



Leicester  
City Council

**Cabinet  
Resources & Equal Opportunities  
Scrutiny Committee**

**26 September 2005**

**15 September 2005**

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**2005/06 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 approved programme totalled £132.8 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 4,7,9 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 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**

Slippage in payments of £11.5 million is forecast. This mainly relates to the following areas of the programme:

Braunstone Schools Amalgamation  
Cultural Quarter  
City Centre Developments

One off Investment in Cultural Services  
Waste Management Project  
Direct Regeneration Grants  
CLABS

Whilst there are specific reasons for slippage on the above schemes such a high level of slippage is of concern

- ii) The level of payments is only 17% of the forecast outturn.

### **3. POSITION AT THE END OF JULY 2005 (PERIOD 4)**

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

3.2 At the end of period 4, 17% of the revised 2005/06 programme of £127.3 million had been spent. This compares to 20% at the same time last year. Whilst capital expenditure is often weighted towards the latter part of the financial year and many schemes are only just starting, programmes need to continue to be closely monitored and managed in order to achieve the current forecast of expenditure.

3.3 Performance is variable across service areas; the slippage and rephasing of £11.5 million relates to the following areas:

	<b>Slippage £000</b>	<b>% of programme</b>
Education & Lifelong Learning	286	1.1
Regeneration & Culture	7,699	18.2
Housing	-	-
Social Care & Health	310	18.2
Resources, Access & Diversity	3,194	26.0

3.4 The total slippage currently forecast represents 8.9% of the approved 2005/06 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 and progress on major schemes in the programme are given below.

## 4.2 Education & Lifelong Learning

- 4.2.1 There are additions to the programme totalling £1.3 million; the schemes and sources of funding are detailed below with the level of the addition shown in brackets. Where the scheme cost exceeds £250,000, the approval of Cabinet is requested.

Seed Challenge (£175,000) – schools have raised external income to part fund projects.

Mobile Replacement Programme (£73,000) – additional contributions are to be made by schools to fund projects enabling more extensive work to take place.

Specialist Status Capital Works (£235,000) – Soar Valley and Beaumont Leys secondary schools have been awarded Specialist Status by the DfES. As a result an allocation of £100,000 per school has been awarded for capital works. In addition, Beaumont Leys school is contributing £35,000 to the works.

Braunstone Changing Rooms (£517,000) – funding has been secured from the Braunstone Community Association and the Football Foundation to construct a new changing rooms block adjacent to the Youth House. The total cost of the project is £532,000 with £517,000 forecast to be spent in 2005/06.

Works at schools to ensure compliance with DDA legislation (£266,869) – the works are to be funded by capital grant. The detailed programme of works was approved by Cabinet on 5 September 2005.

- 4.2.2 Payments of £1.623 million are to be brought forward relating to Devolved Formula Grant and the Secondary Review scheme.

The funding relating to Devolved Formula Grant is an annual allocation and is devolved to schools; schools have 3 years to fund each years allocation. Based on returns from schools and the level of expenditure to date the forecast level of expenditure has been increased by £1.3 million to £2.1 million; this will be funded by bringing forward funding that it had been anticipated would be used in 2006/07.

Progress on works at New College, being carried out as part of the Secondary Review scheme, is progressing more rapidly than originally anticipated. As a result payments of £320,000 have been brought forward increasing the forecast level of expenditure to £1.1 million.

- 4.2.3 Slippage of £286,000 is anticipated relating to the Braunstone Schools amalgamations. It became apparent that the funding available would not be sufficient for the proposed specification and revised costs were approved by Cabinet on 16 May; however this has resulted in slippage in the scheme. Confirmation has been received from the DfES that the grant allocation can be carried forward, so there has therefore been no loss in resources.

4.2.4 Expenditure to the end of period 4 totalled £5.4 million being 20% of the forecast outturn which is similar to 2004/05 when the payments were 19% of the forecast outturn.

### 4.3 **Regeneration and Culture**

4.3.1 The approved programme totals £42.2 million. Additions of £4 million and slippage of £6.3 million are now forecast. Also, works totalling £1.7 million have been deferred as they are dependent on the sale of a specific site.

#### 4.3.2 Regeneration

##### Performing Arts Centre

In June 2005 Cabinet approved the development of the Performing Arts Centre at a total cost of £48 million. As a result of the approved increase in costs the forecast level of expenditure in 2005/06 has increased by £1.3 million.

Work is currently on schedule and construction is forecast to be completed in September 2007 and the building is expected to be open to the public in early 2008.

##### Cultural Quarter Public Realm Improvements

Construction of the PAC commenced in June this year, and design and development work has begun on the cultural quarter public realm improvements. However, slippage of £2.2m will occur as a result of the necessity to reschedule the Public Realm improvement works because of the PAC and other major construction works in the area.

#### 4.3.3 Highways & Transportation & City Centre

##### City Centre

Slippage of £1.9 million is forecast relating to City Centre Developments, reducing the level of forecast expenditure to £575,000. This scheme is subject to a further report to Cabinet providing more details on schemes.

##### Public Realm

In order to develop the John Ellis site in partnership with the Leicester Regeneration Company the DfES requires the City Council to fund the cost of bringing the former John Ellis playing fields back into use. Preparatory works relating to the drainage schemes for the pitches needs to be done at a cost of £8,000. It is proposed that this be funded from the capital programme provision of £3.9 million for Public Realm improvements to the Leicester Regeneration areas.

#### 4.3.4 Cultural Services

Capital spending on cultural services relates to a programme of one-off Investment, funded from asset sales agreed by the Council as part of the 2004/05 budget. In July Cabinet considered a report relating to this programme of works. A revised schedule of works was approved and specific schemes, listed below were deferred pending the capital receipt from sale of a specific site.

- Evington Pool – contribution to fitness suite
- Leicester Leys Leisure Centre
- Playground Equipment/Improvement

- Parks Horticultural Facilities
- New Walk Museum Improvements
- Astro turf Pitches
- Kickabout Areas

#### 4.3.5 Direct Regeneration Grants

Additions of £224,000 and slippage of £2.1 million is forecast due to the following:

Expenditure relating to the Neighbourhood Renewal Fund is now forecast to be £100,000, a reduction of £270,000. This is mainly due to delays in the Construction Waste Management project, the objective of which is to recycle waste arising from construction and demolition jobs. The project's planning application was refused in July, due to concerns over noise levels. A revised application will be submitted in October 2005. If this application is successful the project will be subject to re-appraisal. It is proposed that if this project does not go ahead, the resources will be spent on other schemes.

Slippage of £1.9 million is forecast relating to expenditure in the "Liveability" Regeneration area. The original guidance when this grant was given was that it had to be spent in 2005/06, this guidance has now been revised allowing the grant to be spent in future years. It is sensible to spend this money after the heaviest works on the Performing Arts Centre are complete to avoid the risk of damage, and the scheme has therefore been reprogrammed.

Expenditure of £950,000 is now forecast against the Single Regeneration Budget, an increase of £224,000. The increase is being met by virement from the 2005/06 revenue allocation. The increase relates to newly appraised and approved projects that are due to commence in October 2005.

#### 4.3.6 Community Protection & Environmental Services

Allocations for Waste Performance and Efficiency (£133,000) and Air Quality Management (£33,000) have recently been received from Central Government, increasing the programme.

4.3.7 The level of expenditure at the end of period 4 totals £3.5 million being 9% of the forecast outturn.

### 4.4 **Housing**

4.4.1 The originally approved housing programme included an overprogramming allowance of £1.8 million. As a result of savings already achieved the programme no longer includes an over programming amount.

4.4.2 The programme has been increased by £200,000 for safety works to playground equipment.

4.4.3 There are significant savings in the programme relating to the following areas (the level of forecast saving is shown in brackets):

Kitchens & Bathrooms (£1 million) – it was intended that the works would be carried out by both the DSO and private contractors; however the DSO has had recruitment problems and cannot carry out the works. Any planned works not carried out will be included in the 2006/07 programme.

Renovation Grants (£440,000) – there have been fewer than expected applications for grants.

Beaumont Leys Core Area Redesign (£309,000) – demolition costs and works costs were lower than anticipated.

4.4.4 Usable capital receipts of £7.1 million were forecast when the capital programme was approved. It is anticipated that this target will be achieved.

4.4.5 The level of expenditure at the end of period 4 was £12 million being 24% of the forecast outturn and compares to 19% at the same time last year.

## 4.5 Social Care & Health

4.5.1 The approved programme totals £1.7 million; there are additions of £426,000 in the programme and slippage of £310,000 is forecast. As a result the forecast level of payments is now £1.8 million.

4.5.2 The increases in the programme relate to the following areas:

Integrated Childrens Service (£116,000) – capital grant has been allocated for IT for the implementation of the Service.

Mental Health (£145,000) – a supported borrowing allocation has been received to fund capital projects that assist with the development of comprehensive social care mental health services for adults. The sum allocated is to be used for IT equipment for Social Work teams and to contribute to a project work to be undertaken in conjunction with Health partners at the Willows inpatient Unit, “Enhancing the Healing Environment “.

Information Management (£165,000) – this is a capital grant that will be used for the modernisation and upgrades of information technology.

4.5.3 Slippage of £310,000 is forecast. This mainly relates to the scheme to enable electronic scanning of paper files to allow for electronic retrieval (slippage of £240,000) and ICT investment (slippage of £38,000).

Tendering for the electronic scanning equipment commenced with an OJEU notice being placed on 5th August. Due to the time involved in the tendering process and the time necessary to evaluate tenders, select the best supplier and agree a finalised contract the contract will not be awarded until early January. As a result only £10,000 is forecast to be spent in 2005/06 with the balance of £240,000 slipping into 2006/07.

Slippage of £38,000 is forecast relating to the ICT investment scheme for Home Care Recording due to delays in finalising specification links with the Payroll/HR Improvement Project. Due to the delays only £38,000 is forecast to be spent in 2005/06.

- 4.5.4 At the end of period 4 expenditure of only £63,000 had been incurred being only 3% of the forecast outturn. This is partly due to the recent allocations received, totalling £426,000, where no expenditure has yet been incurred.

#### 4.6 Resources, Access & Diversity

- 4.6.1 Slippage of £3.2 million is forecast in the programme, mainly relating to the CLABS programme of works, as detailed below. There is also a forecast overspend of £310,000 relating to the Town Hall programme, Options for funding this are detailed below.

- 4.6.2 Progress and issues relating to the programme are detailed in the paragraphs below:

##### Mundella Community College

Demolition works costing £141,000 are to be funded from prudential borrowing. These works will increase the value of the site, which is to be sold.

##### VREE and Lewisher Road Link

The road is open to traffic. There are still landscaping and minor works to be completed and remodelling works to Humberstone Heights Golf Course required as a result of the road are underway. As the road element of the contract was completed later than anticipated this has resulted in retention payments forecast to be £400,000 slipping into 2005/06. Residents affected by the road can make compensation ("Part 1") claims after April 2006, and there is provision in the capital programme to meet these claims.

##### Bursom Substation

As anticipated a saving has arisen on this scheme. The saving of £120,000 will be used to fund the corporate programme.

##### Revised Town Hall Programme

Marriage ceremonies commenced in the Town Hall in April 2005 and over 200 weddings have already taken place. The remainder of the Registration Service (birth & death registration and related services) has subsequently transferred to the Town Hall, making the Registration Service fully operational in the new location. The phased occupation had to take place because of delays to the original timetable and to keep faith with wedding couples who had booked to be married in the Town Hall.

A funding problem currently estimated to be £310,000 has arisen. On 18 October Cabinet approved a scheme cost of £1.682 million (excluding the kitchen). The increase in the cost estimate to £1.99 million is a result of :

- a) a claim by the contractor totalling £215,000 for out of hours working and extension of contract period, this has arisen due to delays and disruption caused by a number of factors including:

- Coroner inquests unable to be scheduled elsewhere
  - Complaints of noise and dust from Town Hall occupiers
  - continual use of Town Hall meeting rooms due to a lack of sufficient rooms elsewhere
  - inclusion of enabling works relating to the phase 2 works at the Town Hall but for which no funding has been released to date
  - accommodating Lord Mayors functions
- b) variations to the contract totalling £59,000
- c) additional internal fees and other costs (estimated to be £30,000)

This is the worst case scenario and once the practical completion certificate has been issued the amounts claimed will be reviewed and negotiated with the contractor.

The proposed means of funding the shortfall is by transferring funds from other uncommitted schemes within the RAD capital programme. The total uncommitted currently stands in excess of £400,000 and a proposed revised programme will be presented to Cabinet for approval as part of the period 7 capital monitoring report.

#### CLABS Review Central Office Accommodation charges

The approved capital programme includes £29.676 million for the CLABS review, with £4.395 million forecast to be spent in 2005/06. The approval was subject to further approval by Cabinet of the detailed work programme. On 25 July Cabinet approved details of stage 1 of the programme of works at a cost of £4.771 million, of which £2.295 million is forecast to be spent in 2005/06. There has therefore been significant slippage (£2.5 million) in the expenditure forecast but the current forecast reflects a more realistic cashflow.

#### Mobile Customer Service Centre

The approved programme includes £80,000 for a Mobile Customer Service Centre (i.e. a bus equipped as a small office). Provision of a bus equipped as a small office is no longer regarded as the best way to improve customer access to council services. Other options are now being considered in consultation with the cabinet link member for RAD, although the funds for this scheme, being uncommitted, may be required to fund the shortfall on the Town Hall scheme (see above).

#### Corporate Electronic Document Records Management

Detailed proposals regarding this scheme were approved by Cabinet on 25 April 2005. The total cost of the scheme is £600,000, the original forecast was for £350,000 to be spent in 2005/06. The current forecast is for only £32,000 to be spent in 2005/06 as it is now apparent that an audit of systems is necessary and this is unlikely to be completed until October; as a result there has been significant slippage in the level of forecast payments in 2005/06.



### Bowstring Bridge

The demolition of Bowstring Bridge was included in the reserve list of schemes when the 2005/06 – 2007/08 programme was approved, at an estimated cost of £466,000. On 25 July Cabinet approved the demolition of the bridge (subject to the Great Central Railway, or other appropriate interested party being given the opportunity within the safety deadlines to salvage the bridge).

The forecast level of expenditure in 2005/06 is £200,000 with the balance of £266,000 in 2006/07.

### Customer Accounts System Replacement

This scheme was approved by Cabinet but is subject to a further report providing detailed proposals. A report relating to this scheme (Resource Management Strategy Business Case) is elsewhere on the agenda.

- 4.6.3 The current forecast level of expenditure is £9.4 million. At the end of period 4 expenditure of only £903,000 had been incurred (being only 9% of the forecast outturn); this is largely due to no expenditure having yet been incurred relating to the Property Maintenance and CLABS schemes. This programme will be closely managed in order to achieve the forecast level of payments.

## **5. CAPITAL RECEIPTS**

- 5.1 The target for capital receipts in 2005/06 is £6.8 million (excluding receipts ringfenced for specific schemes) of which only £0.7 million have been received. Further potential receipts have been identified to meet the target although these include a number of large value sales which may slip into 2006/07. Even if all potential sales slip into the next financial year the current capital programme can still be financed, as long as they are in fact achieved. The receipts programme needs careful monitoring during the year.
- 5.2 The target for useable Housing receipts is £7.1 million. It is anticipated that this will be achieved as, despite a fall in Right to Buy sales (25% useable) , this shortfall has been made up by an increase in other sales (100% useable)

## **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 significant 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 is £93.386 million which is 91% 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. In practice, it now seems highly likely that the target will be missed.

## 7. PRUDENTIAL BORROWING

7.1 Details of schemes to be funded by prudential borrowing and the forecast level of expenditure for the period 2005/06 – 2007/08 is shown below:

### Approved Prudential Borrowing

	2005/06 £000	2006/07 £000	2007/08 £000
<b>Corporately Funded</b>			
Property Maintenance	2,332	4,528	948
Performing Arts Centre		5,000	4,730
CLABSs	2,295	10,641	12,090
Public Realm	1,575	5,165	4,000
<b>Spend to Save</b>			
Wide Area Network	207	391	
Decriminalised Parking Enforcement	205	190	340
Museums Collection Facility	1,241		
Part funding of sports facilities at Aylestone			
Leisure Centre & Saffron Lane	300		
Mundella Comm College – demolition works	141		
<b>Other</b>			
Housing – general	12,000	6,000	6,000
Housing – Multi Disciplinary Centre	575		
Lewisher Road	160		
Upperton Road Viaduct	1,170	400	
Vehicles in lieu of leasing	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
<b>Total Prudential Borrowing</b>	<u>25,719</u>	<u>32,796</u>	<u>30,108</u>

7.2 The cumulative level of prudential borrowing (excluding vehicles in lieu of leasing) as a proportion of gross revenue expenditure is shown in the table below:

	<u>Cumulative</u> <u>Unsupported</u> <u>Borrowing</u> £000	<u>Gross</u> <u>Revenue</u> <u>Expenditure</u> £'000	<u>Cumulative</u> <u>unsupported</u> <u>borrowing</u> <u>as % of GRE</u>
<b>General Fund</b>			
2004/05 (actual)	5,911	600,640	1.0%
2005/06 (budget)	17,630	651,030	2.7%
2006/07 (Forecast)	42,426	667,306	6.4%
2007/08 (forecast)	64,534	683,988	9.4%

### **Housing Revenue Account**

2004/05 (actual)	6,000	58,239	10.3%
2005/06 (budget)	18,000	60,180	29.9%
2006/07 (forecast)	24,000	61,700	38.9%
2007/08 (forecast)	30,000	63,200	47.5%

7.3 The revenue costs in 2005/06 relating to approved prudential borrowing are:

General Fund £1.4 million

Housing Revenue Account £900,000.

7.4 The total prudential borrowing now approved by the Council, including planned borrowing in 2006/07 and 2007/08 is £94 million.

## **8. PRUDENTIAL INDICATORS**

8.1 The latest forecast of performance in 2005/06 against approved indicators is shown in Appendix C.

8.2 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.

## **9. SIGNIFICANT SCHEMES**

9.1 Significant schemes planned for completion during 2005/06 are Braunstone Library, Newarke Houses Museum, Museum Collection Reserve and the Multi Disciplinary Centre.

9.2 Details of each of the schemes and anticipated outcomes are detailed below:

### *Braunstone*

Agreed in 2002, the capital for this project is funded by Braunstone Community Association (BCA) through New Deal funding. It provides a multi functional centre in south Braunstone built on a partnership between BCA and Leicester City Council. It will be a focal point in Braunstone for learning, library services, customer services information and advice, early years provision and social activities. In a light and airy atmosphere, the services will be linked seamlessly in a colourful modern welcoming building fully equipped with ICT for public use which features many elements designed to minimise environmental impact. In partnership with Braunstone Working, the project will encourage local residents and employers to develop appropriate informal and core learning opportunities in addition to being an attractive venue for social occasions. It will support the raising of educational attainment for local children by providing resources and services to encourage reading for pleasure and to support out of school learning, homework and play provision. The Brite Centre will provide a wide range of

resources to support families and meet the needs of Braunstone people for leisure, information, personal development and social interaction.

The total cost of the project is £3m. The development of the centre in the future will be planned in consultation with a body representing residents. The building is currently at the fitting out stage and will be opening in the latter part of October 2005.

#### *Newarke Houses Museum*

The design brief is completed. The general theme of 'Ordinary People, Extraordinary Lives' will underpin the Museum. An important aspect of the re-display will be the involvement of local communities to encourage social cohesion and a shared sense of local pride and cultural identity. The themes also support structured education use by meeting specific needs of schools with regard to the National Curriculum.

The main construction works will be starting in September 2005. This will be followed by the exhibition installation, due for completion January/February 2006. It is then planned to have the Museum open in March 2006 followed by a formal opening in May 2006. The scheme is currently on budget.

#### *Museum Collection Reserve*

This is a purpose designed, environmentally controlled and monitored storage facility for the safe keeping of all Leicester City Museums Reserve Collection which equates to the bulk of the reserve collection not on display.

This Collection supports all Leicester City Museum Sites such as New Walk Museum, The Jewry Wall, Abbey Pumping Station, Belgrave Hall and Newarke Houses Museum. Works commenced on the 18th July.

#### *Multi Disciplinary Centre*

This is a centre for homeless people (The Dawn Centre) on Conduit Street to replace the Nightshelter on New Walk. The works programme is on course and is due to be completed on 30 September, with the move to the new premises planned for October.

The Centre will provide 42 beds for homeless people (compared to 35 at the Nightshelter). It will provide a range of facilities including access to medical advice and a day centre. Services will be run jointly by the Council, Leicester East PCT, Leicester Partnership Trust and the YMCA.

## **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

<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	-

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