

ONE-OFF INVESTMENT IN CULTURAL SERVICES

Report of the Acting Corporate Director, Regeneration and Culture

1 Purpose of Report

- 1.1 To seek Cabinet's agreement to expenditure on specific schemes included in the ring-fenced Cultural Services Capital Programme.
- 1.2 To agree a revised programme for one-off disposal and investment.

2. Summary

- 2.1 In March 2004, Cabinet approved a 3-year programme of re-investment in Cultural Services, financed from the disposal of a number of Cultural Services buildings and facilities. This programme was based on expenditure being committed in advance of capital receipts, in consultation with the Chief Finance Officer, subject to a reasonable assurance of the availability of sale proceeds and with 7½% being levied as a financing charge on any unfinanced expenditure prior to achievement of receipts.
- 2.2 The sale of Regeneration and Culture properties took longer than expected because of overly optimistic timescales for disposal of major sites. As a result we could not carry out all the investments Members had previously agreed. A further report was taken to Cabinet in July 2005, which agreed to the commitment of expenditure in advance on the replacement of the changing rooms, fitness suite and athletics track at Saffron Lane Athletics Stadium and Aylestone Leisure Centre. Two other, lower priority, schemes (5 Kickabout areas and replacement of the Astro Turf Pitches at Saffron Lane) included in the Council's main capital programme were transferred to the reserve-programme pending the achievement of capital receipts from the disposal of the Velodrome.
- 2.3 In July 2005, it was anticipated that the Velodrome disposal would be completed by February 2006 and the Humberstone Drive Disposal would be completed early in the current financial year. These disposals have been subject to further delay, however, the plans for the Humberstone Drive site were approved by the Planning and Development Control Committee on 1st August. The sale of the Humberstone Drive site has been completed and a payment of £2,080,000 has been received, although up to £300,000 of this could be refunded for any exceptional site conditions.

- 2.4 The developer's proposals for the velodrome site were considered by the Planning and Development Control Committee on 5th September 2006 but were rejected following strong representations about the density of the proposed development and other factors impacting on local residents. At the time of writing this report it is understood that the developers intend to submit revised proposals but there will be a further delay in achieving a capital receipt from this site.
- 2.5 Cabinet is, therefore requested to approve expenditure on 4 schemes at a total cost of £785k in 2007/08 based on available capital receipts and receive a further report when the position on the disposal of the velodrome site is clearer.
- 2.6 The expenditure on these schemes is required to improve the quality of services for local residents. There are currently 14 play areas requiring replacement of major equipment; the book bus is on its last legs and the Councils Transport Manager has advised its immediate replacement. Expenditure on Cossington Street Sports Centre is long overdue and has been the subject of customer complaint and dissatisfaction. The remaining funding would be used to increase the contribution from the ring-fenced programme to the Museum Collection facility to improve the environmental conditions to protect stored collection to quality standards set by the Museum, Libraries and Archives Association.
- 2.7 This report also seeks approval to an amended programme of investment (Appendix 2). - Apart from re-phasing, the main changes are the inclusion of a replacement book bus as a transfer from the reserve capital programme, the deletion of the Councils contribution to the Braunstone Park HLF Scheme, which is now unlikely to go ahead in the foreseeable future due to difficulties in finding a suitable tenant for Braunstone Hall and an increase in the contribution to the Museum Collection facility. The overall expenditure on the ring-fenced programme has been increased by £200k for the fitness suite at Evington Pool which has been funded by an additional revenue contribution to the programme.
- 2.8 2 properties, Humberstone Park Depot and Evington House are no longer recommended for disposal for the reasons outlined in the supporting information. However the estimated increase in receipts from other disposals will more than offset the reduction in income.

3 Recommendations

3.1 Cabinet is recommended to:-

1. authorise the commitment of capital expenditure in 2007/08 of £785k on 4 schemes detailed in the report.
2. approve a variation to the ring-fenced programme of investments as set out in Appendix 2.
3. withdraw the disposal of Humberstone Park Depot and Evington House from the disposals programme for the reasons set out in Para. 2.1 of the Supporting Information.

4 Financial and Legal Implications

Financial Implications

- 4.1 On 25th July 2005 Cabinet approved £1,050k of Prudential borrowing to be used to fund priority schemes in the one off investment programme in advance of the capital receipts, which would ultimately provide the funding source.
- 4.2 The amendments to the scheme outlined above and the receipt of the sale proceeds of £2,080k for the Humberstone Drive site means that no temporary borrowing will be required in either 2006/07 or 2007/08. The situation regarding the disposal of the Velodrome will need to be reviewed again at the end of 2008 before continuing with the revised investment programme.
- 4.3 The one-off investment programme has increased by the £200k contribution to the Evington Pool Fitness Suite. This has been wholly funded by a revenue contribution from the Culture Division in 2006/07. The one-off investment programme now totals £5,613k.

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Legal Implications

- 4.4 There is a binding legal contract between the Council and the proposed developer in respect of the Saffron Lane Velodrome site. In the event that any revision of the terms of that contract, whether arising from financial, planning or other considerations, is to be negotiated and agreed between the Council and the developer, a further formal legal document will be required to ensure that any agreed changes are clearly defined.
- 4.5 The failure of the developer's planning application at first instance gives rise to a power within the contract for either party terminate it on five working days' written notice.
- 4.6 There is also provision in the contract for the developer to submit a new or revised planning application subject to receiving the Council's consent as Seller. Such consent would, in turn, have the effect of extending the last date for completion of the sale and, thus, the receipt of the sale money by a further period of six months. This consent cannot be unreasonably withheld or delayed and must be acted upon within three months of being granted. At the time of writing, no such request for consent has been received from the developer.

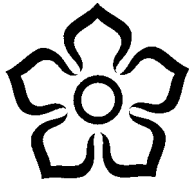
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5. Report Author

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DECISION STATUS

Key Decision	Yes
Reason	Significant effect on one or more wards
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)



Leicester
City Council

WARDS AFFECTED: CITY WIDE

CABINET

19th February 2007

ONE-OFF INVESTMENT IN CULTURAL SERVICES

Report of the Acting Corporate Director, Regeneration and Culture

Report

1. Background

- 1.1 On 15th March 2004, Cabinet approved a Joint Report of the Service Director for Resources, Regeneration and Culture Department and the Chief Finance Officer seeking agreement to the disposal of specified assets and the investment of the proceeds to meet investment needs in cultural services facilities.
- 1.2 Cabinet agreed in principle to recommendations contained in the report as follows:-
- 1) that officers progress the disposal of the assets and that the proceeds be used for reinvestment in Cultural Services, with authority delegated to the Corporate Director of Resources, in consultation with the Corporate Director of Regeneration and Culture, and the Cabinet Link Members for Resources and Cultural Services, to vary the assets disposed of to maximise the benefit to the Council;
 - 2) an addition to the capital programme of £4.035m, such addition to be funded from ringfenced receipts and revenue contributions by the Cultural Services Department;
 - 3) that the Director, in consultation with the Chief Finance Officer, can commit expenditure subject to reasonable assurance of the availability of sale proceeds (with any shortfall falling to Cultural Services' revenue account);
 - 4) that, in accordance with the recently approved 'Spend to Save' rules, 7.5% will be charged to the department on any unfinanced expenditure prior to achievement of receipts;

- 5) that should the receipts from the disposal of the assets exceed the investment identified in Appendix 1, a further report will be brought to Members with options for the use of those receipts.
- 1.3 Cabinet also agreed in principle to dispose of the assets detailed in the report and that any disposals be subject to a further report to Cabinet with any items of urgency being delegated to the Town Clerk in consultation with the Corporate Director of Regeneration and Culture and the Cabinet Link Member for Cultural/Leisure Services
 - 1.4 Cabinet on 20th December 2004 agreed to vary the decision made on 15th March 2004 and resolved to support the programme of disposals and investments agreed to in principle by Cabinet on 15th March 2004 and agreed the following change to 1.2(1) above.
 1. Agree that officers continue to progress the disposal of the assets identified at the Cabinet meeting of 15th March 2004 and that proceeds be used for investment in Cultural Services. Additionally, agree that authority to agree terms, enter contracts for sale, vary the assets disposed of to maximise the benefit to the Council be delegated to the Corporate Director of Resources, in liaison with the Corporate Director of Regeneration and Culture, and the Cabinet Link Members for Resources and Leisure. The other provisions set out in 1.2 remained unchanged
 - 1.5 On 25th July 2005, a further report was taken to Cabinet seeking commitment to expenditure in advance of capital receipts due to delays in progressing the disposal of the velodrome site on Saffron Lane and the Humberstone Drive Annex. Cabinet, therefore agreed to
 - 1) note the commitment of capital expenditure of £750k in 2005/06 on the Museums Collections facility as a stand-alone "spend to save" scheme and £455k on the extension of Saffron Hill Cemetery and the restoration of Welford Road Cemetery.
 - 2) authorise the commitment of capital expenditure in 2005/06 and 2006/07 of £1,530k on replacement of the changing rooms, gym and track at Saffron Lane Athletics Stadium and Aylestone Leisure Centre.
 - 3) transfer to the reserve capital programme, planned expenditure of £1230k on Kickabout areas and replacement Astro-Turf pitch.
 - 4) approve an addition to the original programme of investments (approved by Cabinet in March 2004), of contributions to improvements at New Walk Museum and the refurbishment of Braunstone Park to be financed from savings on other schemes.
 - 5) approve the amended programme of investments, including an allowance for inflation, totalling £5.413m.

1.6 Two of the proposed disposals contribute the majority of capital receipts for re-investment in Cultural Services; Saffron Lane Velodrome, and Humberstone Drive. In both cases there has been a significant time delay.

1.7 The current status of these disposals is as follows:-

1.7.1 The terms of disposal of Saffron Lane velodrome site to a developer were agreed following a marketing exercise approved under delegated powers in consultation with Cabinet Leads for Culture and Resources. The developer's proposals were considered by Planning and Development Control Committee on 5th September 2006 but were rejected following strong representation about the diversity of the proposed development and other factors impacting on local residents. At the time of writing this report, it is understood the developers intend to submit revised proposals.

1.7.2 The purchasers of the Humberstone Drive site have received planning consent, subject to conditions, to their residential scheme, the sale has been completed and a payment of £2,080,000 has been received, although up to £300,000 of this could be refunded for any exceptional site conditions.

1.8 Each of the remaining schemes in the ring-fenced programme are set out below together with my proposal for the next phase of investment.

The outcome of that review is set out below.

Scheme	Cost	Proposal
Cossington St. Sports Centre – Pool/Changing Rooms	£240k	Commit expenditure now because of increasing number of customer complaints
Replacement of Children's Library Book Bus	£120k	Commit expenditure now because of high risk of vehicle breakdown and loss of service
Playground Equipment and Improvement	£200k	Commit expenditure now because there are currently 14 play areas in urgent need of refurbishment and replacement equipment
Museums Collection Facility	£80k	Increase contribution from ring fenced programme to improve environmental standards to recommended levels.
Leicester Leys Leisure Improvements	£300K	Defer until receipts achieved
Parks Horticultural Features	£300K	Defer until receipts achieved
Spinney Hill Park	£420K	Defer until receipts achieved
New Parks Leisure Centre Improvements	£266K	Defer until receipts achieved

- 1.9 This paper, therefore, seeks Cabinet approval to commit expenditure on 4 schemes now with the remainder being deferred until capital receipts have been achieved. In respect of the schemes transferred to the reserve programme in July 2005, namely Kickabout Areas and replacement Astro-turf pitch, it is recommended they remain on the reserve programme until capital receipts have been achieved.
- 1.10 Replacement of the book bus is required because the vehicle is the oldest in the Council, well past the date at which it should have been replaced, with a high risk of breakdown and inevitable gaps in service over the coming months. The vehicle build and fit out takes at least 6 months and it needs to be ordered as soon as possible to avoid the possibility of the service being unavailable. The 2 books buses have 32,000 visits and issue 33,500 books per year. Book bus routes target regeneration areas in particular, and any gap in service would have a major impact on children's access to books in those areas most in need. Furthermore the current condition of the book bus presents a poor image of the council as they travel around the city. One of the book buses is being replaced in the current year through leasing.
- 1.11 Environmental monitoring of the Museums Collection facility has shown that there has been unacceptably high levels and fluctuation in relative humidity in the building. The existing hot air system is a fairly basic system which only provides limited control due to poor insulation in terms of air exchange in the building. Prolonged exposure to these conditions will cause many items in the collections to deteriorate. Various options have been investigated to enable the store to meet the standards laid out in the Museum, Libraries and Archives Benchmarks in Collections Care document. The proposed increase in expenditure on this project will provide improved insulation and enable a more stable environment to be maintained. This work will include compartmentalisation of the Social/National History Collections into 3 sections which will further improve environmental control in the store.
- 1.12 A contribution of 5% towards the Braunstone Park HLF Scheme, is no longer required as this scheme is unlikely to proceed in the immediate future due to difficulties in securing a tenant for the Hall which is an integral part of the Heritage Lottery Fund's requirements from the scheme.

2. Progress on Investments and Disposals

- 2.1 Since the last report to Cabinet in July 2005, the following progress has been made on disposals, which over the next 6 months or so should result in substantial capital receipts.
- Humberstone Annexe. Developer proposals approved by Planning and Development Control Committee, August 2006. Receipt – December 2006.
 - Velodrome – Developer proposals rejected by Planning and Development Control Committee, September 2006. see para. 1.7.1. above.
 - Belgrave House – Conservation Plan and Options Appraisal Complete. Museums Collections relocated to Store. Site marketed November 2006 with

receipt estimated 2008/9. It is likely that the disposal will be on the basis of a long lease with a capital receipt only being triggered on completion of the works.

- Slater Street Lodge. To be auctioned April 2007, subject to agreement of Dysart trustees.
- Humberstone Park Depot. Given the low level of receipt anticipated and the cost of relocating the electricity supply for the building and other costs both property and cultural services consider that to proceed with the disposal would not represent good value for money.
- Evington House. This property has been held corporately for consideration as part of the CLABS property review. The current position is that an opportunity has arisen to transfer the Health and Safety function from 16 New Walk to Evington House, thus enabling a function which does not need to be within the City Centre to be relocated.

2.2 It is recommended that both Humberstone Depot and Evington House be withdrawn from the ring-fenced programme of disposals as the receipts to be achieved from other disposals in the programme will more than offset the reduction in income.

2.3 6 projects were completed in 2004/05 and 7 projects commenced in 2005/06 following the Cabinet report in July 2005 which, with one exception, will complete this year including:-

- Saffron Hill Cemetery Extension
- Welford Road Cemetery
- Saffron Lane – Athletic Track Replacement
- Saffron Lane – Changing Rooms
- Aylestone Leisure Centre Gym
- New Walk Museum – Improvements to first floor
- Museums Collections Facility

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References within Supporting Info
Equal Opportunities	No	
Policy	Yes	1.1 to 1.5
Sustainable & Environmental	No	
Crime and Disorder	No	
Human Rights	No	
Elderly/People on low income	No	

4. Risk Assessment Matrix

Risk	Likelihood LMH	Severity LMH	Control Actions
1. Negotiations on contracts for sale of Saffron Lane Velodrome breakdown or are delayed.	L	M	Review expenditure profile. Pay interest of 7½% on unfinanced expenditure. Re-market property
2. Disposals not achieved in timescale	H	M	Project Management of disposals. Reprioritisation of investments.
3. Disposal values less than expected	L	H	Sale values expected to exceed original valuations.
4. Investment in Cultural Facilities delayed	M	M	Effective project management. Reprogramming of investment programme.
5. Cost of Investments increase	M	L	Value Engineering.
6. Book Buses breakdown	H	H	Include in programme and commit expenditure

5. Background Papers – Local Government Act 1972

Cabinet Reports on One-Off Investment (15/03/04, 05/04/04 and 25/7/05);

6. Consultation

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Date

Jan '06
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Appendix 1

CULTURAL SERVICES – ORIGINAL PROGRAMME

One-off investment

		2004/05 £000's	2005/06 £000's	2006/07 £000's
1.	Museums Collection Facility	0	750	0
2.	Leicester Leys Leisure Centre – Flume Replacement	250	0	0
3.	Aylestone Leisure Centre – New Reception	60	0	0
4.	Saffron Lane – New track and Arena	180	200	0
5.	Leicester Leys LC Dry Changing Rooms	25	0	0
6.	New Parks Leisure Centre – Hydrotherapy Suite	0	200	0
7.	Cossington Street Sport Centre – Pool Liner/upgrade Changing rooms	0	200	0
8.	Evington Pool – Contribution towards NOF scheme (gym & fitness suite)	0	200	0
9.	Playground & Kickabout areas	0	100	100
10.	Crime and Safety measures in Park	50	0	0
11.	Spinney Hill Park – Redevelopment (match funding for future HLF Scheme)	0	400	0
12.	Re-investment in Horticulture features	0	200	0
13.	Saffron Hill Cemetery Extension	300	150	0
14.	Saffron Hill Cemetery CCTV + Anti vandalism measures	40	0	0
15.	Gilroes Cemetery Extension	450	0	0
16.	Welford Road Cemetery – Contribution to HLF Scheme	25	50	0
17.	Accommodation and ICT Improvements	70	35	0
	TOTAL £4,035K OVER 3 YEARS	1450	2485	100

Disposals

		2004/05 £000's	2005/06 £000's	2006/07 £000's
1.	Slater Street Lodge			
2.	Saffron Hill Cemetery Lodge			
3.	Abbotsford Road Allotments			
4.	Humberstone Annexe			
5.	Belgrave House and Stables			
6.	Evington House			
7.	Humberstone Park Depot			
8.	Saffron Lane Velodrome			
9.	Braunstone Recreation Centre			
10.	Humberstone Park Café *			
	Total	1380	1985	0
	Revenue Contributions	570		100
	£4,035k OVER 3 YEARS	1950	1985	100

Cabinet on 20/12/04 decided not to proceed with the sale of Item 10

Appendix 2

DISPOSALS AND REINVESTMENTS REVISED PROGRAMME

Scheme		Revised Budget				
		Prior to 2006/07	2006/07	2007/08	2008/09	Total
	2004/5 Starts	£000's	£000's	£000's	£000's	£000's
1	Aylestone Leisure Centre – Reception	60				60
2	Leicester Leys LC – Dry Changing	25				25
3	Crime and Safety work on Parks	50				50
4	Saffron Hill Cemetery CCTV	40				40
5	Gilroes Cemetery Extension	320				320
6	ICT Upgrades	70				70
	2005/6 Starts					
7	Museums Collection Facility	555	50	225		830
8	Saffron Hill Cemetery Extension	379	1			380
9	Welford Road Cemetery	92				92
10	Saffron Lane Track Replacement	24	221			245
11	Saffron Lane Changing Rooms	214	736			950
12	Aylestone Leisure Centre Gym	298	62			360
13	New Walk Museum Improvements	145				145
14	Evington Pool – Contribution to Fitness	0	200			200
	Schemes proposed for funding					
15	Playground Equipment/Improvement			200		200
16	Cossington St.SC – Pool/Changing Rooms			240		240
17	Replace Children's Book Bus			120		120
	Schemes deferred until further capital receipts achieved					
18	Parks Horticultural Facilities				300	300
19	New Parks Leisure Cent – Improvements				266	266
20	Leicester Leys Leisure Centre – Improvements				300	300
21	Spinney Hill Park – HLF Refurbishment				420	420
	Total	2272	1270	785	1286	5613