

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 8 DECEMBER 2015

Title of Report	CAPITAL PROGRAMMES – GENERAL FUND, COALVILLE SPECIAL EXPENSES AND HOUSING REVENUE ACCOUNT (H.R.A). PROJECTED OUTTURN 2015/16 AND DRAFT PROGRAMMES 2016/17 TO 2020/21
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Councillor Roger Bayliss 01530 411055 roger.bayliss@nwleicestershire.gov.uk Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk Director of Resources 01530 454501 steve.barrett@nwleicestershire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk Financial Planning Manager 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk
Purpose of Report	To advise Members of the likely Capital Outturn and the relevant financing for 2015/16 for the General Fund, Coalville Special Expenses and the H.R.A. To seek approval to the Draft General Fund, Coalville Special Expenses and H.R.A Capital Programmes for 2016/17 and to note indications for future years and associated funding for consultation.

Reason for Decision	To enable projects to be included in the Programmes for consultation.
Council Priorities	The projects in the Capital Programmes help the Council achieve all its priorities.
Implications	
Financial / Staff	As contained in the report.
Links to relevant CAT	The Capital programmes are potentially relevant to all Corporate Action Teams (CATs).
Risk Management	The Capital Programmes are monitored at project level to ensure they are delivered on time and within budget.
Equalities Impact Screening	No impact at this stage.
Human Rights	None identified.
Transformational Government	The Programmes attached are integral to delivering better services.
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	Report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory
Consultees	CLT and Budget Holders.
Background Papers	“Capital Programmes – General Fund, Coalville. Special Expenses and Housing revenue Account (HRA). Projected outturn 2013/14 and Proposed Programmes 2014/15 to 2017/18” – Cabinet 11 February 2014

Recommendations	<p>A. THAT THE ESTIMATED GENERAL FUND, COALVILLE SPECIAL EXPENSES AND H.R.A. CAPITAL OUTTURN FOR 2015/16 AND PLANNED FINANCING BE NOTED.</p> <p>B. THAT CABINET APPROVES FOR CONSULTATION THE DRAFT CAPITAL PROGRAMMES IN 2016/17 DETAILED IN:</p> <ul style="list-style-type: none"> • APPENDIX “A” GENERAL FUND AND SPECIAL EXPENSES CAPITAL SCHEMES • APPENDIX “B” FOR HRA CAPITAL SCHEMES <p style="padding-left: 40px;">AND IN 2017/18 THESE SCHEMES ONLY:</p> <ul style="list-style-type: none"> • £630,000 FOR THE VEHICLE REPLACEMENT PROGRAMME, AS DETAILED IN PARAGRAPH 3.2 <p>C. THAT CABINET NOTES INDICATIVE CAPITAL PROGRAMME SCHEMES FOR 2017/18 TO 2020/21.</p> <p>D. THAT CABINET NOTES THE PROPOSED PROCUREMENT ROUTES AND DELEGATES THE AUTHORITY TO AWARD THE CONTRACTS, AND ANY ASSOCIATED AGREEMENTS IN FURTHERANCE OF THE PROJECTS, AS DETAILED IN SECTION 7 (PROCUREMENT ROUTES) OF THIS REPORT SUBJECT TO FINAL APPROVAL OF THE CAPITAL PROGRAMMES IN FEBRUARY 2016.</p>
-----------------	--

1.0 INTRODUCTION

- 1.1 Appendix “A” shows the proposed General Fund and Special Expenses Capital Programme for 2016/17 to 2020/21.
- 1.2 Appendix “B” shows the H.R.A. proposed Capital Programme for 2016/17 to 2020/21.
- 1.3 The Appendices also present the estimated outturn for the current year for approval.

2.0 GENERAL FUND - ESTIMATED OUTTURN 2015/16

- 2.1 The projected outturn for 2015/16 on General Fund schemes totals £2,762,090. This is a managed increase of £632,090 on the original budget for the year of £2,130,000.

- 2.2 This managed increase is caused by the following:

Schemes carried forward from 2014/15	£	£
Network Upgrade,	89,360	
Improving Customer Experience (ICE),	5,000	
Disabled Facilities Grant,	165,000	
Refuse Vehicle and Refuse Kerbsider,	168,000	
Car Park(Retention Element)	1,585	
South Street Car Park Ashby - Resurfacing	19,900	
Hermitage Recreation Grounds – AWP access area	11,500	
Coalville Market Upgrade (Phase 1a)	1,500	

Coalville Market Upgrade (Phase 2) Materials Separating Technology – Linden Way Depot	100,000 8,018	
Total		569,863
Additional Approved Schemes 2015/16		
Improving Customer Experience (ICE 2), Information Management	200,000 100,000	
Additional Disabled Facilities Grant	62,000	
Total		362,000
Planned Slippage 2015/16		
Disabled Facilities Grant – Slippage into 2016/17	(283,000)	
Hermitage Recreation Grounds – AWP access area – Slippage into 2016/17	(11,500)	
Various small Underspends identified	(5,273)	
Total		(299,773)
Total Managed Increase		632,090
Funded by:		
Disabled Facilities Grant	62,000	
Value for Money Reserve	309,518	
Other Reserves	(18,000)	
Internal Borrowing	278,572	
Total		632,090

The total planned financing of the General Fund expenditure totalling £2,762,090 in 2015/16 is as follows:

	£
Disabled Facilities Grant	298,050
S106 Contributions	400,000
Revenue Contributions to Capital	149,330
Value for Money Reserve	378,018
Other Reserves	206,620
Internal Borrowing	1,330,072
Total	2,762,090

- 2.3 There were sufficient funds identified prior to this capital spend being committed.
- 2.4 The carried forward schemes shown in paragraph 2.2 above represents expenditure which was originally expected and budgeted for in 2014/15 but which has slipped into 2015/16 and for which the budgeted financing has also been carried forward.
- 3.0 GENERAL FUND CAPITAL PROGRAMME 2016/17 TO 2020/21 – INDIVIDUAL SCHEMES**
- 3.1 The programme for 2016/17 to 2020/21 detailed in Appendix A provides for a continuation of the current Disabled Facilities Grants Scheme and the Vehicle

Replacement Programme. The following new schemes are included in the programmes for approval to commence in 2016/17:

3.1.1 Desktop Equipment Upgrade (£42,000)

The Council's desktop PCs are currently on average over 5 years old and reaching the end of their economic life. Some work has been done in 2015-16 to replace the oldest equipment and to extend the life of existing equipment through investment in a virtual desktop computing environment. The virtual environment reduces the load on the desktop equipment and simplifies management by running software on high-power servers in the computer room instead of on the desktop PCs.

This scheme will further extend the virtual desktop environment and replace 100 of the oldest PCs with solid state thin client devices. As well as providing a more stable and reliable desktop computing environment, this investment will simplify any future move to remote or home working since the solid state thin client devices are easily supported remotely.

3.1.2 ICT Security Infrastructure (£63,000)

The Council's network is currently secured using separate products from three different resellers. This scheme will replace the Council's security infrastructure with a single unified threat management solution which is scalable to support the Council's future demands. A direct cost saving in the ICT revenue budget of £19,000 per annum from 2017-18 onwards will be realised as a result of this investment.

3.1.3 HR / Payroll System (£50,000)

The current HR/Payroll system contract (Selima) is due to expire in March 2017. This scheme and purchase of a new/upgraded system will require time for implementation, testing and dual running. The potential timescales for this project requires that we go out to tender in Jan/Feb 2016 with contract award likely to be around July/August 2016.

3.1.4 Access Road, High Street Car Park, Measham - Resurfacing (£25,000)

Proposed resurfacing of the NWLDC-owned part of the private access road serving NWLDC's public car park situated off High Street, Measham – to address defects and maintain an acceptable surface condition.

3.1.5 Hermitage Recreation Grounds – Surface Dressing (£11,500)

This scheme was originally agreed as “Hermitage Rec Grounds AWP Access Area, Whitwick - Resurfacing” in the 2014/15 Capital Budget presented to Cabinet on 11 February 2014. The original scheme was to resurface selected parts of the access area. The scheme has been expanded to incorporate surface dressing of the Lakeside Pavilion access and car park, the (original) access road leading to the All Weather Play Area and the access road leading to the slipway at Hermitage Lake – to seal and protect the surfaces from the weather, extend their life and improve their appearance.

3.1.6 Hood Park Leisure Centre Car Park, Ashby - Resurfacing (£15,000)

Resurfacing of the main vehicular route / traffic aisle through the long axis of the car park. Resurfacing is required to address the defects and maintain an acceptable surface condition.

3.1.7 North Service Road Car Park, Coalville (£32,250)

Proposed improvements to the site to address defects, maintain the vehicular and pedestrian surfaces in an acceptable condition and to potentially improve the layout and appearance (subject to detailed design).

3.1.8 Coalville Park – Reconfigure Depot and replace building (£95,000)

As part of the annual Property Services building survey, a garage at the Coalville Park depot has reached its end of life and requires urgent replacement. In addition, following annual increases in business, the size of the team, vehicles and equipment it is necessary to reconfigure and create more space and appropriate working environments at the depot. The cost at this stage is an estimate awaiting formal costings.

3.1.9 Hood Park Leisure Centre Fitness Suite Air Conditioning (£15,000)

Replacement of three 10 year old wall mounted Air Conditioning Units within the fitness suite. The units use refrigerant R22 which from the end of 2015 will be illegal to use. Consequently, within 6 months the units will effectively become obsolete and unusable. The three new units will not only use the legal, non ozone depleting refrigerant R410a, but they will also have internal inverters thus reducing energy consumption and significantly improving efficiency.

3.1.10 Fleet Replacement Programme

With regard to the Fleet Replacement Programme, each year a number of vehicles either come to the end of their lease period or their lease extensions are reviewed. Each vehicle is reviewed based on its age, condition, mileage, potential risk of major repairs (due to being out of warranty) and a decision is made whether to extend the lease or replace the vehicle.

These decisions are made in the previous year in order to allow a suitable lead-in period from order to delivery in April, particularly for large items such as refuse vehicles. Many of these vehicles are built to order and these orders have to be placed before October for delivery the following April. Therefore, although they are actually acquired in April a commitment has to be made in the previous year.

Approval is sought to amend the 2016/17 Fleet budget from £984,000 to £1,039,000, an increase of £55,000. This is to be offset by a decrease in the 2017/18 fleet budget of £172,000 (an overall saving of £117,000).

The original approval for 2016/17 was granted by Cabinet on 11 February 2015. This amendment has arisen due to a number of factors. Four small vans were originally due to be purchased. After reviewing the overall fleet position, this was reduced to two and released £30,000 of the budget. Savings of £87,000 have been generated from the procurement of vehicles. These budget reductions / savings will be offset by the acceleration of a new kerbsider (originally budgeted in 2017/18 at £172,000).

It is essential to accelerate the replacement of this vehicle due to the rapid increase in housing growth over the last two years in particular. The new kerbside recycling vehicles provide additional capacity through its compaction process so recyclable material from housing growth can be absorbed without adding extra vehicles or staff. This acceleration will also ensure that all waste collections can be made on schedule using existing rounds and to maintain the high reliability rates of the service. It is envisaged that a more

competitive price may be obtained for each vehicle by undertaking a procurement exercise for three vehicles rather than ordering one at a time.

The changes in the 2016/17 budget are reflected in the table below:

Vehicle	Original Budget	Revised Budget
Refuse Kerbsider (End of Lease)	172,000	344,000
Refuse (2x refuse vehicles. End of Lease and End of Life)	350,000	325,000
Market Vehicles/Cars (End of Life)	15,000	19,000
Vans - Small (4x End of Lease but Reduced to 2)	60,000	22,000
Vans - Medium (2x End of Lease)	32,000	28,000
Vans - Pickup (End of Life)	25,000	19,000
Bin Lifter (New for refuse vehicle)	20,000	20,000
Tractor Plant (End of Life Baler, loading shovel and Tractor)	250,000	215,000
Mowing Machines (2x End of Lease)	60,000	47,000
TOTAL	984,000	1,039,000

- 3.2 In order to progress with the 2017/18 purchases approval is sought for the following vehicles:

	£
Refuse (1 x refuse vehicle. End of Life)	170,000
1 x HGV mechanical sweeper (End of lease)	120,000
1 x 7.5T caged vehicle (End of life)	40,000
2 x mini-sweepers (End of life)	130,000
Vans Medium – 12 x transit, 1 x caged (end of life or lease)	170,000
Total	630,000

3.2.1 Waste Services HGV's and LGV's (approx £460,000)

The existing Heavy Goods waste vehicles, including one waste collection vehicle, one mechanical sweeper, one 7.5 tonne caged tipper and two mechanical mini-sweepers are to be replaced as part of the annual vehicle replacement programme to ensure reliability of waste and street cleansing service delivery.

3.2.2 Medium Vehicles (approx £170,000)

Thirteen medium / small vehicles are to be replaced across the fleet for 2017/18 as part of the annual vehicle replacement programme. These include three transit vans for the Waste Services Team and nine transit vans and one caged vehicle for the Housing Team. These are essential for service delivery and to control maintenance costs of increased repairs to ageing vehicles.

3.3 The General Fund Capital Programme (2016/17) will be funded by:

	£
Disabled Facilities Grants	298,050
Revenue Contribution	135,920
Reserves	282,790
Internal Borrowing	1,387,750
Total	2,104,510

4.0 COALVILLE SPECIAL EXPENSES – ESTIMATED OUTTURN AND INDIVIDUAL SCHEMES

4.1 The Projected outturn for 2015/16 is £172,563. This is all slippage from 2014/15 on the following projects

	£
Cropston Drive BMX Track	9,783
Thringstone Miners Social Centre	4,913
Urban Forest Park - Footway & Drainage Improvements	39,025
Owen Street – Floodlights	779
Owen Street – Changing Rooms	115,563
Thringstone Bowls Club – Toilet Block	2,500
Total	172,563

4.2 There are no new schemes agreed at present for 2016/17.

5.0 H.R.A. CAPITAL PROGRAMME – ESTIMATED OUTTURN 2015/16 AND 2016/17 - 2020/21 INDIVIDUAL SCHEMES

5.1 The HRA Capital programme (Appendix “B”) covers in detail the capital schemes for the period 2016/17 to 2020/21.

5.2 Planned spend in 2016/17 and onwards mainly consists of

5.2.1 Decent Homes Improvement Programme (DHIP)

The Decent Homes standard was introduced by the last Government to drive up the quality of social housing across the country. The standard sets a range of indicators for different elements of tenants’ homes.

Government had set aside £2.1bn, out of which £0.6bn was ring fenced to new Stock Transfer gap funding and the remaining £1.5bn was available for councils, with over 10% of their stock non decent, to bid for. The Council bid was successful and it received £3.7m for 2012/13, with further funding of £8.5m for years 2013/14 and £7.55m for 2014/15. The latter was the last year of grant funding from the Government, and there will be no further grants in the foreseeable future.

The Council is forecast to spend £6.154 million in 2015/16 and will continue to invest in the Decent Homes Investment Programme to maintain the level of decency across the Housing Stock

The Decent Homes Improvement Programme for 2016/17 will invest £2.947 million in improving tenants' homes.

5.2.2 Other Planned Investment Programme

In addition to delivering the Decent Homes Improvement Programme, there are a wide range of other investments required to maintain and enhance the housing stock and associated services and assets, which are outside the Government's definition of Decent Homes works.

5.2.3 New Build/Affordable Housing Programme

In Autumn 2014, the Council commissioned Housing Quality Network (HQN) to undertake an options appraisal on how the Council could increase the number of council-owned homes through new build and acquisitions. The HQN report was concluded in January 2015 and as part of the recommendation in the report, the council has committed to build new homes at 3 different sites –

Brownfield site (if acquired)	- 12 homes
Greenacres	- 10 homes
Willesley estate	- <u>8 homes</u>
Total	- <u>30 homes</u>

5.2.4 Other Schemes / Miscellaneous

There are various other schemes with brief notes in the Housing capital programme as per Appendix B .

A new line for "High Value Assets Payment to Central Government" has been included in the above section. This is due to the new Housing and Planning Bill introduced in the summer.

The Government has made clear that with the introduction of the Right to Buy for Housing Association tenants it will require contributions from local housing authorities to support the discount to be granted to those tenants.

The Housing and Planning Bill currently requires that a local housing authority must make a payment to the Government based on the market value of high value housing likely to become vacant during the year, less any allowable deductions. The amount will be formula based and payable in advance. There are, as yet, no firm indications of the detailed calculation that the formula will provide and as a result an estimated amount has been included in the capital programme

5.2.5 Future Funding

Since its inception, the long term HRA business plan has had a core assumption that future rents will increase by 2.5% (notwithstanding the annual 1% rent reductions from 2016 for four years) and this was a standard, benchmark assumption across most social housing landlords. In view of government policy and the outlook for inflation, it is now considered prudent to change this assumption to 1.5%. This will have a significant impact on future rental income flows, and additional efficiencies and savings will have to be identified within the Housing Service going forward.

Changing this core assumption will require a fundamental re-modelling of the HRA business plan, and this work is currently underway. It is therefore likely that the final capital programme proposals will change, with a particular focus on identifying areas where expenditure can be reduced, or additional income can be generated (e.g. disposals of sites / properties),

6.0 CAPITAL RESOURCES

- 6.1 The resources estimated to be needed to finance the General Fund programme 2016/17 to 2020/21 totals £6,111,560 and is as follows:

	£
2016/17	2,104,510
2017/18	1,175,970
2018/19	1,801,970
2019/20	228,000
2020/21	801,110
Total	6,111,560

- 6.2 Details of the planned funding of the programmes are included in Appendix A. Funding is in place in 2016/17 for the Disabled Facilities Grants Scheme (£716,760) consisting of £298,050 Disabled Facilities Grants, £282,790 of reserves and £135,920 of Revenue Contribution. The remaining schemes (£1,387,750) can be funded through either leasing or borrowing depending on value for money and provision has been made in the 2016/17 Revenue Budget.
- 6.3 The following resources are budgeted to be available for financing the Housing Revenue Account Programme in 2016/17. An estimated surplus of £968,000 can be carried forward to 2017/18.

	£
Usable Balances	2,766,107
Retained Right to Buy Receipts	238,534
Right to Buy Receipts – Attributable debt	658,722
Use of Right to Buy ‘One for One’ reserve	496,919
Major Repairs Allowance	3,995,170
Asset Disposals (Capital Allowance)	1,000,000
Total Resources	9,155,452
Less Budgeted Expenditure	8,187,518
Surplus to be carried forward to 2017/18	967,934

7.0 PROCUREMENT ROUTES

- 7.1 Where the authority is required to enter into a contract which has a value of £100,000 or more, Cabinet authority is sought 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 is also asked to address a request for a waiver to the Contract Procedure Rules (CPR) for a particular selection of contract opportunities. Each will be considered in turn.

7.2 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.

7.3 **Waste Services, Vans, Cars, Plant and Equipment**
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 for each item, considering which offers value for money for the Council at the time of procurement.

Cabinet is asked to delegate award of the subsequent contracts for vehicles, equipment and plant to the Director of Services in consultation with the Portfolio Holder.

7.4 **Car Park Resurfacing**
The Council will need to resurface four car parks/roads in the 2016/17 financial year, Access Road to High Street Car Park, Measham; Hermitage Recreation Grounds; Hood Park Leisure Centre Car Park and North Service Road Car Park, Coalville.

Where we are purchasing similar goods, works or services, we are under an obligation to aggregate the value so as to ensure, where that value is above the thresholds (for services contracts, the threshold is £172,514), the opportunity is advertised to potential European bidders. The aggregate value of these contract opportunities is £83,750, so below the thresholds which would require the authority to advertise the opportunity in Europe. At this value, it is a Band D contract requiring a formal tender process, pursuant to CPR 5.16.

To assist officers with scheduling the pre-procurement work and on-site delivery of the larger resurfacing schemes before winter, Cabinet is requested to grant a waiver to the CPR so the contract opportunities can be disaggregated. Each contract would then be procured in accordance with the CPR, according to its own value. This would bring all four schemes into Band B (Small) Contracts, all requiring three written quotations be sought and opening up the opportunities in the first instance to suitable businesses registered on the Buy Local portal.

Pursuant to CPR 3.2, Cabinet is asked to grant a waiver to CPR 5.16 so that each of the four resurfacing programmes can be treated as individual contract opportunities and procured in accordance with the CPR relevant to their particular value. Cabinet is asked to delegate award of the subsequent contracts to the Director of Services in consultation with the Portfolio Holder.

8.0 NEXT STEPS

8.1 This report will be presented to the Policy Development Group at its meeting on 6 January 2016. Consultation with the business community will be through the Leicestershire, Northamptonshire and Rutland Federation of Small Businesses. Any comments received will be included in the report to Cabinet on 9 February 2016 which will make the final recommendations to Council on 23 February 2016.