, all local authorities are required to have regard to the Prudential Code when setting their Capital Programmes. The core objectives of the Code are to ensure that Capital schemes are 'Affordable, Prudent and Sustainable'. This is reviewed in conjunction with both the Capital Strategy and the Treasury Management Strategy Statement (TMSS) which contains indicators that evidence compliance with the Code. These strategies will be presented to members at the same meeting as this report.
- 1.3 As part of the process of effectively assessing property items for inclusion in the capital programme, the Council has collated a Planned Preventative Maintenance (PPM) Schedule that prioritises works based on a matrix scoring system. Items of a capital nature that are essential have been included in the capital programme in 2021/22.
- 1.4 Appendix B shows the General Fund Programme estimated outturn for 2020/21 and the proposed Capital Programme for 2021/22 to 2025/26.
- 1.5 There is no Special Expense capital expenditure estimated for 2020/21 and no proposed capital programme.

- 1.6 Appendix C shows the HRA Capital Programme estimated outturn for 2020/21 and the proposed Capital Programme for 2021/22 to 2025/26.

## 2.0 CAPITAL STRATEGY

- 2.1 The Capital Strategy sets out the council's priorities and approach to capital investment and provides a mechanism by which the capital investment and financing decisions can be aligned with the corporate priorities over the medium term.
- 2.2 The strategy provides a clear context within which proposals for capital expenditure are evaluated to ensure that capital investment is targeted at meeting the council's priorities.
- 2.3 The strategy considers available options for funding capital schemes and how resources may be maximised to generate investment in the district and to determine an affordable and sustainable funding policy framework including identification of resources available for capital investment over the lifespan of the Medium Term Financial Strategy. This strategy supports the Council's wider strategic framework, including the council's Commercial Strategy.
- 2.4 The strategy provides governance arrangements for capital including monitoring of schemes, budget profiling, deliverability and value for money and is updated annually as part of the budget setting process.
- 2.5 The Corporate Scrutiny Committee considered the draft Capital Strategy on 6 January 2021. Members should note that the strategy is aligned to the Capital Programmes 2021/22-2025/26 and has been revised in line with changes to the capital programmes since being presented to Corporate Scrutiny Committee as detailed in sections 5 and 6.
- 2.6 A copy of the Capital Strategy is attached as Appendix A.

## 3.0 GENERAL FUND – ESTIMATED OUTTURN 2020/21

- 3.1 The projected outturn for 2020/21 on General Fund schemes total £10.67 million. This is a decrease in the year of £2.25 million against the original budget of £12.92 million.
- 3.2 This managed decrease is caused by the following:

	£	£
<b>Original Budget 2020/21</b>		<b>12,920,310</b>
<b>Approved Schemes carried forward from 2019/20 and 2020/21 approved virements/funding</b>		
Finance System Review	100,000	
Server and Additional Capacity	14,560	
WAN and DC Renewal (vired to Laptop Replacement Scheme)	(60,000)	
Laptop Replacement	60,000	
Video Conferencing (approved under emergency funding)	31,700	
Telephony Unified Communications	135,092	
Disabled Facilities Grant	45,264	
Vans – Medium	180,000	
Vans – Box Lorry	20,000	

Sweeper (Capital Receipt)	7,820	
Mowing (Grant & S106 Contribution)	35,075	
Electrical Vehicle Charging Point (Grant)	45,000	
GM Depot Coalville Park – Concreting	2,367	
District Car Park LED Lighting Replacement	25,000	
Leisure Project – Hood Park Leisure Centre, Ashby	121,420	
Leisure Project – Coalville and Whitwick Leisure Centre	7,251,402	
Linden Way Depot – Welfare Facilities	147,084	
Moira Furnace – Masonry, Drainage, Upgrades, Bridge works	280,000	
Council Offices – Fire Alarm and COTAG Door System	13,798	
Council Offices – Replace obsolete parts to Consumer Unit	75,000	
Council Offices – Replacement LED Lighting	35,000	
Council Offices – Roof Insulation	30,000	
Council Offices – External Works to Roadway	5,000	
UPS Generator (vired to Fire Alarm and COTAG Door System)	(11,316)	
Marlborough Square	1,765,868	
New Market Provision (includes new funding of £240,000)	555,662	
Salt Bay	20,000	
Appleby Magna Caravan Site – Redevelopment	130,584	
		<b>11,061,380</b>
<b>Less planned slippage in 2020/21 carried forward to 2021/22</b>		
User Screen Bulk Replacement	(18,000)	
Refuse Vehicle & Kerbsider	(660,000)	
Market Vehicles/Cars	(30,000)	
Vans – Medium	(420,000)	
Vans – Box Lorry	(20,000)	
Electrical Vehicle Charging Point	(58,879)	
Leisure Project – Coalville and Whitwick Leisure Centre	(8,685,050)	
Moira Furnace - Masonry, Drainage, Upgrades, Bridge works	(280,000)	
Council Offices – Replace obsolete parts to Consumer Unit	(75,000)	
Council Offices – Replacement LED Lighting	(35,000)	
Council Offices – Roof Insulation	(30,000)	
Council Offices – install solar panels	(40,000)	
Council Offices – Main Building – Window Installation	(250,000)	
Council Offices – External Works to Roadway	(5,000)	
Whitwick Business Centre – install solar panels	(40,000)	
Car Park – High Street, Ibstock – remove and renew gullies	(35,000)	
Market Hall – Demolish and Make Good	(75,000)	
The Courtyard – renew rainwater goods	(25,000)	
New Garage Roof at Coalville Park	(50,000)	
The Courtyard – renew rainwater goods/door	(25,000)	
Whitwick Business Centre – Upgrade CCTV	(10,000)	
Market Street Car Park – Resurfacing	(12,000)	
Ashby Town Hall Mews – installing bollard, resurfacing & relining	(15,000)	
Marlborough Square	(1,628,482)	
Appleby Magna Caravan Site	(610,000)	
		<b>(13,132,411)</b>
<b>Forecast under spends in 2020/21 that will not be carried forward</b>		
Server & Storage – additional storage	(332)	

Laptop Replacement	(1,261)	
UPS/Generator Related	(48,684)	
Appleby Magna Caravan Site – Redevelopment	(127,785)	
		<b>(178,062)</b>
<b>Indicative Outturn 2020/21</b>		<b>10,671,217</b>

- 3.3 The revised financing of the General Fund expenditure totalling £10.67 million for 2020/21 is broken down in the table below:-

	£
Grants and S106 Contributions	80,075
Disabled Facilities Grant	715,574
Capital Receipts	7,820
Other Reserves	797,368
Revenue Contributions to Capital	87,821
Unsupported Borrowing – Internal	8,982,559
<b>Total</b>	<b>10,671,217</b>

- 3.4 The ‘Planned Slippage in 2020/21 carried forward to 2021/22’ shown in paragraph 3.2 above, represents expenditure which was originally expected and budgeted for in 2020/21 but slipped into 2021/22. The budgeted financing has been carried forward.

#### 4.0 HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME – ESTIMATED OUTTURN 2020/21

- 4.1 The projected outturn for the Housing Revenue Accounts is £7.5 million against a budget of £10.1 million, a decrease of £2.6 million. More detail is provided in the table below.

	£	£
<b>Original Budget 2020/21</b>		<b>10,163,751</b>
<b>Approved Schemes carried forward from 2019/20</b>		
New Supply: General Acquisition of property and land	1,556,000	
Estate Improvements: Mobility Scooter Stores	109,000	
Estate Improvements: Off Street Parking	378,000	
Compliance: Fire Risk Assessment Remedial Works	400,000	
Supported Housing Improvements: Speech Module	100,000	
Supported Housing Improvements: Sheltered Housing Improvements	200,000	
<b>Total (increase to 2020/21 budget)</b>		<b>2,743,000</b>
<b>Less forecast slippage in 2020/21 carried forward into future years</b>		
	(2,399,611)	
Home Improvement Programme		
Estate Improvement: Place-shaping pilot	(250,000)	

Estate Improvement: Mobility scooter stores	(109,000)	
Fire Risk Assessment Remedial Works	(490,000)	
Supported Housing Improvements: Speech Module	(230,000)	
Estate Improvement Programme: Off-street parking	(344,000)	
		<b>(3,822,611)</b>
<b>Forecast over or (under) spends in 2020/21 that will not be carried forward</b>		
New Supply Programme	(1,189,730)	
Estate Improvement Programme	(188,000)	
Major Aids & Adaptations	(75,000)	
Supported Housing Improvements	(270,000)	
Active Asset Management	(160,000)	
New Housing System	319,000	
Capital Salaries	(6,000)	
		<b>(1,569,730)</b>
<b>Indicative HRA Capital Outturn 2020/21</b>		<b>7,514,410</b>

- 4.2 The revised funding for the HRA Capital programme for 2020/21 is detailed in the table below. Where budgets are slipping into next year, the funding is also going with them.

	£
Use of Major Repairs Reserve	1,470,000
Right to Buy 'One for One' receipts	1,108,323
Other right to buy receipts	1,068,148
Section 106 Affordable Housing commuted sums	57,000
Revenue Contribution to Capital Outlay (RCCO)	934,000
Other usable capital balances	2,876,939
<b>Total Resources used in 2020/21</b>	<b>7,514,410</b>
Retained for future years	9,482,963

## 5.0 GENERAL FUND CAPITAL PROGRAMME 2021/22-2025/26

- 5.1 The General Fund capital programme for 2021/22 to 2025/26 is detailed in Appendix B. Schemes shown as slippage from 2020/21 and carried forward to 2021/22 are detailed in the table in paragraph 3.2 above.
- 5.2 There have been two adjustments to the 2021/22 Capital Programme since the previous report to Cabinet on 8 December 2020 and Corporate Scrutiny on the 6 January 2021. These changes have been incorporated to present the most current position and are detailed below:

- a) Included within the draft budget for 2021/22 was £1.2 million for Marlborough Square and £180,000 (and £1.8 million in total) for FHSF Public Realm. Since the announcement of the unsuccessful Future High Street Bids, the two schemes have been merged into one scheme and renamed as 'Coalville Regeneration'.

Whilst our bid to MHCLG for Future High Streets Fund investment into the regeneration of Coalville has been unsuccessful, we believe it remains of critical importance to seek to deliver projects outlined within the bid.

There has been insufficient time since hearing the outcome of our FHSF bid to work with all of our various partners to develop alternative delivery (funding) mechanisms for all the Coalville projects, but initial conversations lead us to be confident that some of the schemes may be able to proceed without council financial involvement.

Other projects included in the FHSF bid may require council investment in order to be delivered. The extent of funding required is not anticipated to exceed that identified in previous reports, and therefore the values and profile of that funding has not changes since the draft programme.

Specific allocation of capital funding to any of these projects will be subject to the prior presentation to Scrutiny and Cabinet with any changes beyond approved financial plans being referred to full Council in line with the council's own financial procedure rules.

- b) The forecast capital receipt in relation to the sale of Cropston Drive has increased from £2 million to £4.1 million following advice from the council's advisors. The capital receipt will be used towards the capital cost of building the new leisure centre.

## **6.0 HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME – 2021/22-2025/26**

- 6.1 The HRA Capital programme (Appendix C) covers in detail the capital schemes for the period 2021/22 to 2025/26 and how they are funded. The total expected spend over 5 years is £61.3 million, with a £12.1 million budget for 2021/22. In addition, there is an estimated £3.8 million of the 2020/21 HRA capital programme to be carried forward into future years.
- 6.2 There have been 2 adjustments to the Capital Programme since the previous report to Cabinet on 8 December 2020 and Corporate Scrutiny on the 6 January 2021. These changes have been incorporated to present the most current position and are detailed below:
  - a) The New Housing IT System, which was due to be completed in the current financial year, has been delayed. A new budget of £180,000 has been introduced for 2021/22 to enable this project to be completed.
  - b) Following the announcement of the current lockdown period, home improvement work within tenants' homes has been paused unless it is required for safety or welfare purposes. This means the forecast budget to be carried forward has increased from £1.9 million to £2.4 million.
  - c) Expenditure on capitalised salaries has been reviewed and increased to £677,000 per year from £646,000.
  - d) The off-street parking budget has been revised to incorporate the forecast £344,000 underspend from the current year, following comments from members of the Corporate Scrutiny Committee. This has resulted in the programme being extended by a year.

## 7.0 CAPITAL RESOURCES

### General Fund

- 7.1 Appendix B provides details on how the five year **General Fund capital programme** will be funded. The General Fund Capital Programme (2021/22) will be funded by:

	£
Disabled Facilities Grant	670,310
Capital Receipts	4,380,300
Reserves	1,628,482
Revenue	58,879
Unsupported Borrowing	13,427,945
<b>Total (including forecast carry forward from 20/21)</b>	<b>20,165,916</b>

- 7.3 Funding is in place in 2021/22 for the Disabled Facilities Grants Scheme £670,310.
- 7.4 A capital receipt of £4.4 million has been identified for the Leisure Centre Project.
- 7.4 A contribution from reserves of £1.6 million for the Marlborough Square Project.
- 7.5 A revenue contribution of £59,000 for the electrical vehicle charging points.
- 7.6 The remaining schemes for 2021/22 (£13.4 million) can be funded by either unsupported borrowing or leasing depending on value for money and for which provision has been made in the 2021/22 Revenue Budget. Currently the council's default position is to fund through unsupported borrowing unless there are financial benefits to the council to lease.

### Housing Revenue Account

- 7.7 Appendix C provides detail on how the five year **Housing Revenue Account capital programme** will be funded. In 2021/22, the funding streams are:

	£
Use of Major Repairs Reserve	5,538,801
Right to Buy 'One for One' receipts	1,115,921
Other right to buy receipts	1,207,609
Proceeds from asset disposals	1,072,750
Section 106 Affordable Housing commuted sums	270,875
Revenue Contribution to Capital Outlay (RCCO)	2,932,467
Other usable capital balances	3,420,693
<b>Total Resources used in 2021/22</b>	<b>15,559,116</b>
Retained for future years	3,846,750

- 7.8 The amount retained for future years comprises £2.9 million right to buy one for one receipts, which can only be used to acquire or build new housing stock. The remaining £1.0m is unrestricted funding to fund future capital programmes.
- 7.9 Included in this year's Housing Revenue Account draft budget is a revenue contribution to capital of £3.65 million. This contribution is required to ensure there are resourced to fund the HRA capital programme both this year and to smooth out future capital funding requirements. This level of RCCO is in line with predictions within the Medium Term Financial Plan reported to Cabinet and Council in February 2020.



## **8.0 PROCUREMENT ROUTES**

- 8.1 Where the authority is required to enter into a contract which has a value of more than £250,000 in total, more than £100,000 in any one contract year or more than five years long, Cabinet authority is required prior to award of the contract. As Cabinet is considering the budgetary implications of the Capital Programmes, it is efficient for Cabinet to consider the award of subsequent high-value contracts at the same time. Cabinet may also be asked to address a request for a waiver to the Contract Procedure Rules (CPR) for a particular selection of contract opportunities.
- 8.2 Although the procurement processes may be commenced sooner, the contract award will not take place before Council has approved the budget for the Capital Programmes. The authority's procurement documentation gives it a right not to award a contract, should Council not approve the budget.
- 8.3 Each year, as part of the Fleet, Plant and Equipment Replacement Programme, replacements will need to be made to some of the Council's vehicles, equipment and plant. Officers will select the most appropriate public sector framework or procurement route for each item, considering which offers value for money for the Council at the time of procurement.
- 8.4 Cabinet is asked to delegate award of the subsequent contracts for vehicles, equipment and plant to the relevant Strategic Director in consultation with the Portfolio Holder.
- 8.5 Where not using pre-existing contracts or frameworks all procurement processes for contracts over £25,000 will be advertised and available for local suppliers to submit bids, should they be of interest.

## **9.0 CONSULTATION**

### **Corporate Scrutiny**

- 9.1 The Corporate Scrutiny Committee met on 6 January 2021 to review all the proposed budgets for 2021/22. A link to the draft minutes has been included as a background paper on page one of this report.
- 9.2 As noted in paragraph 6.2, members of the Committee informed officers of errors within the HRA capital programme relating to the off-street parking provision, which have been corrected in this report. The off-street parking budgets have been reviewed and rebased as a result.

### **Housing Tenants**

- 9.3 We have also consulted on the HRA Capital Programme with two groups of involved tenants – the tenant scrutiny panel and the tenant and leaseholder consultation forum. No comments were made on the capital programme by these groups.
- 9.4 We also included an article in the quarterly newsletter sent to tenants, informing them of high level HRA capital plans and inviting them to complete an online survey about our budget proposals. Two responses were received for the housing revenue account capital programme. One tenant was supportive of the overall programme and the other was neutral. Comments on elements of the HRA capital programme include:
- One tenant was supportive of the New Supply programme, whilst the other

was neutral. One commented that the rent on new houses is not affordable compared to the rent on their existing property.

- Both tenants were supportive of the home improvement programme and had specific requests, such as for improvements to energy efficiency and to add showers to bathrooms.
- One tenant was supportive, whilst another was neutral, on the Zero Carbon Programme.
- Both tenants were supportive of our routine capital expenditure, such as the estate improvement programme. The one comment received was a suggestion that Thomas Road, Kegworth should be considered for the off-street parking programme.

### **Trade Unions**

- 9.5 Trade Unions have been provided with a copy of the budget reports and given the opportunity to provide feedback. The statutory consultation period runs from the 21 December to the 7 February 2021. No comments have been received at the time of writing the report. Any responses received will be provided to Cabinet in a supplementary paper, verbal update at the meeting or via email after the Cabinet meeting.

### **Public Consultation**

- 9.6 An online consultation commenced on the 21 December and will close on the 7 February 2021. The surveys asks respondents 'what feedback would you like to give us on the council's proposed budget for 2021/22'. At the time of writing this report, we have received nil responses for the general fund or HRA capital programme.
- 9.8 The consultation will remain open until the 7 February 2021, any responses received will be provided to Cabinet in a supplementary paper, verbal update at the meeting or via email after the Cabinet meeting.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	The projects in the Capital Programmes help the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	Residents will benefit from improved leisure facilities within the district and other improved assets. Council tenants will be impacted by Council home improvements.
Economic and Social Impact:	None
Environment and Climate Change:	None at this time. At the time of writing this report, officers continue to consider the cost and resource implications of how the Council can achieve carbon neutrality by 2030.
Consultation/Community Engagement:	Corporate Scrutiny Committee – 6 January 2021  Statutory and online public consultation has run from 21 December 2020 and 6 January 2021.
Risks:	The Capital Programmes are monitored at project level to ensure they are delivered on time and within budget.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer <a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a>