



**Cabinet
FREOPS/Scrutiny Committees**

**12 July 2004
Various**

2003/04 CAPITAL PROGRAMME MONITORING – OUTTURN

Report of the Chief Finance Officer

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to show the outturn position of the 2003/04 capital programme.

2. SUMMARY

- 2.1 This is the final capital monitoring report for 2003/04, following the reports of the position as at the end of periods 4 (July), 7 (October) and 10 (January).
- 2.2 Each Scrutiny Committee will receive a report in the August or September cycle of meetings, consisting of this covering report and separate appendices showing the capital programme in relation to their portfolio of responsibility. Cabinet and the Finance, Resources and Equal Opportunities Scrutiny Committee are receiving reports in respect of the full corporate position.
- 2.3 The originally approved capital programme for 2003/04 totalled £78.5 million. This was subsequently revised following capital monitoring exercises; the forecast outturn position at period 10 was £64.5 million.
- 2.4 The outturn position shows actual expenditure incurred of £65.3 million.
- 2.5 On 13 October 2003, as part of the period 4 monitoring report, Cabinet approved a target for capital expenditure target being 90% of the period 4 forecast in 2003/04 and of the original forecast in 2004/05 and later years (excluding those schemes where there is a significant 3rd party involvement). Actual performance for the programme as a whole was 97% in 2003/04.

2.6 Capital expenditure is partly funded from the sale of land and buildings (capital receipts). The capital receipts target for the period 2003/04 to 2004/05 of £15 million has already been achieved. Actual receipts realised totalled £16.54 million.

3. RECOMMENDATIONS

3.1 Cabinet is recommended to note the following:

- i) the outturn for 2003/04 of £65.3 million;
- ii) the outturn for 2003/04, excluding those schemes with a significant 3rd party involvement, of 97% of the period 4 forecast;
- iii) additional slippage of £4 million since period 10;
- iv) expenditure brought forward of £3.2 million since period 10;
- v) the progress on specific schemes;
- vi) outcomes relating to the Integrated Housing IT system;
- vii) the level of achievement of capital receipts; and
- viii) the current position on the Payback fund.

3.2 Scrutiny committees are asked to consider issues affecting their portfolio and make any observations to the Cabinet as they see fit.

3.3 The Finance, Resources and Equal Opportunities Scrutiny Committee is asked to:

- i) consider the overall position for the whole Council;
- ii) advise officers if there are any particular schemes where they have concerns over progress; and
- iii) make any observations and recommendations to Cabinet that it sees fit.

4. HEADLINE LEGAL AND FINANCIAL IMPLICATIONS

4.1 This report has been discussed with Peter Nicholls (Service Director, Legal Services) and there are no direct legal implications.

4.2 This report is concerned solely with financial issues.

5. Report Author:

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CHIEF FINANCE OFFICER



**Cabinet
FREOPS**

**12 July 2004
TBC**

2003/04 CAPITAL PROGRAMME MONITORING – OUTTURN

Report of the Chief Finance Officer

SUPPORTING INFORMATION

1. CAPITAL MONITORING TIMETABLE

1.1 The report is the final capital monitoring report for 2003/04, following reports of the position at the end of periods 4,7 and 10.

2. POSITION AT THE END OF MARCH 2004

2.1 The overall financial position is shown in Appendix A.

2.2 The outturn for 2003/04 is £65.3 million, compared to a forecast outturn at period 10 of £64.5 million.

2.3 The performance target for 2003/04 was for actual expenditure, excluding those schemes where there is a significant 3rd party involvement, to be 90% of the period 4 forecast. Overall 97% was achieved.

2.4 The Council's performance in managing its Capital Programme has improved on earlier years, although areas of weakness remain. This is best considered with reference to the 90% target, and further details are provided in paragraph 4.

2.5 Other authorities were contacted and information provided on the level of expenditure compared to their originally approved 2003/04 programme; this information is shown in the table below. The comparator authorities are all urban single tier authorities :

	Approved Programme £m	Outturn £m	Level of Spend Achieved %
Leicester City	78.5	65.3	83
Authority 1	51.2	45.0	88
Authority 2	317.0	243.0	76
Authority 3	31.2	27.1	87

The City Council's performance is therefore not out of step with other authorities; slippage is known to be a common problem.

3. DEPARTMENTS' PERFORMANCE COMPARED TO THE PERIOD 10 FORECAST

3.1 Cultural Services & Neighbourhood Renewal

Outturn was a net £6.32 million compared to the period 10 forecast of a net £4.88 million. The higher than forecast outturn is a result of ERDF grant of £1.6 million being carried forward to fund future years expenditure on the Performing Arts & Convention Centre rather than being used in 2003/04. The use of corporate resources to fund the programme is still within the approved sum.

There has been slippage in payments of £155,000 relating to the Cultural Quarter but the progress of work is continuing as planned.

The programme includes large projects that have been managed well throughout the year.

3.2 Education & Lifelong Learning

Outturn is £13.995 million, which is £171,000 more than the period 10 forecast. There has been additional expenditure offset by slippage and reprofiling on a number of schemes, the main variances are detailed below:

Slippage

Sports Projects (£108,000) – This relates to schemes to be funded by the New Opportunities Fund. Slippage is a result of delays in assessing applications for funding.

Space for Sports and Arts (£252,000) – The majority of work on the schemes is now complete. Reprogramming of expenditure is due to retention payments and later than expected payments to contractors.

Peepul Centre (£260,000) – This project is being undertaken by a community association. Funding for this scheme has now been requested.

Additional Expenditure

Condition and Modernisation Works (£267,000) – work is being carried out at a number of schools and in many cases work has progressed faster than planned. Expenditure is fully funded by grant and SCA.

Highfields Youth and Community Centre (£452,000) –Expenditure relating to equipment was brought forward to enable the facility to open earlier.

Schools Devolved Budgets (£255,000) – This relates to grants paid directly to schools by the Government. As work is planned and managed by each school it is difficult to forecast expenditure accurately. Expenditure is fully funded by grant.

3.3 Environment , Regeneration and Development

General Programme

Outturn is £2.675 million, which is 85% of the period 10 forecast outturn, with slippage of £487,000 since period 10. The main areas of slippage since period 10 relate to:

Depot at Leycroft Road (£175,000) – delays in the construction have led to slippage in payments. However payments of £1.8 million have been achieved.

Ross Walk Business Units (£100,000) – this scheme is fully funded by grant from LSEP. There was a delay in receiving approval from LSEP resulting in the start date being later than planned. LSEP have agreed to fund the expenditure that has slipped.

Transport

Outturn for 2003/04 is £9.255 million, which is 93% of the outturn forecast at period 10. There has been slippage in payments relating to Integrated Transport (£280,000), Bridges and Carriageway Maintenance (£305,000) and Highways Maintenance (£141,000). Delays in completion of works have led to slippage in payments. However, resources will be carried forward to meet this expenditure in 2004/05.

SRB Schemes

The period 10 forecast of £2.756 million exceeded the EMDA approval by £231,000; the actual approval was therefore £2.525 million. The actual level of expenditure was £2.355 million is 93% of the EMDA approval. The slippage of £170,000 will be met by capital grant in 2004/05.

3.4 Housing

Outturn of £27.275 million has been achieved which is £1.056 million above the period 10 forecast, and has been made possible due to additional right to buy sales.

The most significant variations in actual expenditure to the position forecast at period 10 are detailed below:

Slippage

District Heating Pipework (£131,000) – scheme delays

Integrated Housing IT System (£200,000) – a small delay to phase 2 has resulted in slippage in payments

Additional Expenditure

Door & window replacement (£523,000) – increased levels of work .

Central Heating Boilers (£328,000) – the increased demand for new boilers was met due to known savings on other schemes.

District Heating Repairs (£191,000) – additional workload.

3.5 Social Care & Health

Expenditure of £1.46 million was incurred, compared to a forecast outturn at period 10 of £1.61 million. The main areas of slippage relate to children's homes (£49,000) due to some works still being outstanding and an intermediate care project (£94,000) that is a joint scheme with the Department of Health.

3.6 Resources, Access & Diversity

Outturn totalled £1.975 million compared to forecast of £2.115 million. Slippage since period 10 mainly relates to the Victoria Road East Extension scheme due to contract certificates expected in March not being received until April.

3.7 Summary of Performance

Since period 10 slippage of £4 million was incurred; the main reasons for the slippage are:

- a. 3rd party influence;
- b. contractor payments later than anticipated but scheme still progressing as planned;
- c. scheme delays and/or period 10 forecast being overstated; and
- d. planned slippage as was the case with the SRB programme in order to meet external approval.

Appendix B breaks down slippage for each area of the programme by the above categories. As shown in Appendix B slippage relating to scheme delays/period 10 estimate being overstated total £2.5 million. However, in the case of the Housing programme additional schemes were carried out that more than offset the amount of slippage.

4. **ACTUAL PERFORMANCE AGAINST TARGET**

4.1 On 13 October 2003 Cabinet agreed a target relating to capital programme performance, being that actual expenditure be 90% of the period 4 forecast in 2003/04 (and of the original forecast in later years). The target does not relate to schemes where there is a significant 3rd party involvement.

4.2 Appendix C shows the level of actual expenditure relating to schemes excluding those with significant 3rd party involvement compared to the period 4 forecast. The position in relation to each department is given below:

Cultural Services and Neighbourhood Renewal (50%) – The main scheme where actual performance did not achieve the target relates to playgrounds and kickabout areas where actual expenditure of £56,000 was only 39% of the forecast. The main cause of slippage was late approval of the detailed programme of works.

Education and Lifelong Learning (79%) – There are a number of areas of the programme where actual expenditure was significantly lower than the period 4 forecast, for example Condition/Modernisation schemes, Secondary Review, Space for Sports and Arts. Significant levels of work have been done to improve programming and phasing of works relating to future programmes.

Environment, Regeneration and Development

General Programme (39%) – The main areas where expenditure was significantly less than the period 4 forecast relate to watercourses and riverside projects. The watercourses programme was delayed due to the need to carry out surveys of culverts in order to determine the work necessary regarding the de-silting programme. The main delay in the riverside programme related to improvements to Castle Gardens; this was due to staff shortages in the landscaping section.

Transport – the target of 90% was achieved.

Housing (113%) – due to the additional expenditure, financed from additional capital receipts, the target of 90% was exceeded.

Social Care and Health (118%) – When the period 4 forecast was prepared it was envisaged that resources of £150,000 would be transferred to the revenue budget and therefore forecast capital expenditure was reduced. However, as the revenue budget was delivered these resources were used for capital schemes therefore resulting in expenditure being higher than forecast at period 4.

Resources, Access and Diversity (66%) – There were 2 schemes where expenditure was significantly lower than the target being DDA works (36%) and the Customer Access project (31%). The DDA works included the installation of lifts at two centres; due to the lead time for delivery of the lifts there was a delay in the works starting. An improvement in performance is anticipated in 2004/05 as details of schemes have already been prepared and no problems are envisaged. Expenditure on the Customer Access project was lower than forecast as a result of supplier delays for the Customer Relations Management software and the Business Continuity Server.

- 4.3 The performance target has identified that initial forecasts need to be improved in a number of areas, schemes need to be closely managed and early approval to detailed programmes is important in order to achieve the target. The target for 2004/05 and later years is 90% of the original

programme; in order to achieve this all programmes will need to be monitored closely and action taken where necessary.

5. PROJECT OUTCOMES

- 5.1 It was agreed on 13 October 2003 that details of project outcomes for significant schemes with easily measurable outcomes would be reported as part of the outturn report. The only such scheme that has been completed during 2003/04, for which measurable outputs were set, is the Integrated IT Housing system. The first phase (relating to revenues and benefits) was operational on time in September 2003; the second phase (rent accounts allocations) went live in February 2003, having been programmed for January. The system relating to housing repairs is due to be implemented in September 2004 and dates have yet to be agreed for the remaining elements.
- 5.2 Future reports will give details of project outcomes relating to the following schemes, which cannot be done until after they are complete:
Braunstone Leisure Centre
Cultural Quarter/Performing Arts & Convention Centre
Victoria Road East Extension/Lewisham Road Link
Relocation of the Registration Service.
- 5.3 When the 2005/08 capital programme has been approved suitable schemes will be identified for which outcomes will be reported.

6. CAPITAL RECEIPTS.

- 6.1 The total corporate capital receipts target for 2003/2004 and 2004/05 is £15.4 million. Receipts realised in 2003/04 totalled £16.54 million. As a consequence of the strategy to manage risk associated with the Performing Arts and Convention Centre, a further £3.5 million of receipts is required in 2004/05. It is expected that this will be achieved.
- 6.2 The target has therefore already been exceeded. The additional receipts will be carried forward to fund additional capital programme schemes.

7. OTHER ISSUES – PAYBACK FUND

- 7.1 The Payback fund was set up with the aim of financing schemes which will either attract additional income or reduce future expenditure. The fund operates as a rolling programme with all repayments being used to fund future schemes. To date the fund has provided finance of £803,000 towards various schemes (from an investment of just £400,000), including the new libraries computer system, cctv in car parks and upgrading fitness suites at Leicester Leys and St Matthews Leisure Centres. Currently there is an

uncommitted balance of £93,000 in the fund, although it is anticipated that a number of further schemes will be submitted for future financing from the fund.

8. CONSULTATION.

8.1 All Departments have provided explanations on their spending programme.

9. FINANCIAL AND LEGAL IMPLICATIONS

See main report.

10. OTHER IMPLICATIONS

	Yes / No	Paragraph referred
Equal Opportunities	No	Expenditure on the DDA programme specifically supports access for the disabled
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly People / People on Low Income	No	-

11. REPORT AUTHOR

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