



Leicester
City Council

Cabinet

7 March 2005

2004/05 CAPITAL PROGRAMME MONITORING - PERIOD 9

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 Members have already considered reports relating to the period 4 and period 7 capital programme position. This report relates to period 9; it had been planned to report on the period 10 position but this would not give members time to take any corrective action in 2004/05 if needed. There will be a further report relating to the outturn position. As part of the monitoring exercises a full review of all schemes is undertaken, including project milestones and outturn projections.
- 1.3 The report also 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 £7.7 million is forecast; this is in addition to slippage of £12.1 million reported at period 4 and £4 million reported at period 7. However, there has been no loss of resources, resources will be carried forward to meet the payments that have slipped into 2005/06.

Despite improvements in the management and planning of the programme slippage still occurs. Slippage has arisen as a result of

schemes not progressing as quickly as anticipated, problems arising and original estimates being over optimistic reflecting the difficulties associated with managing large capital schemes and in forecasting the cashflow. This is a common problem encountered by local authorities. When the 2003/04 outturn was reported to Cabinet on 12 July 2004 the City Councils actual performance was compared to 3 other authorities and found to be similar as shown below:

2003/04

	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

Whilst recognising that slippage is not just a Leicester problem, it is recognised that improvements are required if the Council is to provide “excellent” services to its citizens, and slippage is expected to be a factor in the Audit Commission’s revision to the CPA methodology.

ii) Forecast Outturn

The current forecast expenditure of £93 million represents 86% of the originally approved programme; this compares to 83% achieved in 2003/04. If actual performance in 2004/05 is close to that currently being forecast the performance will be similar to that in 2003/04 and achieved on a larger programme (the approved 2003/04 programme was £78.5 million compared to the 2004/05 programme of £108.2 million).

iii) 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 89% of the originally approved programme (plus approved additions). As a result of significant slippage in a number of areas (as detailed in this report and previous monitoring reports) it is forecast that the 90% target will not be achieved.

3. POSITION AT 31 DECEMBER 2004 (PERIOD 9)

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

3.2 At the end of period 9, 56% of the forecast 2004/05 programme of £93 million had been spent. Whilst capital expenditure is often weighted towards the latter part of the financial year a significant level of payments (£40.6 million) needs to be incurred before the year end if the forecast is to be achieved. Programmes need to be closely monitored and managed if the forecast is to be achieved.

3.3 The slippage and rephasing of £7.7 million relates to the following areas:

	£000
Education & Lifelong Learning	3,591
Regeneration & Culture	1,163
Housing	1,170
Social Care	193
Resources, Access & Diversity	1,580

4. PROGRESS ON SPECIFIC SCHEMES

4.1 The period 9 monitoring exercise has identified changes to the programme and schemes where the latest forecast of expenditure is significantly different to the approval based on the period 7 monitoring exercise. Details are given below.

4.2 Education & Lifelong Learning

4.2.1 There is a proposed addition to the programme of £100,000, expenditure of £868,000 is to be brought forward and slippage of £3.59 million is forecast since period 7.

4.2.2 The proposed addition to the programme relates to works at the City of Leicester School. The school has received funding of £100,000 from the DfES for capital works to become a Business and Enterprise College.

4.2.3 Expenditure has been brought forward from 2005/06 mainly in relation to the Secondary Review programme of works and City Learning Centres.

Secondary Review – works totalling £599,000 at New College have been brought forward (£200,000 was also brought forward as part of the period 7 monitoring exercise). The additional expenditure will be funded by grant and revenue resources.

City Learning Centres - works to expand Beaumont Leys City Learning Centre have been brought forward from 2005/06 at a cost of £264,000. It is now planned for the majority of work to be completed by March 2005. The cost of these works is funded by capital grant.

4.2.4 Slippage of £3.59 million is forecast. However, slippage reduces to £1.19 million if schemes with complications relating to third parties are excluded. This reduces to £50,000 if account is taken of the world-wide steel shortage. The following schemes have slipped - the level of forecast slippage is shown in brackets:

New Opportunities Fund Sports Projects (£1.957 million) – This slippage is addition to slippage of £537,000 on these projects reported at period 7. This

relates to work at sports facilities at six sites; there are various reasons for delays:

- Time taken to obtain grant and LTA final approvals and in finalising legal agreements have led to a delay in starting schemes at Sir Jonathon North and Lancaster schools, Moat Community College and Soar Valley Community College. These issues have now been resolved and work on site is planned to start in spring/summer 2005.
- Following consultation with local residents, revised designs have been drawn up for the scheme at City of Leicester school. The revised designs are awaiting planning permission, work will not start on site before the 2005 summer holidays.
- The Outdoor Pursuits Centre scheme has been put on hold due to problems with the contribution from the tenant organisation and agreement on design. The project team are exploring options to progress this project or to identify an alternative site.

Braunstone Youth House (£444,000) – the lowest tender received for the works significantly exceeded the estimated cost and the funding available. It was therefore necessary to ask the funding body (Braunstone Community Association) to approve revised funding and design specifications. The contractor started on site in mid-January but progress is expected to be limited until the majority of the work on the adjoining Braunstone Cage project (being carried out by the same contractor) is complete.

Braunstone Library (£1.14 million) – there has been a delay in securing the necessary steel required for the construction because of the world-wide shortage.

- 4.2.5 Expenditure at 31 December is £12.7 million representing 73% of the forecast outturn of £17.2 million. There are 2 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 (£563,000) – whilst there has been a delay in procurement the scheme has started and expenditure of £1.3 million is forecast. Significant payments will be incurred as the scheme progresses.

Asset Management and Modernisation (£1.451 million) – schemes are progressing and payments of £4 million have already been incurred.

4.3 Regeneration and Culture

- 4.3.1 Slippage of £1.16 million is forecast, the main areas where slippage has been identified are shown below (the amount of forecast slippage is shown in brackets):

Gilroes Cemetery Extension (£64,000) – delays caused by poor weather and ground conditions have led to slippage in completion of drainage works and landscaping works to the childrens section and cremation areas. It is anticipated that £270,000 will be spent by 31 March with payments of £64,000 being forecast to slip into 2005/06.

Welford Road Cemetery Restoration Project (£80,000) – there was a delay in the tendering exercise, as a result works are now due to commence in April 2005. There will therefore be no expenditure in 2004/05.

Museum Collection Reserve (£286,000) – there have been complications in identifying a suitable property, carrying out the necessary negotiations and putting a funding package in place. Suitable premises have now been found and the funding package finalised.

Cultural Quarter (£164,000) – this is mainly due to delays in finalising appointments with the design team and contractors.

Public Lavatories (£75,000) – the report to Cabinet on the proposed works was delayed. No expenditure is anticipated on this scheme in 2004/05.

Transport (£494,000) – the period 7 monitoring exercise identified additional resources of £634,000 for transport schemes following settlement of the dispute with one of the external funders and the contractor of the A46/47 Link Road Scheme. The City Council's share of the agreed settlement figure with the contractor is £140,000; this will be paid in 2004/05 and met from the additional resources of £634,000. As the remainder of £494,000 has not been earmarked for particular schemes it is to be added to the amount available to fund the 2005/06 programme.

- 4.3.2 On 11 January Cabinet approved additional design costs of £500,000 relating to the Performing Arts Centre. Based on the current design programme, including the additional costs to redesign the façade, and the demolition work and remedial site works being completed by the end of March the forecast level of expenditure has increased by £129,000 to £3 million.
- 4.3.3 On 18 October 2004 an anticipated saving relating to the Abbey Meadows Depot relocation scheme of £1.541 million was reported to Cabinet. This saving is expected to be reduced by £74,400 due to additional costs incurred for the decommissioning of the former Abbey Meadow Depot, particularly the costs of removing redundant fuel tanks.
- 4.3.4 Additional payments of £118,000 are forecast on regeneration schemes. All of the additional expenditure will be met by capital grant.
- 4.3.5 A list of schemes has now been prepared in respect of the Council's successful bid for Government funding from the Liveability Fund, part of the Government's Sustainable Communities, an initiative aimed at improving local environments. The schemes are shown at Appendix D and the approval of Cabinet is sought to the consequential increase of £2,930,000 to the Capital Programme: 2004/05 +£50,000; 2005/06 + £2,880,000.

4.4 **Housing**

- 4.4.1 Additional expenditure of £850,000 and slippage and savings of £1.27 million are forecast.

4.4.2 The main area of increased expenditure relates to central heating boilers. Forecast expenditure has increased by £750,000; this was approved by the Director of Housing in consultation with the Cabinet Lead.

4.4.3 The main areas of the programme where slippage and savings are forecast are detailed below (the amounts of slippage and savings forecast are shown in brackets):

Renewing Kitchens and bathrooms (£250,000) – this is due to contract delays and is in addition to slippage of £650,000 identified at period 7.

Integrated Housing System and IT developments (£300,000) – there have been delays in the payments relating to some aspects of the package; these payments will be incurred in 2005/06.

Replacement Radio Alarm System (£320,000) – expenditure on this project has slipped to 2005/06, pending decisions on the optimal way of implementing the system.

Structural Works (£100,000) – less work than anticipated has been identified resulting in a saving on the scheme.

4.4.4 The level of payments at 31 December was £19.6 million representing only 53% of the forecast outturn. This reflects the fact that some major schemes such as the Multi Disciplinary Centre and Beaumont Leys Core Area Redevelopment will spend mainly in the second half of the year.

4.5 **Social Care & Health**

4.5.1 There is an increase of £30,000 in the level of forecast payments, slippage of £193,000 is forecast and there is a proposed increase of £33,000 in the programme.

4.5.2 The increase in payments of £30,000 relates to the Integrated Childrens Service. The computer software that was to be purchased in April/May is to be purchased in this financial year. Payments are funded by capital grant.

4.5.3 The main areas of slippage are detailed below (the amount of slippage forecast is shown in brackets):

Childrens Homes (£123,000) – this is due to the completion date of kitchen refurbishment works at 2 homes slipping from February to April and slippage in a number of minor works across childrens homes.

ICT Investment (£40,000) – this scheme relates to the introduction of Home Care Electronic time sheets. Due to delays in specification links and the procurement process the planned completion date is now January 2006.

- 4.5.4 It is proposed that a static caravan at Mablethorpe be purchased for looked after children, at cost of £33,000. The expenditure is to be funded from the Social Care and Health revenue budget.
- 4.5.5 The level of payments at 31 December was £421,000 representing only 33% of the forecast outturn. The main reasons for expenditure being low are:
- a) payments of £125,000 relating to Mental Health services will not be incurred until March when the invoice from the Leicestershire Partnership NHS Trust is expected, and
 - b) outstanding expenditure relating to the Integrated Childrens Service of £80,000 and Information Management of £127,000 is planned for the last quarter of the year.

4.6 Resources, Access & Diversity

- 4.6.5 Slippage of £1.58 million is forecast. The main areas of the programme that this relates to and the forecast level of slippage is shown below:

Property Maintenance schemes (£375,000) – due to the scale of works planned the time taken to progress the work has taken longer than envisaged. There has also been slippage relating to property rationalisation due to uncertainties over the outcome of the CLABS review.

Victoria Road East Extension/Lewisher Road Link (£279,000) – whilst there has been slippage in forecast payments the scheme is well underway and completion is anticipated in the middle of March.

Bursom Sub-station (£215,000) – all payments have now been made to East Midlands Electricity in accordance with the contract leaving a balance of £215,000 in the capital programme provision. However, East Midlands Electricity have advised that there are some works outstanding which may increase the contract price. The provision remaining has been slipped to 2005/06, however once all payments have been made there may be a saving on this scheme with the underspend being returned to corporate resources.

Town Hall Programme (£399,000) – due to slower than forecast progress on the scheme payments have slipped to 2005/06. Work is expected to be completed by 15 April although this is a very tight timescale.

Central Maintenance Fund (Water Hygiene Works) (£200,000) – whilst works will be committed and in progress at the end of March the expenditure will not be incurred until 2005/06.

DDA works (£62,000) – there were no returns following the tender exercise relating to the lift at the African Caribbean Centre. The work is to be re-tendered but the scheme will no longer start in this financial year.

- 4.6.2 Following market assessment, funding the full Town Hall kitchen through the spend to save scheme, at an estimated cost of £250,000, can no longer be

justified. It is proposed instead that the kitchen adjacent to the Tea Room should be refurbished at an estimated cost of £35,000.

- 4.6.3 A saving has arisen relating to the Improved Customer Access scheme of £31,000. This mainly relates to the Customer Service Centre (£17,000) and the contingency (£11,000); the refurbishment of the Customer Service Centre no longer represents value for money as there are plans to move the Centre to a new location. It is proposed that the saving of £31,000 be used to appoint contract staff to speed up the implementation of the e-forms software (ie on line application forms for council services). These forms could be used by members of the public and by members of Customer Services on behalf of service users. It was always planned that e-forms software would be part of the Improved Customer Access scheme but if approval is given to using the saving for contract staff it will enable the implementation to be brought forward. The forecast cashflow relating to this scheme is £11,000 in 2004/05 and £20,000 in 2005/06.

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, £1.56 million has been realised in the current year to fund the corporate programme.
- 5.2 Although the total receipts target should be achievable close monitoring of the 2004/05 receipts will be required. There is a possibility that some of the anticipated receipts will not be generated until 2005/06.
- 5.3 The forecast of usable capital receipts target from the sale of housing assets is £6.5 million of which £5 million has already been generated.

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 £68 million is 89% of the original programme (plus approved additions) as shown in Appendix B. There are some areas of the programme significantly below the target; reasons for this are given below:

Education (71%) – there has been significant slippage in some areas of the programme, for example Braunstone Library..

Regeneration & Culture

Cultural (59%) – this is due to reprogramming of work into 2005/06 in relation to cemetery extensions and leisure centre improvements.

Other (48%) – the future policy and options relating to public toilets is being considered, as a result payments relating to toilet improvements have now slipped to 2005/06.

Social Care and Health (75%) – slippage of £420,000 is been forecast, mainly relating to childrens services. Due to the relatively small size of the programme (£1.6 million) this has reduced the forecast achievement against the target to 75%.

Resources Access and Diversity (71%) - there has been significant slippage in the property maintenance scheme.

- 6.3 The level of payments are forecast to be 89% of the approved programme. If this is to be achieved 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 have been approved.
- 7.3 The reduction in the forecast level of unsupported borrowing relates to slippage and delays in the level of payments of schemes to be funded by prudential borrowing.

8. PRUDENTIAL BORROWING

- 8.1 The total of schemes approved under the prudential borrowing regime is £47 million as shown in the table below:

	2004/05	2005/06	2006/07	2006/07	TOTAL
<u>Approved Prudential Borrowing</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Property Maintenance	1,500	4,700	3,800		10,000
Housing	6,000	12,000	6,000	6,000	30,000
Leycroft Road	530				530
Town Hall Kitchen		35			35
Wide Area Network	20	580			600
Lockers at Braunstone Leisure Centre	56				56
Fitness Equipment at Braunstone L.C	150				150
Combined Heat & Power Unit BLC	113				113
Museums Collection Facility		1,919			1,919

Upperton Road Viaduct	275	2,605			2,880
Lewisher Road – Statutory Services	160				160
Housing – Multi Disciplinary Centre		575			575
	<u>8,804</u>	<u>22,414</u>	<u>9,800</u>	<u>6,000</u>	<u>47,018</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	-

Report Author/Officer to Contact

Nicola Harlow
Accountancy ext 7432

Mark Noble
Chief Finance Officer