



Leicester  
City Council

**Cabinet**  
**Resources & Equal Opportunities**  
**Scrutiny Committee**

**18 October 2004**

**21 October 2004**

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**2004/05 CAPITAL PROGRAMME MONITORING - PERIOD 4**

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**Report of the Chief Finance Officer**

**SUPPORTING INFORMATION**

**1. CAPITAL MONITORING**

- 1.1 The Council's capital programme was approved in January. The programme totals £108.2 million, and best practice involves continuous monitoring of how the programme is progressing.
- 1.2 Monitoring will take place and be reported to Cabinet for periods 4,7,10 and outturn. For each of these periods, a full review of all schemes will be undertaken, including project milestones and outturn projections, to enable early reporting of any potential slippage and corrective action to be taken, where possible.
- 1.3 The report considers the extent to which the Council is achieving its programme of asset sales, which help fund the programme.
- 1.4 Monitoring information is also included in relation to Prudential Indicators.

**2. KEY ISSUES**

- 2.1 Key issues that have arisen as part of the monitoring exercise are as follows:

**i) Saving**

A significant saving of £1.5 million has arisen relating to the Abbey Meadows relocation scheme (see paragraph 4.3.2 below).

**ii) Funding Shortfalls**

An increase in cost is forecast relating to the Victoria Road East Extension/Lewisher Road Link scheme and, as previously reported, there is a funding shortfall relating to the relocation of the Register Office

scheme. In both cases it is proposed that resources be specifically earmarked to meet the funding shortfalls.

**iv) Slippage**

Slippage in payments of £12.1 million is forecast. This mainly relates to the following areas of the programme:

Braunstone Primary reorganisation  
Performing Arts and Convention Centre.

Whilst there are specific reasons for slippage on the above schemes such a high level of slippage is of concern, and project officers need to ensure that cashflows are as realistic as possible when the new capital programme is created.

**3. POSITION AT THE END OF JULY 2004 (PERIOD 4)**

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

3.2 At the end of period 4, 20% of the forecast 2004/05 programme of £96.5 million had been spent. This compares to 21% at the same time last year. This represents reasonable progress particularly as capital expenditure is often weighted towards the latter part of the financial year. However, performance is variable across service areas and programmes need to continue to be closely monitored and managed.

3.3 The slippage and rephasing of £12.1 million relates to the following areas:

	<b>£000</b>	<b>% of programme</b>
Education & Lifelong Learning	2,673	12
Regeneration & Culture	8,194	22
Housing	400	1
Social Care & Health	300	21
Resources, Access & Diversity	<u>578</u>	5
	<u>12,145</u>	

3.4 The total slippage currently forecast represents 11% of the approved 2004/05 programme. Whilst the level of slippage forecast is high, the programme now reflects a more achievable level of expenditure.

**4. PROGRESS ON SPECIFIC SCHEMES**

4.1 The period 4 monitoring has identified schemes where significant variances have been forecast between expenditure and approval. Details of these schemes are given below.

## 4.2 Education & Lifelong Learning

- 4.2.1 Slippage of £2.673 million is forecast relating to the Braunstone Primary reorganisation scheme. Progress has been delayed due to the need for further consultation over the merger of existing infant and junior schools. Work is now expected to start in summer 2005.

## 4.3 Regeneration and Culture

- 4.3.1 The transport programme has been overprogrammed in order to try and ensure that by the end of the year actual expenditure matches the resource level. Currently the programme is overprogrammed by £147,000. The programme will be managed and monitored through the year, if there is an overspend at the end of the year the 2005/06 resource allocation will be adjusted accordingly (ie it will be reduced by the amount of the 2004/05 overspend).
- 4.3.2 A significant saving of £1.541 million has arisen relating to the Abbey Meadows Depot relocation scheme. This has arisen as a result of a contingency of £600,000 not being required, savings being realised and uncertain external funding being finalised. These resources will be available to fund the next 3 year capital programme, to the extent that they are not used to fund the Victoria Road East Extension/Lewisher Road Link scheme (see paragraph 4.6.3).
- 4.3.3 Slippage of £7.3 million is forecast, relating to the Performing Arts and Convention Centre (PACC). Whilst the first stage of the contract with the main contractor has now been signed it took longer than anticipated to clarify various clauses within the contract. Main construction work is now planned to commence in January 2005 with practical completion in January 2007. Delays in the PACC programme of works has also led to slippage in the St Georges Infrastructure programme.

The PACC contract is a 2 stage contract, which secures the appointment of a contractor earlier in the process than is the case with traditional construction procurement, and brings the contractor's expertise to bear in the final detailed stages of the design work. The first stage of the contract requires the contractor to work with the Council to seek to achieve a scheme within budget, and detailed work is now taking place on the scheme design to this end. Indications are, however, that this will be difficult to achieve. Once the work is complete, a full report will be brought to members prior to signing any construction contract (the 2<sup>nd</sup> stage).

- 4.3.4 It is forecast that expenditure of £315,000 relating to the Museum Collection Reserve will be brought forward from 2005/06. The storage facility is now to be located in a building already owned by the authority, which will enable work to start earlier than anticipated.
- 4.3.5 Slippage in expenditure is forecast on the following schemes (the level of forecast slippage is shown in brackets) with works now planned for 2005/06:  
Gilroes Cemetery extension scheme (£128,000)  
Saffron Hill Cemetery extension (£300,000)

Leicester Leys Flume Replacement (£250,000)  
Saffron Lane New Track and Refurbishment of Arena (£180,000).

- 4.3.6 The capital programme includes provision of £100,000 for Neighbourhood Improvement schemes; this is no longer needed.
- 4.3.7 An addition to the programme relating to the Newarke Houses Museum Refurbishment scheme is proposed in a report elsewhere on the agenda.
- 4.3.8 Cabinet approval to a detailed programme of works is still needed relating to the Playground Improvements/Kickabout Areas scheme.

#### **4.4 Housing**

- 4.4.1 The originally approved housing programme included an overprogramming allowance of £1.295 million. The programme has now been revised to remove this.
- 4.4.2 The programme includes £200,000 for the redesign of the Beaumont Leys Core Area Scheme. A scheme has now been prepared, and the programme has been increased by £1.05 million for the cost of property purchases and demolition relating to this scheme. The cleared site will be sold and the resulting capital receipt should more than meet the costs. Cabinet approved this scheme on 2 February 2004.
- 4.4.3 There has been a delay of one month in the start of works relating to the Multi Disciplinary Centre resulting in slippage of payments of £400,000.

#### **4.5 Social Care & Health**

- 4.5.1 Additional capital grant allocations have been received from the Department of Health for Information Management (£166,000) and the Integrated Children's System (£80,000).
- 4.5.2 Due to anticipated delays in start dates and a review of the programme, slippage of £300,000 is forecast. The main area of slippage relates to children's services: slippage of £180,000 is forecast as the scheme at Barnes Heath has been revised and is being redesigned.

#### **4.6 Resources, Access & Diversity**

- 4.6.1 The approved programme totals £11.59 million; the forecast level of expenditure is now £11.012 million.
- 4.6.2 On 12 July 2004 Cabinet considered a detailed programme of property maintenance works, to be funded by prudential borrowing, totalling £10 million over 3 years. The forecast level of expenditure in 2004/05 was £2.7 million,

however, following detailed studies of work to ensure expenditure is properly targeted on priorities only £2.2 million is now forecast to be spent.

4.6.3 The Victoria Road East Extension/Lewisher Road Link scheme is well underway and should be completed by February 2005. However, the scheme is likely to exceed the approved amount due to a number of factors:

- a) the form of the contract is designed to avoid prolonged disputes on contract variations which can arise at the end of completion of works. One feature of this is a “target price”, which imposes a cap on the amount the client will pay. Another feature is risk sharing provisions. Whilst the capped price can, in fact, increase, this type of contract means price increases tend to be recognised and agreed earlier in the process. Taking the road scheme as a whole, it is expected that this form of contract will cost the Council less than would otherwise have been the case, but it is already known that the “target price” has increased by £150,000 (for legitimate reasons).
- b) the estimated cost of the re-design of the Humberstone Heights Golf Course, and associated safety measures was £300,000 but tenders received for the work have exceeded this. Certain elements of the work have been modified, and the scheme reduced to the minimum, commensurate with safety and the quality of the course. The cost is now estimated to be £481,000.

The cost of the road scheme is shared between the Council and its partners, the Gypsy Lane Brickworks and the Hamilton Trust. The costs of the golf course works are shared only between the Council and the Hamilton Trust. The additional costs to be met by the City Council is currently estimated to be £120,000, but this could rise as the contract progresses, should further increases in the target price be agreed. At this stage, it is recommended that approval is given to an increase in the gross cost of the scheme of £720,000 to £8.1 million and an increase in the City Council contribution of £300,000 to £3.17 million with the increased contribution being met from part of the savings realised from the provision for the Abbey Meadows Depot relocation scheme. It is noted that the Victoria Road East Extension scheme will lead to substantial future capital receipts.

4.6.4 On 17 May Cabinet approved the Town Hall Improvements/Relocation of the Registration Service scheme at a cost of £1.799 million. Following the receipt of tenders and an exercise to identify possible savings the current forecast cost of the scheme is £1.932 million. The increase has arisen due to actual costs being higher than anticipated. To reduce the funding shortfall the sound system has been omitted from this scheme and will be addressed separately. This leaves a funding shortfall of £546,000.

The existing registration service is based at Pocklingtons Walk and proceeds of sale of this building were originally earmarked to meet the cost of the project. The original value of this building was estimated to be £500,000. There have been delays to the Register Office scheme largely due to the need to obtain listed building consent to proposed works at the Town Hall and discussion

relating to the location of the Multi Disciplinary Centre (originally it was proposed to locate this at Pocklington's Walk). As a result of the delay there has been an increase in the value of the existing building due to property price inflation and the opportunity has arisen to sell the adjacent building and the current Register Office building at the same time, increasing the value of both sites significantly due to the creation of "marriage value".

The Council's normal rules are that capital receipts fund the whole programme, although there is a recognised exception where (as in this case) new works are required before a sale can be achieved. Given that both the costs of the scheme and the value of the existing property have increased, it is appropriate to ringfence £500,000 of the increase in value of the receipt arising from the sale of the existing facility. This would leave a funding gap of £46,000 for which approval is sought to use the Department reserve set aside for the sound system.

## **5. CAPITAL RECEIPTS**

- 5.1 The target for capital receipts in 2004/05 is £5 million; however as the 2003/04 target was exceeded by £1 million only £4 million needs to be generated in 2004/05.
- 5.2 To date, £1.5 million has been realised in the current year to fund the corporate programme.
- 5.3 Although the total receipts target should be achievable, close monitoring of the 2004/05 receipts will be required.

## **6. CAPITAL MONITORING TARGETS**

- 6.1 In October 2003 Cabinet agreed a performance target for capital expenditure of 90% of the original programme, excluding schemes where there is 3<sup>rd</sup> party involvement.
- 6.2 For programmes excluding those schemes with significant 3<sup>rd</sup> party involvement the latest forecast of expenditure of £72 million is 96% of the original programme as shown in Appendix B. If the programme is to achieve the 90% target all schemes will need to be closely managed in order that any further slippage is kept to a minimum.

## **7. PRUDENTIAL INDICATORS**

- 7.1 The latest forecast of performance in 2004/05 against approved indicators is shown in Appendix C.
- 7.2 In summary, the Council will not exceed any Prudential Indicators, which were set as limits on the council's activities. There will be variations between actual

and expected performance on some PIs due to slippage in capital expenditure and an increase in borrowing which is directly supported by Government grants.

## **8. SPEND TO SAVE SCHEMES**

- 8.1 As part of the consideration of the capital programme by Cabinet on 19 January 2004, rules for spend to save schemes were approved. This permitted the CFO to approve schemes below £250,000, and cabinet to approve schemes in excess of £250,000.

The following schemes have been approved:

Leycroft Road – purchase of property - approved by Cabinet on 26 April 2004.

Town Hall Kitchen – approved by Cabinet on 17 May 2004 (£225,000).

Wide Area voice and data network (£600,000) – approved by Cabinet on 27 September 2004.

Lockers at Braunstone Leisure Centre (£55,900).

Fitness Equipment at Braunstone Leisure Centre (£150,000).

- 8.2 A further two prudential borrowing schemes are now proposed:

- a. The Housing programme includes the Multi Disciplinary Centre scheme. This involves funding from the sale of a property; however, there may be a delay in realising the sale proceeds resulting in a short term cashflow funding requirement of up to £575,000. This proposal fits within the normal criteria for spend to save schemes agreed by the Council, and
- b. It was originally intended that a Combined Heat and Power Unit at Braunstone Leisure Centre (£112,955) would be funded from leasing. However, it is considered likely that prudential borrowing will be cheaper. Approval to incur prudential borrowing to meet these costs is requested; provision exists within the Regeneration and Culture Department revenue budget to meet the borrowing costs. This scheme does not fit within the previously agreed criteria for prudential borrowing, but Cabinet is asked to approve this proposal as it is more cost effective in terms of the financing options.

- 8.3 Spend to Save schemes are in addition to prudential borrowing approved for:

- a. Property Maintenance – an allowance was made in the budget for spending £10 million over 3 years, and
- b. Housing repairs – the resources approved to fund the housing programme include £6 million for each of the 3 years 2004/05 – 2006/07 to be used to move closer to the Decent Homes Standard.

- 8.4 The total prudential borrowing now approved by the Council is therefore £29.5 million (excluding the schemes proposed in paragraph 8.2).

## **9. CONSULTATION**

9.1 All departments have been consulted in the preparation of this report.

## 10. FINANCIAL AND LEGAL IMPLICATIONS

See main report.

## 11. OTHER IMPLICATIONS

<b>Other Implications</b>	<b>Yes / No</b>	<b>Paragraph referred</b>
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly People / People on Low Income	No	-

### **Report Author/Officer to Contact**

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