

**CABINET BRIEFING
OVERVIEW MANAGEMENT BOARD
CABINET
COUNCIL**

**25 FEBRUARY 2008
13 MARCH 2008
17 MARCH 2008
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CORPORATE CAPITAL PROGRAMME 2008/09 to 2011/12

Report of the Chief Financial Officer

1. Purpose of the report

- 1.1 This report proposes an initial “corporate” capital programme for 2008/09 to 2011/12 based on the Council’s medium-term financial strategy, and seeks Overview and Scrutiny Committee’s comments before Cabinet recommends the programme to the Council.

2 Summary

- 2.1 The Council approved a new Financial Strategy in February 2008. The financial strategy supports the 25 year vision for Leicester and has been prepared in parallel to the development of the Council’s corporate plan for 2008/09 to 2010/11.
- 2.2 The Council’s Capital Programme is derived from the financial strategy. There are three “service” programmes – housing, transport and education, which are developed by the relevant corporate director; and a corporate programme, which covers all other services. This report relates to the Corporate Capital Programme.
- 2.3 The current programme expires at the end March 2008. Resources available for the new programme total £28 million. Departments have submitted bids for the programme and each bid has been scored as part of a prioritisation exercise, based on quantitative and qualitative assessments taking into account its links to the Council’s 25 year vision to help inform (but not decide) a final programme.
- 2.4 As this is the first capital programme of the new administration and the Council’s corporate plan is currently being developed, an initial programme is proposed which only includes schemes of a clear, immediate priority. A further programme will be developed which reflects the Council’s longer term strategy as the corporate plan emerges.
- 2.5 The estimated resources, including unsupported borrowing, exceed the proposed initial programme by £12 million although there are considerable demands on this money. This sum will be programmed once the corporate plan is complete.

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3. Recommendations

- 3.1 Overview and Scrutiny Committee is asked to give its comments on the draft programme to help inform Cabinet's recommendation to the Council.
- 3.2 Cabinet is asked to:
- i. Recommend the capital programme shown at Annex A to Council, subject to any changes it wishes to make pursuant to comments from Overview and Scrutiny Committee;
 - ii. Recommend to Council the following status of the schemes in Annex A.
 - (a) Block A, being schemes which can proceed once the programme is approved, subject to compliance with Finance Procedure Rules;
 - (b) Block B, being schemes which can proceed subject to a further approval by Cabinet with regard to the detailed implementation of the scheme (and having regard to any matters described in paragraph 6 of this report);
 - iii. Designate the following as service resources for the purposes of this programme (being resources which fall outside the scope of the corporate programme): -
 - housing capital receipts with the exception of £2m in 08/09 and £1m p.a. in later years (as stated in the housing capital programme, these resources are being dealt with as part of the corporate programme and will primarily be used to support schemes which support or complement housing growth);
 - housing, education and transport elements of the Single Capital Pot;
 - profits made by the Housing Maintenance DSO;
 - any supported capital expenditure allocations awarded by central government for specific purposes;
 - third party contributions;
 - departmental revenue contributions.
 - iv. In connection with the revised Finance Procedure Rules: -
 - (a) Approve a lower decision limit of £250,000, being the limit above which directors need to seek Cabinet approval for changes to the capital programme which would otherwise be delegated to them (principally changes funded by service resources and spend to save schemes);
 - (b) Recommend that the Council approves a higher decision limit of £5million, being the amount below which the Cabinet can make changes to the programme, subject to:
 - (i) Council reserving to itself the decision to increase the amount of corporate resources used for any given scheme by more than £2.5million;
 - (ii) The revenue impact of changes in the programme being containable within the Cabinet's virement limit.
 - v. Note that the above limits apply to the capital programme as a whole, not just the corporate capital programme.

4. Resources

4.1 Types of Capital Resources

4.1.1 Capital resources are sources of funding for capital projects. They include borrowing, capital grants, and the proceeds of the sale of property (capital receipts). The Council has divided capital resource into 2 categories: "Service" resources and "Corporate" resources.

4.1.2 "Service" resources are those resources ring-fenced to a particular service or scheme by legislation or government or local policy (although local policy usually follows government expectation).

4.1.3 "Corporate" resources are those resources that can be spent entirely at the Council's discretion. The Corporate capital programme is only concerned with schemes funded from "corporate" resources. Corporate resources may be "supported" (i.e. funded by central government) or "unsupported" (borrowed by the Council, and paid for out of the revenue budget)

4.1.4 The most significant "service" programmes are housing, transport and education.

4.2 "Corporate" Resources

4.2.1 All capital receipts, excluding housing receipts, have been designated as "corporate" resources for the 2008/09 to 2011/12 capital programme. The other main "corporate" resources are supported borrowing allocations from central government. Supported borrowing is borrowing for which the Government provides funds to pay interest and principal on the debt. This includes an allocation called the "Single Capital Pot" –originally intended to give direction to local government, in practice it is mostly ring-fenced in all but name.

4.2.2 In 2008/09, the Council is anticipating receiving £2.2 million, payable over two years, from the capital element of the reward grant derived from local Public Service Agreements. This has been treated as a corporate resource.

4.3 The Government's Capital Settlement

4.3.1 The main elements of the government's capital settlement for 2008/09 can now be estimated following announcements from various government departments, in particular those for Education and Transport.

4.3.2 The 2008/09 capital settlement also applies to 2009/10 and 2010/11, although the housing settlement is only for one year in line with previous practice.

4.3.3 Table 1 shows the main elements of the Government's capital settlement for the next 3 years. In addition to these resources, there will also be funding for bid based programmes for specific services / schemes, which will be incorporated within departmental capital programmes

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Table 1 - MAIN CAPITAL RESOURCES

	2007/08 £'000s	2008/09 £'000s	2009/10 £'000s	2010/11 £'000s
Integrated Transport Package	6,189	5,929	5753	5554
Road safety grant		83	83	79
Transport – Maintenance	1,838	1882	2022	2189
Maintenance – A563 scheme	258	300	300	380
Education				
New Pupil Places	596	4,227	4,227	4,227
Schools Access Initiative	545	612	612	612
L.A, Devolved Formula	3,625	5,026	4,976	4,976
Targeted Capital Fund	2,890	1,445	0	0
Primary Capital (indicative)	0	0	4,954	7,332
Modernisation	2,094	1,739	2,053	2,821
Harnessing technology grant		902	999	1,090
Extended Schools		577	611	316
Total Education	9,750	14,528	18,432	21,374
Social Care	185	219	219	219
Housing (HRA) est. 09/10 onwards	5,500	5,500	5,500	5,500
TOTAL	23,720	28,441	32,311	35,295

Of the above, some £12 million is allocated as supporting borrowing, the remainder is capital grant.

4.3.5 Housing

The housing allocation for 2008/09 support of £5.5 million will be the same as last year.

4.3.6 Social Services

There is a total allocation of £219,000 in 2008/09 which compares to £185,000 in 2007/08. This is not ring-fenced, and is treated as corporate revenue.

4.3.7 Transport

The allocation for transport has slightly decreased from £8.285m in 2007/08 to £8.194m in 2008/9, with similar amounts for the following two years. Within the transport settlement, though the package element seems to have done comparatively badly (though not as badly as feared) due to a new regional formula allocation method, whereas the maintenance element has done slightly better.

4.3.8 Education

The allocation for Education in 2008/09 has increased overall. Allocations for secondary school modernisation funding and devolved formula funding are reduced because of B.S.F and substantial future sum is anticipated to modernise primary schools.

4.3.9 Growth Point Funding

In addition to the sums in the table, the settlement has announced £37.2 million funding for the 3 cities & 3 counties growth point bid over the 3 years from 2008/09 to 2010/11. It is expected that approx £18m would be allocated to the Leicester/Leicestershire new housing growth, and that the majority of that will be for the city.

4.4 Funding

4.4.1 Capital Receipts are the main “corporate” resource available to fund the programme. The total Corporate Capital Resources for the period covered by the strategy is estimated as shown in Table 2. This has been estimated following discussions about disposals strategy with the Head of Corporate Projects.

Table 2 – Funding Sources

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	Total £m
SCP	0.2	0.2	0.2	0.2	0.8
Capital Receipts	4.8	5.6	4.8	4.8	20.0
Local PSA	1.1	1.1	0.0	0.0	2.2
Housing Receipts	2.0	1.0	1.0	1.0	5.0
TOTAL	8.1	7.9	6.0	6.0	28.0

The above table excludes any receipts which may be achieved from property disposals at Ashton Green.

4.4.2 External Funding

In order to improve the Council’s approach to improving access to funding opportunities, and to adopt a corporate approach to external funding as a whole, funding systems have been purchased. The system provides access to funding information from regional and national Government, charitable trusts, sponsors and the European Commission. This system has been trialled in Regeneration and Culture and is to be rolled out to all departments

5. Process for setting the “Corporate” programme

5.1 All bids for the full “corporate” capital programme have been developed through the Council’s prioritisation system.

5.2 A 2-stage process is used to formulate the programme:

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5.3 Stage 1

5.3.1 Stage 1 considers whether schemes can demonstrate quantifiable benefits that further the agreed corporate or other priorities, and is guided by the view of cabinet members. The main purpose of stage 1 is to reduce the number of schemes bid for to a manageable number, which can be considered in more detail at stage 2.

5.4 Stage 2

5.4.1 The second stage of the prioritisation process involves ranking schemes according to a financial and qualitative assessment. The financial assessment includes, consideration of risk, financial benefits, additional match funding generated and revenue affordability. Wherever possible, a feasibility report and estimate is carried out to establish the whole life cost of the project.

5.4.2 The qualitative assessment considered such factors as the statutory requirement for spending; further consideration against the 25 year plan, whether the scheme meets Government expectations and community impact. The qualitative assessment is also guided by the views of cabinet members.

5.5 The initial programme includes only clear, immediate priorities. Each scheme does, however, link to the Council's 25 year vision. Examples are as follows:

5.5.1 Great People

Ensuring outdoor festivals can meet the required Health and Safety, and other legislation will facilitate cohesion with particular emphasis on youth. The Local Environmental Works programme will improve lighting and footways in order for people to feel safe and at home.

5.5.2 New Prosperity

The development of Belgrave Hall Stable Block will create business incubator units to enable local people to secure jobs. Regeneration is a significant aspect of the financial strategy to be met from capital resources, and is expected to feature strongly once the remaining resources are allocated.

5.5.3 Beautiful Place

Local Environment Works will improve untidy land areas and reduce delays to public transport. Planting 10,000 trees will help make the city green.

5.5.4 Quality Services

Replacing New Parks Library and Community Centre with a community hub will make services more accessible.

6. **Recommended Schemes**

6.1 The recommended programme is shown at Annex A. The following section briefly describes each proposed scheme.

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SCHEMES REQUIRING NO FURTHER APPROVAL (EXCEPT AS REQUIRED BY FINANCE PROCEDURE RULES)

6.2 Belgrave Hall Stable Block - £300,000.

This is the redevelopment of the stable block and outbuildings to provide additional visitor facilities, resources for income generation and creative business incubator units. This scheme is approved on the basis that it is fully funded from LSEP monies.

6.3 Replace New Parks Library and Community Learning Centre - £1,492,000

The new centre will be sited prominently in the heart of the community next to shops, local housing office and bus stops. It will be a community hub bringing together residents, voluntary and community groups, advisory agencies, education and arts providers, and involving local people in a meaningful way in regenerating their own community. This scheme is approved on the basis that it will be fully funded by the Big Lottery scheme.

6.4 Children's Residential Homes - £100,000 per annum

Improvements and modernisation of children's homes including residential facilities and modernising external play areas.

6.5 IT Investment – Credit and Debit card transactions - £47,000

This relates to protecting customers' debit and credit card information from being abused by hackers. It is an intrusion detection system which monitors anomalies and potential hacking activities which is required to ensure the Council is compliant with new industry standards.

6.6 Revenue and Benefits Business Continuity System - £350,000

This scheme is to ensure that the ICT supporting the existing revenues and benefits system is secure.

6.7 Storage Area Network - £263,000

This is the purchase of specialist storage servers which have in built resilience and which will meet increasing demand for data storage on our IT systems.

6.8 Property Maintenance - £4 million

The revenue budget for 2008/09, approved on 20th February, provided for £4m of existing property maintenance expenditure to be capitalised reflecting the overall pressures on the revenue budget. This "scheme" is in fact that capitalisation.

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6.9 Performing Arts Centre - £3.1 million

Previously agreed funding strategies for the PAC provided for £2m of the Council's contribution to be made from the 2008/09 to 2011/12 capital programme. A further £1.1m represents an agreed contribution from asset sales which have not yet been realised.

6.10 St Nicholas Place Park and Ride - £212,000

This is the council's contribution to the St Nicholas Place Bus Stops Project (for Park and Ride). A similar sum has been found from within the Local Transport Plan Interim Capital Programme.

6.11 Saffron Hill Cemetery Security Measures - £50,000

This is to improve the security of the Cemetery Chapel and Lodge at Saffron Hill Cemetery in response to ongoing incidents of anti-social behaviour. The work includes installation of ornamental iron gates and window security grills together with the installation of CCTV cameras.

6.12 New Walk Museum Refurbishment - £50,000

This is to provide a replacement café and better facilities together with turning a currently unfurnished room into a gallery with the same flooring, lighting and walls and cases as the rest of the temporary exhibition galleries and is linked to funding of £50,000 which Cabinet agreed in summer 2007 to provide for the Picasso Gallery refurbishment.

SCHEMES REQUIRING FURTHER APPROVAL

Further reports will be brought to the Cabinet later in the year for the remaining recommended schemes, at which point more detailed information will be provided.

6.13 Castle Options Appraisal - £50,000

Options appraisal / feasibility study to find an appropriate use of the site partly funded by the County Council.

6.14 Burial Land Extension - £420,000 Net.

This is for the development of land for burial land extension (10 acres) at Gilroes Cemetery so as to maintain service continuity. This figure is net of lettings income.

6.15 Watercourse Maintenance / Improvements £50,000 per annum

This scheme will carry out urgent repairs and improvements to watercourses in the City reducing the risk of flooding to properties. This includes maintaining the free flow of water throughout the watercourse network and maintains the upkeep of the city's flood retention areas.

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6.16 Water Hygiene – Up to £345,000 per annum

Remedial work to reduce the risk to employees, customers and public of infection due to contaminated water in buildings as identified in the Water Hygiene Risk Assessments and to set up a system to automate works as required. High risk buildings are considered to be EPHs, primary schools (where the users are more susceptible to legionella) and leisure centres. The sum set aside for this is a ceiling, and is dependent upon a business case being made to cabinet.

6.17 Tree Planting - £300,000

This is a programme to plant a total of 10,000 trees across the City.

6.18 DDA Improvements - £125,000 per annum

Rolling programme to improve access to buildings / signage and lift refurbishment in line with the requirements of the Disabilities Discrimination Act.

6.19 Combined Heat and Power - £400,000

This covers the legal, financial and management costs of developing an extension to the combined heat and power scheme within the city centre. The extended scheme should provide cheaper energy and reduce carbon emissions, and the funding would enable the scheme to go ahead, if affordable, based on a business case.

6.20 Town Hall – Up to £500,000

This is for additional restoration works at the Town Hall, which may include work to the exterior and / or interior of the building and improvements to the main entrance. The sum set aside for this is a ceiling, and is dependent upon a business case being made to cabinet.

6.21 Hastings Road Phase III - £40,000

This is to complete the refurbishment of Day Centre for people with profound learning disabilities, making better use of outside space.

6.22 Festival Services - £100,000

This is infrastructure work to ensure compliance with H&S requirements for outdoor events.

6.23 Local Environmental Works - £400,000 per annum

This scheme will enable a programme of local works to be developed improving lighting, conditions of footways and verges, reducing delays to public transport and improving untidy land areas.

6.24 Elderly People's Homes - Up to £500,000

This is part of a rolling programme to maintain and improve existing premises. The sum set aside for this is a ceiling, and is dependent upon a business case being made to cabinet.

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6.25 Bridge Refurbishment - £150,000 per annum

This is a programme to improve the condition and appearance of bridges, mainly on the Great Central Way.

6.26 Property Schemes – Up to £700,000

These are individual schemes relating to improvements, renovation or Health and Safety for Council properties. The sum set aside for this is a ceiling, and is dependent upon a business case being made to cabinet.

6.27 Pedestrian Crossings - £100,000 per annum

This is for two crossings per annum. These will be in addition to the pedestrian crossings identified within the Central Leicestershire Local Transport Plan Interim Capital Programme 2008 to 2011.

6.28 Meynells Gorse - £20,000 per annum

This includes building refurbishment of the Gypsy and Traveller site, plus landscaping. This constitutes 25% funding for an overall £80,000 scheme (75% being funded by grant).

6.29 De Montfort Hall Box Office - £135,000

This is to replace the current box office system which does not meet the new industry standards effective from June 2008 and a replacement for the current telephone system.

7. **Process of Review**

7.1 This programme is an initial programme including schemes of a clear, immediate priority. The corporate plan is due for completion later this year.

7.2 On conclusion, work will take place to formulate a further programme; this will include a strategic review of how our capital can best be used to deliver the aims of the 25 year vision.

7.3 The financial strategy envisages capital will be used for the following, and this will be addressed when the programme is reviewed:

- Physical regeneration of the city centre;
- Choice based provision for the elderly.

7.4 It is also envisaged that money will be made available for a city centre children's hub. The reason no provision has yet been made is due to further work is required to identify a suitable site and scope.

7.5 A total of at least £12 million is expected to be available to fund new schemes once this work is complete.

7.6 Further reviews will take place on an annual basis, and when a clear programme for Ashton Green is advanced.

7.7 The Risk Assessment Matrix is attached as Annex B.

8. Prudential Borrowing

8.1 The financial strategy states that the Council will use the prudential framework to finance capital investment in the following circumstances: -

- a) "Spend to Save" schemes, where principal and interest costs of unsupported borrowing can be met from savings achievable from up front investment.
- b) "Once in a generation" investment opportunities, and a small handful of significant development projects which meet corporate priorities. It is anticipated that unsupported borrowing in this context will only be used to support substantial projects which can attract significant leverage.
- c) Investment to meet the decent homes standard, provided such borrowing does not exceed the implied level of capital included in the housing subsidy determinations;
- d) As a last resort, as a cost avoidance measure;
- e) As an alternative to leasing vehicles and equipment where this is cost effective.

9. Financial Implications

9.1 This report is exclusively concerned with financial issues.

10. Legal Implications

10.1 There are no specific legal implications arising from this report. Peter Nicholls, Legal Services has been consulted as Legal Advisor and has confirmed that there are no legal issues arising from the report.

11. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	NO	
Policy	YES	The programme has been formulated with reference to the approved financial strategy.
Sustainable and Environmental	NO	
Crime and Disorder	NO	
Human Rights Act	NO	
Elderly/People on Low Income	NO	

12. Background Papers – Local Government Act 1972

12.1 Council 20/02/08 – Financial Strategy 2008/09 to 2010/11

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13. Consultations

- 13.1 All departments have been consulted on the programme. The public has been consulted on capital priorities.

14. Report Author

Steve Charlesworth
Head of Strategy and Development

**ANNEX B to
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**ANNEX B to
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RISK ASSESSMENT MATRIX

No.	Risk	Likelihood (L/M/H)	Severity Impact (L/M/H)	Control Actions (if necessary / or appropriate)
1	The Corporate Programme is not affordable	L	H	Robust management and monitoring of the funding streams, primarily Capital Receipts.
2	Overspending on a scheme	M	M	Robust financial management of the outturn of schemes. Review and stop, if possible, any non-essential works on schemes.
3	Funding being withdrawn	L	H	Robust management of the conditions of grants from funding bodies. Approval for such schemes is only given once funding is secured.
4	Slippage	H	L	Robust profiling of expenditure on schemes where possible. Monthly progress meetings and regular reports to Members through the Capital Monitoring reports.
5	Accuracy of Estimates	M	M	Wherever possible, a feasibility report and estimate is carried out to establish the likely whole life cost of the scheme