



Leicester
City Council

Cabinet

13 June 2005

2004/05 CAPITAL PROGRAMME MONITORING - OUTTURN

Report of the Chief Finance Officer

SUPPORTING INFORMATION

1. CAPITAL MONITORING

- 1.1 This report is the final capital monitoring report for 2004/05. Members have already considered reports relating to the period 4, 7 and 9 capital programme position. This report relates to the outturn. As part of the monitoring exercises a full review of all schemes is undertaken.
- 1.2 The report also considers the extent to which the Council is achieving its programme of asset sales, which help fund the programme.
- 1.3 Monitoring information is also included in relation to prudential indicators, which are designed to assess the affordability of capital investment.

2. KEY ISSUES

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

- i) **Slippage**

Slippage of £6.75 million has occurred since period 9; total slippage during the year was £19.1 million. However, there has been no loss of resources, as 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.

ii) Additions and Expenditure Brought Forward

Increased expenditure has been incurred on a number of schemes to offset slippage in other areas. Resources were available to meet this additional expenditure.

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. The outturn position was 87% 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) the 90% target was not achieved.

3. OUTTURN

3.1 The outturn position for each department is shown in Appendix A. The level of expenditure was £3.755 million less than the period 9 forecast for the programme as a whole.

3.2 The changes in expenditure since period 9 relates to the following areas:

	Reductions/(Increases) in programme £000
Education & Lifelong Learning	1,400
Regeneration & Culture	(1,102)
Housing	1,328
Social Care	104
Resources, Access & Diversity	<u>2,025</u>
	<u>3,755</u>

4. PROGRESS ON SPECIFIC SCHEMES

4.1 The outturn exercise has identified changes to the programme and schemes where the actual level of expenditure differs from the approval based on the period 9 monitoring exercise. Details are given below.

4.2 Education & Lifelong Learning

4.2.1 Expenditure of £18.6 million was achieved. Changes since period 9 are detailed below.

4.2.2 Additional expenditure was incurred on the following schemes, for which additional funds were available:-

a) £83,000 relating to the Judgemeanow football pitch. The total project cost of £912,000 is being funded by a Football Foundation grant; the remaining expenditure will be incurred during 2005/06.

b) £339,800 relating to the Asset Management & Modernisation/Minor works programme. Various schools have made contributions to the cost of schemes to enable works to be carried out that are more extensive than the available funding would allow. Contributions totalling £209,200 have been raised by schools to augment grant funding devolved to schools.

4.2.3 Expenditure has been brought forward from 2005/06 relating to the following:

a) schemes funded by Devolved Formula Grant (£1.833 million) and Seed Challenge (£66,700). These projects are devolved to schools, who are able to profile expenditure over more than one financial year.

In 2005/06, the Department plans to introduce improved reporting and monitoring of schools' capital spending plans which should enable potential variances to be identified at an earlier stage.

b) Secondary Review – expenditure of £1.09 million has been brought forward as works at New College have progressed faster than anticipated.

4.2.4 Slippage of £2.245 million has occurred since period 9. The following schemes have slipped - the level of slippage is shown in brackets:

a) New Opportunities Fund Sports Projects (£144,300) – This slippage is additional to slippage of £1.957 million on these projects reported at period 9. This relates to work at sports facilities at six sites; there are various reasons for delays:

- Sir Jonathan North / Lancaster Tennis Centre – the project could not progress until legal agreements between the City Council and the funding bodies (Big Lottery Fund and Lawn Tennis Association) had been finalised. These took significantly longer than anticipated.
- City of Leicester – a revised design was produced following objections from local residents.

b) Braunstone Primary re-organisations (£286,000) - It has become apparent that the funding available will not be sufficient for the proposed project specification. A report recommending the way forward was considered at Cabinet on 16th May.

c) Asset Management & Modernisation (£1.049 million) - this relates to a range of projects as follows:

- £236,900 on works at Green Lane Infant School due to delays in negotiating the price with the contractor. The project was then delayed further due to problems with the ground conditions.
- £203,700 on works at Uplands Infant due to delays in negotiating the price with the contractor.

- £462,600 on Humberstone Infant & Junior Schools, where the planned projects have been postponed pending further investigation on the possible amalgamation of the schools.
- £94,500 at Mellor Primary when the works were delayed to allow structural problems with the floor to be resolved.

4.3 Regeneration and Culture

4.3.1 The expenditure of £26 million was £1.697 million below the period 9 forecast despite some expenditure being brought forward from 2005/06, additional schemes being carried out and some additional cost. The main areas of change are detailed below.

Museum Collection Reserve – suitable premises have been purchased at a cost of £1.4 million. At period 9 it was forecast that only £300,000 would be incurred in 2004/05 but premises were identified and purchased sooner than anticipated.

Integrated Transport & Bridges - most of the planned schemes have been successfully completed within the year. Deliberate over programming was included in the original programme to ensure that actual expenditure at least matched the resource level. There was an overspend of £349,999, which is to be met by contributions received relating to A46/47. Additional expenditure was incurred on the A46/47 scheme and Thorpe Astley Improvements with the expenditure met by specific external contributions.

Grant Schemes – SRB, ERDF and NRF grants are given for schemes or areas. The grant funding can be used to finance either revenue or capital expenditure. During 2004/05 larger amounts were used to support revenue related expenditure and less for capital projects than anticipated, as a result grant funding of £1.9 million has been transferred from capital to revenue. In addition there were underspends totalling £1.4 million, these resources will be carried forward into 2005/06.

4.3.2 Expenditure of £2.9 million was incurred on the Performing Arts Centre scheme. In January 2005 Council agreed to continue development of the Performing Arts Centre at an estimated cost of £44 million. The decision to re-design the façade has delayed the programme. However, design development work has continued and Bovis Lendlease will provide a revised Contractor Statement at the end of May 2005. It is expected that the main construction work will commence in June 2005. Construction of PAC is expected to take an estimated 28 months, which leads to the opening of PAC in the spring of 2008. Spending relates to preliminary costs such as site clearance, design, and consultation.

4.4 Housing

4.4.1 Expenditure of £35.323 million was achieved. Net savings of £189,000 and slippage of £1.139 million has occurred since period 9.

4.4.2 The main areas of the programme where slippage and savings have occurred are detailed below. Some programmes were accelerated to take up the shortfall on other schemes.

Slippage (the level of slippage is shown in brackets)

Window and Door Replacement (£627,000) – The door replacement programme slipped initially due to a delay in the tendering process and subsequently due to supply problems affecting the manufacturer. In addition increased productivity in the window factory has reduced the cost per property of replacing windows. Whilst slippage occurred expenditure of £8 million was achieved.

Disabled adaptations (£248,000) – This relates to disabled adaptations in council houses. There has been reduced demand in this area. This is partly because in many cases the new bathrooms being fitted as part of the programme to meet the Decent Homes Standard also meet the needs of many disabled people.

Beaumont Leys Core Area Redesign (£468,000) – the scheme was delayed due to the need for a Compulsory Purchase Order procedure to acquire property which could not be acquired by agreement.

Increases/Savings

Some schemes progressed faster than anticipated; the increased expenditure was offset by savings in other areas resulting in a net saving of £189,000.

There was increased expenditure on the following schemes:

- Cladding MHC Bungalows £331,000;
- Sheltered Housing Improvements £78,000;
- Aikman Avenue Structural Works £74,000;
- Service improvements £192,000.

4.4.3 The actual level of expenditure was £35.32 million representing 96% of the forecast outturn.

4.5 Social Care & Health

4.5.1 Expenditure of £1.18 million was achieved. This was only £100,000 lower than the period 9 forecast.

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

Integrated Children's Service (£80,000) – the funding is part of a 2 year grant programme from the government, and will be spent in 2005/06.

124 Wigston Lane (£17,000) – Slippage is due to design changes, the scheme is now going out to tender and works are expected to be underway early June.

4.6 Resources, Access & Diversity

- 4.6.1 Expenditure totalled £7.8 million. Since period 9 there has been slippage of £2.42 million. The outturn includes expenditure £530,000 relating to the Payroll Improvement Programme. Works to implement a new payroll system are being funded as part of an unsupported credit approval given as part of the Public Service Agreement.
- 4.6.2 The main areas of slippage are detailed below (the amount of slippage is shown in brackets).

Property Maintenance schemes (£68,000) – Two proposed fire alarm system installations at Rolleston and Mellor Schools were put on hold until the major works at these schools are completed. The slippage for these schemes amounted to £46,000. The Marlborough House lift installation was delayed due to the lack of availability of suitable contractors, expenditure of £55,000 was incurred; the slippage for this scheme amounted to £22,000.

Victoria Road East Extension/Lewisher Road Link (£920,000) – the Victoria Road East Extension was opened to traffic on April 4th and the Lewisher Road Link on 21 April. The small delay in opening of the Lewisher Road Link and the delay in the Golf Course contract resulted in expenditure slipping into 2005/06. The Golf course contract is expected to be signed in May, resulting in four months of work followed by three months of maintenance.

Town Hall Programme (£415,000) – The first marriages have already taken place at the Town Hall, but due to complaints about noise and dust there were delays resulting in lower than forecast expenditure in 2004/05. The contract is expected to be completed by June.

Central Maintenance Fund (Water Hygiene Works) (£56,000) – whilst the work has been commissioned and is in progress, 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 now start in 2005/06.

- 4.6.3 Expenditure of £530,000 was incurred and capitalised relating to the Payroll Improvement Programme. The purpose of this project is to deliver an integrated Payroll/HR system through the medium of an external application service provider, and a (unsupported) capital approval of £700,000 was given for the project development and contract set-up. The company chosen is *Northgate*, and the new system went “live” for the RAD payroll in April. Other departments will follow during 2005/06. There will be recurrent revenue savings from the operation of the new system, leading to lower charges to all Departments for the payroll service.

5. CAPITAL RECEIPTS

- 5.1 The target for capital receipts in 2004/05 was £5 million. Of this sum £1.09 million was achieved prior to the start of the year, by virtue of over-achieving the 2003/04 target, leaving a target of £3.9 million. Receipts realised in 2004/05 totalled £1.437 million, though of this sum £127,000 related to receipts that were earmarked towards a specific scheme leaving £1.31 million to contribute towards the corporate target. Hence £2.4 million was available towards the corporate target leaving a shortfall of £2.6 million, which will be added to the target for 2005/06.

Though the target has not been met, this has been anticipated for some time and it is expected that the position can fairly quickly be caught up; a number of high value sales have slipped into 2005/06.

- 5.2 Usable capital receipts of £6.4 million were generated from the sale of housing assets.

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 level of expenditure achieved was £66 million being 87% of the original programme as shown in Appendix B. There are some areas of the programme significantly below the target; reasons for this are given below:

Education (68%) – there has been significant slippage in some areas of the programme, for example Braunstone Library and the Braunstone Reorganisation projects.

Regeneration & Culture – overall the programme achieved 105%, with the transport programme achieving expenditure of £11.6 million (114% of the original programme). However, there were some areas where the target was not achieved. The Cultural Services Division only achieved 59% due to reprogramming of work into 2005/06 in relation to cemetery extensions and leisure centre improvements. Due to the delays relating to the programme for toilet improvements works another area of the programme only achieved 52%.

Social Care and Health (69%) – slippage of £557,000 occurred, mainly relating to childrens services. The level of slippage is not high but due to the relatively small value of the programme this has resulted in the performance target not being achieved.

Resources Access and Diversity (57%) - there has been significant slippage in a number of areas of the programme including Property Maintenance scheme and the Lewisher Road Link (and the associated Golf Course contract).

7. PROJECT OUTCOMES

- 7.1 Members have asked for details of project outcomes for significant schemes completed during the year. The following are schemes that have been completed during 2005/06:

Braunstone Leisure Centre was handed over by the contractors on the 18th of October 2004 on time. The fitting out of the centre, training of all staff and promotion took place over 6 weeks and the centre opened for business on the 6th December as expected. Since opening the centre, it has attracted over 140,000 users and is currently running 10% above forecast usage. A large number of the centre users are young people. The centre employs 15 people. Despite pressures such as including additional traffic improvement works the scheme was managed well and was only overspent by £54,000 (on a total project cost of £10 million).

Leicester Creative Business Depot - Construction of Leicester Creative Business Depot was completed on time for handover in June 2004. The project was completed within the approved project cost of £4.75 million. The City Council's contribution to this project was £1.3 million, the balance of £3.45 million was met by ERDF Objective 2, EMDA and LSEP grants. The LCB Depot has proved to be both popular and accessible and to date over 60 percent of the workshops and offices have been leased to creative industry businesses.

The construction of a new depot facility at Leycroft Road at a total cost of £6.4 million has been completed on time and within budget. This has provided new facilities for City Transport, City Cleansing and City Highways as well as for Catering, Ground Maintenance and Health and Safety. The provision of this new facility has freed up the old Abbey Meadows site (which was sold to EMDA) and which forms part of one of the Leicester Regeneration Company's priority areas for redevelopment.

Integrated IT Housing system - As well as continuing to bed down the rents, benefits and revenues modules during 2004/05, the following new modules were implemented: Temporary Accommodation, Homelessness, Right to Buy and Estate Management.

Victoria Road East Extension (VREE) & Lewisher Road Link – The contract for construction of these roads was signed in January 2004. The value of the contract was just under £7.5million, and was jointly funded by the City Council, Hamilton Trust and Gypsy Lane Brickworks. The VREE was opened to traffic on 4th April 2005 and the Lewisher Road Link on 21st April, three months behind schedule. Although the roads are open to traffic there are other associated works such as pavements and statutory services works to be completed. The constructions of these roads will facilitate development of land within this area.

8. PRUDENTIAL INDICATORS

- 8.1 The actual performance in 2004/05 against approved indicators and the period 9 forecast position is shown in Appendix C.
- 8.2 In summary, the Council did not exceed any Prudential Indicators, which were set as limits on the council's activities. There were variations between actual and expected performance on some PIs due to slippage in capital expenditure.

9. PRUDENTIAL BORROWING

- 9.1 The total level of expenditure met by prudential borrowing in 2004/05 is shown below:

<u>Approved Prudential Borrowing</u>	<u>£000</u>	<u>£000</u>
Corporately Funded		
Property Maintenance	<u>1,443</u>	1,443
Spend to Save		
Wide Area Network	2	
Leycroft Road	530	
Combined Heat & Power Unit BLC	<u>113</u>	645
Other		
Housing	6,000	
Museums Collection Facility	1,428	
Payroll System	530	
Lockers at Braunstone Leisure Centre	56	
Fitness Equipment at Braunstone L.C	150	
Upperton Road Viaduct	275	
Vehicles in lieu of leasing	<u>1,916</u>	<u>10,355</u>
Total Prudential Borrowing		<u>12,443</u>

10. PAYBACK SCHEMES

- 10.1 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.

10.2 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). Currently there is an uncommitted balance of £142,000 in the fund, although it is anticipated that a number further schemes will be submitted for the future financing from the fund. From a fund of £400,000, it has been possible to finance expenditure of £803,000 since its inception.

11. CONSULTATION

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

12. FINANCIAL AND LEGAL IMPLICATIONS

See main report.

13. 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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