

Leicester
City Council

WARDS AFFECTED: ALL

CABINET

15 MARCH 2004

ONE-OFF INVESTMENT IN CULTURAL SERVICES

Joint report of the Service Director for Resources, Regeneration and Culture Department and the Chief Finance Officer

1 Purpose of Report

- 1.1 This report requests agreement for the disposal of specified assets and the reinvestment of the proceeds to meet reinvestment in cultural services' facilities.

2 Summary

- 2.1 The department's revenue strategy agreed at Council on February 25 2004 includes a package of revenue to support one-off reinvestment in services arising from 'The Project' initiative. This report details the one-off reinvestment proposals that complement the revenue investments and requests Members to agree to them being funded from the proceeds of disposals of currently unused or under-used service assets.
- 2.2 The Council's usual principle is that all assets, though located in departments, are corporate resources. The re-investment of those assets is usually, therefore, considered in the light of corporately defined priorities, in the Council's capital programme.
- 2.3 This paper seeks an exception to that general principle, in this case only, because:
- The revenue strategy of the department is dependant on this capital investment
 - The Council can make capital investment where it is revenue dependant
 - It provides some incentive for the department to dispose of unused assets.
- 2.4 In their consideration of the department's draft revenue strategy on 28th January 2004 the Arts Leisure and Environment Scrutiny Committee proposed to Cabinet that receipts from the sale of any of the

department's assets should be reinvested into the department and that the receipts from the sale of Saffron Lane Velodrome should be earmarked for the athletics track.

- 2.5 The paper proposes disposal of assets tentatively valued at £3.4mil over 2 years, supported by revenue investment of £0.9mil. These resources are proposed for re-investment in museums (£0.75mil); sports and leisure centres (£1.3mil); parks and open spaces (0.85mil); burial and cremations (£1mil); and ICT (£0.1mil). Appendices 1 and 2 to this report detail these sums.
- 2.6 Investing in these services in this way means that these sums will not be invested in other Council capital priorities.

3 Recommendations

Members are recommended to:

1. Agree that officers progress the disposal of the assets identified in appendix 2, 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. Approve an addition to the capital programme of £4.035m as described in appendix 1, such addition to be funded from ringfenced receipts and revenue contributions by the Cultural Services Department
3. Agree 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. Note 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 listed in Appendix 2 exceed the investment identified in Appendix 1, a further report will be brought to Members will options for the use of those receipts (paragraph 3.5 of the supporting information).

4 Financial & Legal Implications

4.1 *Financial Implications*

- 4.1.1 The sale proceeds are based on initial research and will be dependant upon the market conditions at the time of disposal. These capital receipts have not been taken into account when preparing the Council's corporate capital programme. Any costs of disposal will be offset against the disposal receipts.

4.2 *Legal Implications*

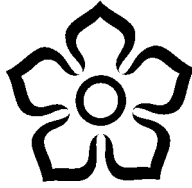
4.2.1 The diversity of the properties proposed for disposal means that a number of legal issues will arise. The issues relating to each property will be fully considered prior to each disposal. The supporting information identifies some of the issues that may need to be addressed.

5 **Report Author**

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DECISION STATUS

Key Decision	Yes
Reason	Capital expenditure of over £1 Million
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)



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SUPPORTING INFORMATION

Report

1. Background

- 1.1 Since January 2003 the Cultural Services & Neighbourhood Renewal Management team and staff have been working on The Project, an initiative to refocus the department to provide a sustainable service that meets the needs of the people of Leicester and contributes to the regeneration and ambitions of the City as expressed in the Council's corporate plan.
- 1.2 The Project identified the need for investment in cultural services, both increased revenue investment to meet historic underfunding of services, and one off investment to rectify the deprecations of year on year reductions in maintenance spending. These investments are created through prioritising the department's cultural services into:
 - Services that serve local people – such as parks and local leisure centres
 - Services that promote the future of the City – such as festivals and the Cultural Quarter.
- 1.3 This prioritisation affects both the Department's revenue strategy and associated one-off investment. The department's draft revenue strategy proposes a package of reinvestment in revenue budgets to begin the 5 year refocusing. In order to fund this reinvestment and meet the corporate savings target the strategy also proposes a package of revenue reductions.
- 1.4 However, that revenue reinvestment alone is not enough to bring about service improvements. The revenue strategy is therefore linked to a

corresponding strategy of one-off investment funded by a package of asset disposals. Without this one-off investment a number of the revenue investments will not succeed. Indeed, without the strategic asset disposals identified in this report the revenue needs of the department will increase

2. Principles

- 2.1 Capital receipts from disposals normally accrue to the corporate capital programme, not to the department that manages the asset. This report asks Members to agree that receipts from the disposal of surplus assets can be applied to fund investment in cultural services with the Regeneration and Culture Department. In their consideration of the department's draft revenue strategy on 28th January 2004 the Arts Leisure and Environment Scrutiny Committee proposed to Cabinet that receipts from the sale of any of the department's assets be reinvested into the department and that the receipts from the sale of Saffron Lane Velodrome be earmarked for the athletics track.
- 2.2 The Council's usual principle is that all assets, though located in departments, are corporate resources. The re-investment of those assets is usually, therefore, considered in the light of corporately defined priorities, in the Council's capital programme.
- 2.3 This paper seeks an exception to that general principle, in this case only, because:
- The revenue strategy of the department is dependant on this capital investment
 - The Council can make capital investment where it is revenue dependant
 - It provides some incentive for the department to dispose of unused assets.
- 2.4 However, if Members decide to invest in cultural services in this way, that money will not be available for other corporate priorities.

3. One-off investment and disposals

- 3.1 Appendix 1 details a list of reinvestment proposals totalling £4.035m. Staff in CS&NR identified a total one off investment need of £18m. However this total is mitigated by reductions, prioritisations and disposal. In short, if we keep something we need to invest in it, if we dispose of it, we don't need to invest.
- 3.2 We believe that receipts estimated at £3.365m can be achieved from the disposal of the assets detailed on appendix 2. In addition, the draft revenue strategy provides £670k towards the £4.035m reinvestment package. Property Services advice has been taken regarding the likely proceeds and marketability. However, the actual receipts can only be determined by the market conditions at the time of disposal.

3.3 Property Services have also given initial advice on the most likely method of disposal, although this will be subject to further consideration. They recommend that the majority of properties be disposed of by the sale of long leaseholds.

3.4 If the disposals make higher sums than indicated in these proposals Members may wish to make further investment in key projects in the department, such as parks, museums or the Cultural Quarter, or may wish to redirect investment into other corporate priorities. Officers propose that, if the disposals exceed the investment requirements identified in this report, a further report, with options as to the use of any additional capital should be brought before Members.

4 Financial, Legal and Other Implications

Financial Implications

4.1 These capital receipts have not been taken into account when preparing the Council's corporate capital programme. Any costs of disposal will be offset against the disposal receipts.

Legal Implications

4.2 The diversity of the properties will mean that a number of legal issues will arise in relation to them. It would therefore be best to treat each proposal as discrete within the overall project framework. Whilst some forms of disposal may fall within the existing General Consents, the express consent of the Office of the Deputy Prime Minister is likely to be needed where an intended transaction falls outside these. S.123 of the Local Government Act 1972 requires that best consideration be obtained in disposals and the Council has a fiduciary duty in regard to the disposal of its assets. There will be particular statutory requirements in regard to some types of property, e.g. allotments and public open spaces.

4.3 The disposal of any sports field or property used for sports purposes may be subject to particular requirements or the obtaining of specific consents.

4.4 Where it is intended that a property is to be disposed of but the premises will continue for use to provide a service to the public a separate contract for the supply of those services is likely to be needed. Any leasehold disposal may need to be connected with the service contract.

4.5 When the property to be disposed of adjoins land and property remaining in the Council's ownership, then rights of access, drainage, future development, etc are likely to need to be reserved to protect the Council's future position.

4.6 Each proposed disposal should be examined at an early stage to ensure that all relevant statutory and other considerations are looked at in the proposed context. (David Jones, Legal Services)

4.7 Property Implications

The speed with which disposals can be progressed will be influenced by the individual legal requirements. The issues relating to each property will be fully considered prior to each disposal.

5 Other Implications

OTHER IMPLICATIONS	YES/NO	PARAGRAPH REFERENCES WITHIN SUPPORTING PAPERS
Equal Opportunities	No	
Policy	Yes	Section 2
Sustainable and Environmental	Yes	Section 1 with reference to the sustainability of cultural services. Appendix 1 with reference to the sustainability of particular services and facilities
Crime and Disorder	Yes	Appendix 1, item 12
Human Rights Act	No	
Elderly People/People on Low Income	No	

4.5 Risk Assessment Matrix

	Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/or appropriate)
1	Sale proceeds less than expected	L	H	The full programme of reinvestment will not be implemented. Reinvestment will be prioritised.
2	Disposals cannot be achieved within the timescale proposed	H	M	The full programme of reinvestment will not be implemented, reinvestment will be prioritised and not committed until adequate funding is identified. Also, if necessary, additional resources will be funded, from the proceeds, in order to manage the workload.

L - Low

L - Low

M - Medium M -
H - High Medium
 H - High

5 Background Papers – Local Government Act 1972

Working papers for departmental Budget Strategy

6 Consultations

Consultee	Date Consulted
Mark Noble, Chief Finance Officer, Nicola Harlow, Capital Accountant	January 2004
David Jones, Property Team Leader, Legal Services	January 2004
Neil Gamble, Property Services	January 2004
Richard Watson, Rob Thomas, CS&NR	January 2004

Appendix 1

Cultural Services & Neighbourhood Renewal

One-off investment needs

Prioritised reinvestment from ring-fenced receipts

		2004/05 £000	2005/06 £000	2006/07 £000
	Museums			
1	<u>Collection Reserve</u> Replacement of the storage facility to allow collections to be accessible to the public and to ensure collections are stored in optimum conditions.		750.0	
			750.0	0.0
	Sports			
2	<u>Leicester Leys LC - flume replacement</u> The flumes are at the end of their life and are suffering structural deterioration which requires continual running repairs. Once this deterioration becomes a health and safety issue they will have to be closed.	250.0		
3	<u>Aylestone LC - new reception</u> The reception has not been refurbished since the Centre was built. The wear and tear shows and the reception needs redesigning to meet current user and operational needs.	60.0		
4	<u>Saffron Lane - new track & refurbishment of arena</u>	180.0	200.0	
5	<u>Leicester Leys LC - changing rooms</u> Upgrade the existing changing rooms to avoid further deterioration and increased user dissatisfaction.	25.0		
6	<u>New Parks LC</u> Replace outdated fitness suite with hydrotherapy suite		200.0	
7	<u>Cossington Street Sports Centre - new pool liner and upgrade changing rooms</u> Without replacement the pool liner is likely to fail in the next few years and as a consequence the pool will have to be closed.		200.0	

8	<u>Evington Pool - contribution to NOF (new gym and fitness suite)</u> This is a contribution towards a jointly funded scheme (School £100k, NOF £1m and Council £200k). Without the Council contribution the scheme will be developed by the school in isolation, reducing the community access in an area of identified need and losing the Council a potential income stream.		200.0	
		515.0	800.0	0.0
	Parks and Grounds Maintenance			
11	<u>Playgrounds and Kickabout areas</u> Provision of new areas and a rolling programme of repair and replacement of existing facilities.		100.0	100.0
12	<u>Crime and Safety measures in Parks</u> Strategic pruning to improve visibility and planting to provide defensive barriers. Improved fencing and lighting. This will supplement the revenue funded programme of reinvestment.	50.0		
13	<u>Spinney Hill Park redevelopment</u> The 25% Council contribution towards redevelopment of the park funded by £1.2m HLF grant. Without the match funding the Council will be unable to attract external funding.		400.0	
14	<u>Reinvestment in horticultural features, replacing and replanting</u> Refurbishment of the parks features to meet 21 st century requirements. This will supplement the revenue funded programme of reinvestment.		200.0	
		50.0	700.0	100.0
	Burials & Cremations			
15	<u>Saffron Hill Cemetery extension</u> Extension to provide an additional 40 years burial space in the south of the City, utilising the existing cemetery infrastructure. There is only 3 years non-Muslim burial space remaining at the cemetery and in addition plots are being reserved in advance by families. There is an urgent need to open up the new areas as soon as possible.	300.0	150.0	
16	<u>Saffron Hill Cemetery CCTV and anti-vandalism measures around Muslim section</u> Security and anti-vandalism measures including planting and fencing around the perimeter of the Muslim section and CCTV to reduce continuing maintenance costs.	40.0		

17	<u>Gilroes Cemetery extension</u> Phases 2 & 3 of the extension to provide an additional 36 years burial space in the north of the City. The investment in infrastructure (roads and drainage) is needed before the area can be opened for burials. There is only 9 years of general burial space remaining at Gilroes.	450.0		
18	<u>Welford Road Cemetery restoration project</u> A major programme of restoration to the memorials in this historic, English Heritage registered cemetery. This funding will allow the Council to progress an application to HLF to support the major programme.	25.0	50.0	
		815.0	200.0	0.0
	Support			
19	<u>ICT upgrades and fit for purpose accommodation</u> Improvements to the ICT network and equipment to give ICT access to all facilities and the majority of staff. Accommodation improvements to facilitate more efficient working practices.	70.0	35.0	
		70.0	35.0	0.0
	Total reinvestment	1450.0	2485.0	100.0

Total reinvestment over 3 years £4.035m

Appendix 2

Disposals to provide receipts for reinvestment

	2004/05 £000	2005/06 £000	2006/07 £000
<p>Buildings and land not in service <u>Slater Street Lodge</u> – vacant property on the edge of Abbey Park <u>Saffron Hill Cemetery Lodge</u> – vacant property at the entrance to the cemetery <u>Abbotsford Road</u> - former allotment site</p> <p>Service Buildings</p> <p>Museums <u>Humberstone Annexe</u> – currently used as a museums collection storage facility <u>Belgrave House and Stables</u> - currently used as a museums collection storage facility</p> <p>Parks <u>Evington House</u> – operational building in the centre of Evington Park. Relocation of staff and partners will be required. <u>Humberstone Park Depot</u> – former grounds maintenance depot</p> <p>Sports <u>Saffron Lane Sports Ground</u> – retaining the athletics track but disposing of the velodrome and part of the car park <u>Braunstone Recreation Centre</u> – fire damaged recreation centre in the centre of Braunstone</p> <p>Other <u>Humberstone Park café & offices</u> – lease to be sold subject to existing tenancies</p>			
Total	1380.0	1985.0	0.0

Revenue contribution to one-off reinvestment	570.0		100.0
Identified funding	1950.0	1985.0	100.0

Individual estimates commercially sensitive

