



Leicester
City Council

**Cabinet
Resources & Equal Opportunities
Scrutiny Committee**

24 January 2005

13 January 2005

2004/05 CAPITAL PROGRAMME MONITORING - PERIOD 7

Report of the Chief Finance Officer

SUPPORTING INFORMATION

1. CAPITAL MONITORING

- 1.1 The Council's capital programme was approved in January. The original programme totalled £108.2 million, and best practice involves continuous monitoring of how the programme is progressing.
- 1.2 In October members considered a report relating to the period 4 capital programme position. This report relates to period 7 and will be followed by further reports at period 10 and at outturn. As part of the monitoring exercises a full review of all schemes is 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) **Slippage**

- Further slippage of £4 million is forecast; this is in addition to slippage of £12.1 million reported at period 4. This is due to uncertainties over schemes and original estimates being over optimistic. When the new 3 year programme is considered it is important that cashflow forecasts are as accurate as possible.

ii) Capital Monitoring Target

The performance target for capital expenditure, agreed by Cabinet, is for expenditure to be 90% of the approved programme, excluding schemes where there is third party involvement. Based on current projections the forecast is for the programme to achieve 95% of the originally approved programme (plus approved additions).

3. POSITION AT 5 NOVEMBER 2004 (PERIOD 7)

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

3.2 At the end of period 7, 41% of the forecast 2004/05 programme of £98.9 million had been spent. This compares to 43% 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 be closely monitored and managed in order to minimise further slippage in payments.

3.3 The slippage and rephasing of £4 million relates to the following areas:

| | £000 | % of period 4 forecast |
|-------------------------------|-------------|-----------------------------------|
| Education & Lifelong Learning | 2,643 | 13 |
| Regeneration & Culture | 220 | 1 |
| Housing | 835 | 2 |
| Resources, Access & Diversity | 387 | 4 |

4. PROGRESS ON SPECIFIC SCHEMES

4.1 The period 7 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 On 17 May Cabinet approved a scheme relating to the redevelopment of a hard ball court at Braunstone, the capital cost was estimated to be £323,000. The scheme is fully funded by Sport England and Braunstone Community Association. The scope of the scheme has now been extended increasing the cost to £555,000, the costs to be met by £455,000 from Sport England and £100,000 from Braunstone Community Association. Forecast expenditure in 2004/05 is £250,000 with the balance being incurred in 2005/06.

4.2.2 On 16 August Cabinet endorsed the Childrens Centres strategy and agreed an increase in the Education and Lifelong Learning capital programme relating to the Childrens Centres. The capital cost is fully funded by grant and the allocation received is £4.5 million over the life of the scheme of which £200,000 is forecast to be spent in 2004/05.

4.2.3 Expenditure of £2.357 million has been brought forward from 2005/06 mainly in relation to Asset Management and Modernisation (£2.114 million) and Secondary Review (£200,000).

Asset Management and Modernisation – this is a rolling programme of improvement works at schools. The programme has been reprofiled to bring forward work due to the expansion of the mobile classes replacement programme. The expenditure is funded by supported borrowing and capital grant; the resources available are more than sufficient to meet the increased level of expenditure.

Secondary Review – works at New College have been brought forward. The additional expenditure will be funded by grant and revenue resources.

4.2.4 Slippage of £2.6 million is forecast relating to the following schemes (the level of forecast slippage is shown in brackets):

Basic Need schemes (£1.266 million) – this capital allocation is earmarked for providing new pupil places in the Hamilton area. The expenditure has been deferred until 2005/06 due to the need for extensive consultation with the public, headteachers and the DfES.

Expanding Popular Schools (£248,000) - these resources enable successful schools to expand their facilities and therefore increase their intake. Decisions on which schools should be allocated funds have been deferred until more detail is available on the Building Schools for the Future programme.

New Opportunities Fund Sports Projects (£537,000) - Three projects (at Moat Community College, Soar Valley and the Outdoor Pursuits Centre) have been agreed with the funding body and will go to tender shortly. Part of the slippage relates to retention payments expected on these schemes. In addition the scheme at City of Leicester school has been delayed while further consultation is carried out on the design.

Braunstone Primary Reorganisation projects (£445,000) – the works on these projects have been deferred until 2005/06 to allow more time for statutory consultation on the merger of schools to take place.

Highfields Youth and Community Centre (£100,000) – this relates to forecast retention payments that will now be incurred in 2005/06.

4.2.5 Expenditure at period 7 is £9.3 million representing 47% of the forecast outturn of £19.8 million. There are 3 main areas where significant payments are forecast before the end of the year (the level of payments still to be incurred is shown in brackets):

Braunstone Library (£1.922 million) – the scheme has started and significant payments will be incurred as the scheme progresses.

New Opportunities Fund Sports Projects (£2.208 million) – as detailed in paragraph 4.2.4 three projects are to go to tender shortly.

Asset Management and Modernisation (£2.625 million) – schemes are progressing and payments of £3.2 million have already been incurred.

4.3 Regeneration and Culture

4.3.1 The Creative Business Depot scheme was completed on budget in June. Businesses are now occupying the Depot and to date 25 units (50% of those available) have been let.

4.3.2 The main contractor for the Performing Arts and Conference Centre has been appointed and the first stage of the contract signed, the contractor is working with the design team to establish the latest estimated cost of the scheme. Work on asbestos removal and demolition is under way. Preparation of the site is expected to commence in January 2005 and the main construction work will commence in April. It is envisaged that a report on the project and its cost will be taken to Cabinet in January 2005.

4.3.3 The official opening of the Braunstone Leisure Centre is 6 December 2004. The approved cost of the scheme is £10.7 million; the scheme has overspent by £42,000, which is 0.3% of the total cost. It is proposed that the overspend be funded by a contribution received as detailed in paragraph 4.3.4.

4.3.4 The A46/47 Link Road scheme was funded from a number of sources including external contributions. There has been an ongoing dispute with one of the external funders regarding their contribution. Whilst the dispute was ongoing higher than anticipated costs were met from the Integrated Transport programme. The dispute has now been settled and the City Council has received £823,000. It is proposed that this contribution is now used to fund the overspend on the Braunstone Leisure Centre scheme (£42,000) and additional Integrated Transport schemes (£781,000). At period 4 it was identified that the Transport programme was overprogrammed by £147,000, it is proposed that this be the first charge on the contribution remaining of £781,000 leaving £634,000 to meet additional transport schemes.

4.3.5 The forecast level of expenditure on the toilet improvement programme has reduced from £270,000 to £75,000.

4.3.6 On 18 October Cabinet approved an addition to the capital programme relating to the Newarke Houses Lottery Funded project at a cost of £1.5 million. £286,000 is forecast to be spent in 2004/05.

4.4 Housing

4.4.1 Additional expenditure of £1.755 million is forecast. The main areas of increase with reasons are shown below (the level of additional expenditure is shown in brackets) :

Cladding to system built Bungalows (£200,000)
Rewiring (£100,000)
Central Heating Boilers (£600,000)
Renew Cladding to system built Houses (£300,000)
Integrated IT System (£500,000)

4.4.2 Slippage of £835,000 is forecast. The main areas of slippage relate to renovation grant payments (£165,000) and the Multi Disciplinary Centre (£600,000).

Payments of renovation grants are lower than forecast, this is based on the level of applications in the pipeline and the expected progress over the winter months.

There has been a delay in the start of the Multi Disciplinary Centre due to legal challenges, the scheme started in September and the current forecast of expenditure in 2004/05 of £1.8 million is based on the latest spend profile received from the contractor.

4.4.3 An underspend of £650,000 is forecast in the installation of kitchens and bathrooms. This is due to delays in agreeing contracts with a number of suppliers.

4.4.4 There is a net increase in the forecast level of expenditure relating to the Housing programme as a whole, of £270,000 as shown below:

| | |
|-------------------------------------|--------------|
| | £000 |
| Additional Expenditure (para 4.4.1) | 1,755 |
| Slippage (para 4.4.2) | (835) |
| Underspend (para 4.4.3) | <u>(650)</u> |
| | <u>270</u> |

However, the Multi Disciplinary Centre scheme is funded from specific capital grant that cannot be used to fund other schemes. Therefore additional Housing resources of £870,000 are needed to fund the 2004/05 programme, this can be met from additional capital receipts. Changes to the programme have been approved in accordance with the delegated powers agreed when the programme was approved.

4.4.5 The capital finance system introduced on 1 April 2004 replaced the set aside method of redistributing capital receipts with the pooling regime, whereby poolable capital receipts are paid over to the Office of the Deputy Prime Minister and then redistributed through the Housing capital allocation system. Under the pooling regime 75% of capital receipts from the disposal of dwellings through Right to Buy will be pooled. However, 100% of other capital receipts are usable

provided they are spent on affordable housing or regeneration. Approval is sought to use non-right to buy housing capital receipts (estimated at up to £1.8 million) to finance affordable housing or regeneration to ensure 100% is usable. The Chief Finance Officer will determine the most appropriate accounting treatment of receipts to ensure flexibilities available are utilised.

4.5 Social Care & Health

4.5.1 There has been an increase of £50,000, in the level of forecast payments to £1.369 million. Of this, £40,000 relates to an allocation from the NHS for Learning Disability and £10,000 to payments brought forward from 2005/06 relating to the Integrated Childrens Service.

4.5.2 The level of payments at period 7 was £369,000 representing only 26% of the forecast outturn. The level of expenditure is low as work relating to many of the schemes will not be completed until towards the end of the year. Work on Elderly Persons Homes, minor works and Childrens Homes will be completed in January.

4.6 Resources, Access & Diversity

4.6.1 At period 4, expenditure on property maintenance schemes was forecast at £2.2 million, this has now been revised to £1.895 million. The reduced level of expenditure is due to £305,000 of works slipping into 2005/06 as detailed below (the forecast slippage is shown in brackets):

- Greyfriars Lift Replacement – only expect to complete the design and tender (£125,000).
- Welford Road Cemetery – a bid is being made to the Heritage lottery fund delaying the start of the scheme (£95,000).
- Belgrave Hall – the works involve historic masonry repairs which require a specialist contractor (£40,000).

4.6.2 All approved Disability Discrimination Act improvements schemes with the exception of the lift at African Caribbean Centre are expected to be completed this financial year. The completion date for the lift at the African Caribbean Centre is May 2005; this will result in the retention being carried forward for this scheme into 2006/07.

4.6.3 Additional expenditure is forecast relating to the following schemes (the level of additional expenditure is shown in brackets):

Victoria Road East Extension/Lewisher Road Link (£248,000) – As reported to Cabinet on 18 October the target price for the scheme has increased. In addition to the increased cost of the main scheme the contract for the remodelling of the golf course is now expected to be let in January and is anticipated to take 3 to 4 months to complete. This has resulted in earlier than expected expenditure in 2004/05.

Register Office (£83,000) – On 18 October Cabinet approved an increase in the cost of the scheme resulting in an increase in forecast payments in 2004/05.

Land & Premises at Leycroft Road (£530,000) – Cabinet approved the purchase of land at Leycroft Road, using prudential borrowing, in order to consolidate the Council's ownership in this area and potentially relocate Council facilities from other properties in the City. The purchase of the site has been completed.

Acquisition of land in advance of the Upperton Road Viaduct scheme (£275,000) - On 27 September Cabinet approved prudential borrowing to acquire land interests required for the scheme. It is anticipated that one site will be purchased in 2004/05 for £275,000.

Statutory Services – Lewisher Road (£160,000) – approval has been given for the use of the spend to save scheme to fund the laying of statutory services, with this work being carried out at the same time as the works relating to the road contract.

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. To date, £1.5 million has been realised in the current year to fund the corporate programme.
- 5.2 Although the total receipts target should be achievable in due course, close monitoring of the 2004/05 receipts will be required. There is the possibility that some of the anticipated receipts will not be generated until 2005/06.
- 5.3 The original capital receipts target from the sale of housing assets was £16 million of which £4 million would be usable to fund the capital programme. Following the review of the programme usable receipts of £4.87 million are now needed to fund the programme (as explained in paragraph 4.4.4). Usable capital receipts generated to date already total £4 million.

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 3rd party involvement.
- 6.2 For programmes excluding those schemes with significant 3rd party involvement the latest forecast of expenditure of £71.6 million is 95% of the original programme (plus approved additions) as shown in Appendix B. Whilst the forecast for the programme as a whole is 94% some areas are significantly below the target; reasons for this are given below:

Regeneration & Culture

Cultural (68%) – this is due to reprogramming of work into 2005/06 in relation to cemetery extensions and leisure centre improvements.

Other (62%) – there has been significant slippage in the forecast level of expenditure relating to toilet improvements.

Social Care and Health (83%) – slippage of only £290,000 has been forecast but due to the relatively small size of the programme (£1.6 million) this has reduced the forecast achievement against the target to 83%.

Resources Access and Diversity (81%) - there has been significant slippage in one particular area of the programme (property maintenance).

- 6.3 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 additional spend to save schemes that may be approved.
- 7.3 The reduction in the forecast level of unsupported borrowing relates to slippage and delays in the level of payments relating to property maintenance that is to be funded by prudential borrowing.

8. PRUDENTIAL BORROWING 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 permits the CFO to approve schemes below £250,000, and Cabinet to approve schemes in excess of £250,000.

Schemes approved since the period 4 capital monitoring report was considered by Cabinet on 18 October are detailed below:

The acquisition of land in advance relating to the Upperton Road Viaduct scheme up to a maximum of £2.88 million. One site has so far been identified at a cost of £275,000.

The provision of statutory services to land at Lewisher Road at a cost of £160,000. This expenditure is likely to be incurred in 2005/06.

8.2 The total of new schemes approved under the prudential borrowing regime is £33.3 million as shown in the table below:

| | 2004/05 | 2005/06 | 2006/07 | TOTAL |
|--|--------------------|--------------------|--------------------|--------------------|
| <u>Approved Prudential Borrowings</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Property Maintenance | 1,895 | 4,305 | 3,800 | 10,000 |
| Housing | 6,000 | 6,000 | 6,000 | 18,000 |
| Leycroft Road | 530 | | | 530 |
| Town Hall Kitchen | 250 | | | 250 |
| Wide Area Network | 20 | 580 | | 600 |
| Lockers at Brauntsone Leisure Centre | 56 | | | 56 |
| Fitness Equipment at Braunstone L.C | 150 | | | 150 |
| Combined Heat & Power Unit BLC | 113 | | | 113 |
| Upperton Road Viaduct | 275 | 2,605 | | 2,880 |
| Lewisher Road – Statutory Services | 160 | | | 160 |
| Housing – Multi Disciplinary Centre | 575 | | | 575 |
| | <u>10,024</u> | <u>13,490</u> | <u>9,800</u> | <u>33,314</u> |

9. PAYBACK SCHEMES

9.1 The payback scheme funds small scale schemes where capital investment would result in revenue savings or additional income that is used to repay the original capital sum within 5 years.

9.2 Schemes currently being carried out using the payback fund are cctv in car parks (£45,000), improvements at De Montfort Hall (£179,400) and energy saving schemes (£18,900).

10. CONSULTATION

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

11. FINANCIAL AND LEGAL IMPLICATIONS

See main report.

12. OTHER IMPLICATIONS

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

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