



Leicester
City Council

Cabinet
Finance, Resources & Equal Opportunities
Scrutiny Committee

7 November 2002

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2002/03 CAPITAL PROGRAMME MONITORING - PERIOD 5

Report of the Chief Finance Officer

SUPPORTING INFORMATION

1. CAPITAL MONITORING

- 1.1 In 2001/02, a new system of capital monitoring was put in place to link financial and non-financial information in order to allow a greater reliance to be placed upon forecasts made.
- 1.2 It is expected that further progress can be made in 2002/03 to develop this system further. In particular, Departmental Management Teams are provided with regular reports, and are asked to use these to review:
- quarterly cashflow projections;
 - a set of relevant milestones for each scheme;
 - a statement of risks, where relevant.
- 1.3 Having been considered by the Management Teams, an Assurance Statement is then completed acknowledging satisfaction with the information provided and forecasts made.
- 1.4 In 2002/03, monitoring will take place and be reported to Corporate Directors for periods 4, 5, 8, 10 and outturn. For each of these periods, a full review of all schemes should be undertaken, including milestones and outturn projections, to enable early reporting of any potential slippage and corrective action to be taken, where possible.
- 1.5 In 2001/02, the new system helped in improving the overall spending performance and general management of the programme. It was hoped that this would ensure we were in a strong position to make further improvements to our procedures.

Unfortunately the spend to date, and the general management of the programme after five months of the financial year, are not good, and there is a risk that overall performance will decline from that of last year.

2. KEY ISSUES

2.1 Key areas of concern during the year have been as follows:

- i) **Scheme milestones:** after initial delays, all departments now have milestone information in place for their schemes, or are in the final stages of implementing this.
- ii) **Fee recharges:** these have not been processed on time, but are expected to have been brought up to date by the end of October.
- iii) **Schemes requiring further Cabinet Approval:** a small number of schemes are still pending further Cabinet Approval. There are currently schemes in the Resources, Cultural Services and E,R&D Departments requiring further approval (at the time of writing this report).

2.2 A close eye needs to be kept on the funding of the new Performing Arts Centre, given that significant expenditure is being incurred prior to finalisation of a funding package.

3. POSITION AT THE END OF AUGUST 2002 (PERIOD 5)

3.1 The overall financial position for each department is shown in Appendix A.

3.2 At the end of period 5, 22.4% of the forecast 2002/03 of £69.861 million had been spent. This compares to 23.6% at the same time last year. The nature of capital expenditure is such that expenditure tends to be weighted towards the latter part of the financial year. However, the present level of spend is low, although this has been affected by fees not being charged.

3.3 The slippage and rephasing of £10.437 million relates to the following areas:

	£000s
Cultural Services & Neighbourhood Renewal	1,567
Education & Lifelong Learning	6,119
Environment, Regeneration & Development	1,612
Social Care & Health	486
Resources, Access & Diversity	<u>653</u>
	10,437

3.4 The total slippage currently forecast represents 13.9% of the approved 2002/03 programme. This compares to 10.8% predicted at this time last year.

3.5 One of the main reasons for the higher percentage of slippage/rephasing is Education's Asset Management Review, which now reflects a more achievable

programme of work, and has resulted in a number of items being re-programmed into 2003/04.

- 3.6 In addition, of the £10.437 million slippage, £2.328 million relates to capital monies devolved to schools or to schemes which are dependant on third parties and over which the Council has limited control.

4. PROGRESS ON SPECIFIC SCHEMES

- 4.1 The period 5 monitoring has identified schemes where significant variances have been forecast between expenditure and approval in 2002/03. Details of these schemes are given below, together with other significant issues.

4.2 Cultural Services

Braunstone Leisure Centre: additional funding of £2.878 million was approved by Cabinet on 17th June 2002 in relation to this scheme. This has been directly allocated to 2003/04, as none of the expenditure will occur this year. However, the full original forecast outturn of £1.223 million for 2002/03 should still be achieved.

Cultural Quarter: this is currently the most volatile scheme in the programme, less because of the spending projections than uncertainty surrounding the funding package. Whilst funding for the creative industries workshop is progressing well, there is currently a funding gap in respect of the theatre. The department is working on options to close this gap. This position needs to be closely monitored, given that the Council is incurring significant preliminary expenditure "at risk".

4.3 Environment, Regeneration & Development

Victoria Road East Extension (VREE): slippage of £852,000 has been forecast on this scheme due to ongoing negotiations with other landowners delaying the start on site.

Lewisher Road Link: this is an integral part of the VREE scheme, and therefore slippage of £150,000 has also been forecast for the same reason as stated above.

Abbey Meadows Depot relocation: slippage of £610,000 is currently being forecast.

4.4 Social Care

Elderly Persons' Homes (£0.25 million) & Learning Disabilities (£0.1 million): these schemes are currently subject to a moratorium, due to pressures on the department's revenue budget, as discussed in a separate report on your agenda.

4.5 Resources, Access & Diversity

Registration Office relocation (£0.5 million): Due to the need to consult English Heritage and obtain approval for the work to be carried out, slippage of £450,000 is currently forecast. Progress is critically dependent on external approvals, given the Listed Building status of the Town Hall.

Town Hall programme (£0.328 million): The progress of this scheme is linked to the relocation of the Registration Office and, due to the anticipated delays on

that scheme, slippage of £203,000 is currently forecast for the Town Hall programme.

4.6 Education & Lifelong Learning

Following the Asset Management Review carried out in Education, re-phasing of £6.119 million is now forecast. The main components of this are:

- a. £2.789 million of Condition Focused Capital;
- b. £1.486 million for Secondary Review;
- c. £1.326 million of Devolved Formula Grant.

The rephasing of £1.326 million of Devolved Formula Grant funds is outside the direct control of the Education department, as expenditure is dependant on requests for funding from individual schools.

5. PAYBACK FUND

5.1 The payback fund is a fund of £0.4 million, which is lent to projects that are self-financing and subsequently repay the loan.

5.2 The current balance of the fund is £173,400, although this is projected to increase to £224,400 by the end of the financial year. Funding has been provided in the past for projects such as a video library loan service, rollerskating, various upgrades to improve energy efficiency at schools and, more recently, a fitness suite at Leicester Leys, and part funding of the new Galaxy Library Information System.

5.3 In total, funding of over £500,000 has been allocated from the Payback Fund for a variety of schemes that would otherwise either have not gone ahead, or would have had to have been funded from other capital or revenue budgets.

6. CAPITAL RECEIPTS

6.1 The target for capital receipts in 2002/03 is £6.45 million, and in addition to this, £1.8 million of the sales of any land at Bursom would be ring-fenced for the reserved capital programme.

6.2 To date, £1.1 million has been raised this financial year, the vast bulk of which related to land at Mountain Road. It is expected that £4.6 million of receipts can be generated, ignoring properties with some element of doubt attached.

6.3 However, although the total receipts target over the next three years should be achievable, close monitoring of the 2002/03 receipts will be required so that any potential shortfall can be dealt with.