



Leicester
City Council

**Cabinet
Resources & Equal Opportunities
Scrutiny Committee**

13 March 2006

6 April 2006

2005/06 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 2005. In January 2006 Cabinet reviewed the programme and approved a forecast level of expenditure of £120.5 million. At the meeting Cabinet resolved that an action plan be prepared by each Corporate Director for their relevant Cabinet Lead, detailing how slippage was to be managed.
- 1.2 The outturn position will be reported to Cabinet and compared to the period 9 forecast.
- 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 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) Expenditure to period 9 and forecast outturn
Expenditure of £66.7 million had been incurred at the end of period 9. Whilst significant progress has been made in achieving the planned capital programme the level of expenditure at the end of December is only 58% of the forecast for the year of £113.9 million. Close management of the programme will be needed if the forecast outturn is to be achieved.

- ii) Slippage
Slippage in payments of £8.7 million is forecast. This mainly relates to the following schemes:

Education

New Opportunities Fund Sports Projects
Childrens Centres

Regeneration & Culture

Performing Arts Centre
Newarke Houses Museum Refurbishment
Saffron Lane Replacement Facilities – Changing Rooms

Housing

Replacement Radio Alarm System

Resources, Access & Diversity

CLABS
Bursom Access Road
Water Hygiene

Slippage in capital expenditure is a common problem encountered by local authorities. The City Councils forecast performance in 2005/06 (forecast outturn as a percentage of the approved programme) has been compared with other authorities and found to be similar as shown below:

	Forecast Performance %
Leicester City	86
Authority 1	87
Authority 2	87
Authority 3	84

Whilst the City Councils performance is similar to that of other authorities it is recognised that measures should still be taken to try and improve performance.

3. POSITION AT THE END OF DECEMBER 2005 (PERIOD 9)

- 3.1 The overall financial position for each department is shown in Appendix A.
- 3.2 At the end of period 9, 58% of the revised 2005/06 programme of £113.9 million had been spent; this is a similar level as this time last year when 56% had been achieved. Whilst capital expenditure is often weighted towards the latter part of the financial year 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 £8.7 million relates to the following areas:

	£000
Education & Lifelong Learning	1,582
Regeneration & Culture	4,429
Housing	544
Social Care	87
Resources, Access & Diversity	2,105

In some cases the slippage only relates to a change in the forecast cashflow and not delays to the physical progress and completion dates of schemes.

4. PROGRESS ON SPECIFIC SCHEMES

4.1 Details of progress on major schemes in the programme are given below.

4.2 Education & Lifelong Learning

4.2.1 Expenditure of £15.7 million had been achieved at the end of period 9 relating to a number of schemes eg Childrens Centres, Mobile Replacement programme, Secondary Review and Schools Devolved projects. The forecast level of expenditure for the year is £23.8 million.

4.2.2 Details of progress on schemes are detailed below.

4.2.3 Secondary Review

Work at New College is the final project within the overall Secondary Review programme of works. Expenditure is forecast to be £319,000 higher than previously forecast. This relates to fire safety work required to comply with Health and Safety regulations and outstanding commitments relating to upgrading of the Dining Hall and other facilities. Further details relating to the scheme and proposals regarding the funding of the shortfall are detailed in the 'Education Capital Strategy and Programme 2006/07 to 2007/08' report, elsewhere on the agenda.

As reported as part of the period 7 monitoring exercise expenditure of approximately £800,000 is to be funded by Freshstart grant but this grant had not been released by Dfes (the Dfes was waiting until the future status of New College became certain). Following representations to the Dfes verbal assurance has been given that the grant will be paid although a formal letter confirming this has not yet been received.

4.2.4 Devolved Formula Grant

The forecast level of expenditure has increased by £665,000 to £2.8 million. The schemes funded by this grant are managed by individual schools. Based on expenditure to date, it appears that schools will be spending more than originally forecast in 2005/06.

4.2.5 Minor Works

The level of forecast expenditure has reduced by £163,000 to £38,000. This is a reactive budget, the only use in 2005/06 is for the demolition of mobiles at a number of schools. The unused balance will be carried forward to fund schemes in 2006/07.

4.2.6 NOF Sports Projects

There is slippage of £542,000 relating to the following projects:

City of Leicester - The project is currently 4 weeks behind programme due to drainage problems at the beginning of the project.

Outdoor Pursuits Centre - It was decided to postpone this project until the costs of other schemes had been finalised in order to ensure that there were sufficient funds to commit to this project. The current design is over budget; it will therefore be necessary to review the scale of the project in order to reduce the cost of the scheme.

4.2.7 Childrens Centres

Payments of £4.5 million are forecast with expenditure of £267,000 forecast to slip into 2006/07. The slippage relates to the following schemes:

New Parks and Thurnby Lodge - The projects are 2-3 weeks behind schedule resulting in slippage in payments.

Eyres Monsell and West End - The design of these projects has taken longer than anticipated.

4.2.8 Mobile Replacement Programme

Expenditure of £2.2 million is forecast relating to the replacement of mobiles and sub-standard classrooms at primary schools with improved accommodation. Schemes have been completed at Merrydale Infants and Green Lane Infants and other schemes are in progress.

4.2.9 Braunstone/Queensmead Amalgamation

Whilst slippage of £178,000 is forecast, expenditure of £2.6 million should be achieved. Construction work has started at Queensmead School and the school will be ready for the Autumn term 2006. The design work relating to the new school at Braunstone is now complete with work planned for completion in late 2006.

Additional construction costs of £500,000 have arisen in connection with works at Braunstone Primary School and the anticipated finding of £500,000 from Braunstone Community Association has not been secured. These issues and the proposed means of funding the £1 million required are further explained in the 'Education Capital Strategy and Programme 2006/07 to 2007/08' report, elsewhere on the agenda.

4.2.10 Braunstone Changing Rooms

This scheme relates to the provision of changing facilities for Braunstone Grove Youth House and the Multi Use Games Area and expenditure of £604,000 is forecast in 2005/06. The scheme is part funded by the Football Association and

Braunstone Community Association. Following a change to the specification of the scheme by Braunstone Community Association the cost of the scheme increased by £87,000, this is to be funded by the Community Association.

4.2.11 Braunstone Youth House & Multi Use Games Area

Expenditure of £1.056 million is forecast in 2005/06 relating to this scheme. Additional funds of £35,000 have been received from NACRO (a crime reduction charity) and the Football Foundation to part fund the cost of the scheme. Construction is complete and the official opening is being planned.

4.2.12 Judgemeadow Sports Pitch

Expenditure of £1.084 million has been incurred and the scheme is now complete. Sports pitches, all weather facilities and changing rooms have been provided as part of this scheme.

4.2.13 Braunstone Library (BRITE Centre)

This scheme is complete and provides a library, IT facilities and general community facilities. Expenditure of £1.1 million is forecast in 2005/06.

4.2.14 The current forecast level of expenditure is £23.8 million. At the end of period 9 expenditure of £15.7 million had been incurred being 66% of the forecast outturn; this compares to 74% at the same time last year.

4.3 **Regeneration and Culture**

4.3.1 The approved programme totals £37.27 million. Slippage and other changes to the programme have reduced the forecast level of expenditure to £32.6 million.

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, however, an overspend of between £3 million and £5 million is currently forecast. Work is taking place to try to reduce this, and to seek additional sources of grant. A funding strategy for the Performing Arts Centre will be developed as part of the 2006/07 – 2007/08 capital programme. Work started on 10 June 2005 with completion forecast by September 2007. Construction work started later than originally forecast, this along with the rescheduling of some construction work has resulted in the expenditure forecast reducing to £13 million in 2005/06 with £2.86 million slipping into 2006/07. Whilst there has been a change in the forecast cashflow no significant delays are forecast in the opening date.

4.3.3 Highways & Transportation

Integrated Transport

At the beginning of the year work in excess of the approved allocation was programmed. The work was then managed and monitored in order to achieve expenditure equal to the resource level. Currently the forecast level of expenditure exceeds resources by £125,000. If there is an overspend at the end of the year the 2006/07 resource allocation will be adjusted accordingly.

Details of progress on the main schemes within Integrated Transport programme are detailed below.

- a. The capital maintenance programme is fully committed and all schemes identified.
- b. The Upperton Road Viaduct scheme is progressing well with relevant documentation having been submitted to the Government Office and negotiations with the statutory undertakers ongoing to establish costs and the programme of work for service diversions.
- c. Cabinet approved a programme of Local Environmental Works on the 26th September 2005 and work has now started on delivering the schemes. It is anticipated the programme will be fully spent.
- d. Work on watercourses is now completed.
- e. Work on the Braunstone Lane East Bridge is due to start in February 2006 and £150,000 is forecast to be spent on the scheme in 2005/06.
- f. The programme of adoption of Private Street Works is due to start work on site in February 2006.

4.3.4 Cultural Services

a. Slippage of £1 million is forecast relating to this programme, mainly relating to the following schemes (the level of slippage is shown in brackets):

(i) Saffron Lane Replacement Facilities – Changing Rooms (£412,000)
Newarke Houses Museum Refurbishment (£575,000)
Museum Collection Reserve (£150,000)

(ii) Saffron Lane New Changing Provision

Work will soon begin on a brand new changing facility at Saffron Lane Sports Centre at an estimated cost of £955,000. The changing block will have a club room and extensive changing facilities for both able bodied and disabled athletes. The forecast slippage of £412,000 is due to the delay in the planning application relating to the walk way from the changing rooms.

(iii) Newarke Houses Museum

The detailed design brief of the project is completed and the main contractor is on site. This will be followed by the exhibition installation, due to start in March 2006. The formal opening is planned for September 2006. Slippage of £575,000 has arisen as most of the work relating to the installation of exhibitions is now planned for next year.

(iv) Museum Collection Reserve

The repairs and improvement works to the new accommodation which include insulating the roof, repairing walls, providing new gas fired heating system, two new mezzanine floors, storage racking, upgrading offices and toilet facilities and upgrading the electrical system is now complete.

The transfer of collections from Humberstone Drive, Pilot House and Matrix House started in January 2006. However, due to the scale of this operation it is anticipated that some transfers will not happen until after March and therefore slippage of £150,000 is forecast.

b. Other schemes within the programme are progressing well. The resurfacing of roads and footpaths at Welford Road Cemetery are now complete and the new Visitor Centre is currently under construction. The renovation and redisplay of the first floor exhibition spaces at New Walk Museum has been completed with the remaining renovation works and upgrading of the coffee shop due for completion in April.

c. The cost of removing spoil from the Braunstone Leisure Centre site is to be charged to the Braunstone Leisure Centre scheme, as a result there are additional costs of £38,000 to be met in 2005/06. These costs will be met from service resources.

4.3.5 Direct Regeneration Grants

Expenditure of £961,000 is forecast mainly relating to the Single Regeneration Budget. Whilst expenditure of only £177,000 had been incurred at the end of period 9 schemes are on site and the level of expenditure forecast should be achieved.

4.3.6 Community Protection & Wellbeing

This programme includes improvement works relating to public conveniences in the city. It is anticipated that £443,000 will be spent in 2005/06, with slippage of £82,000 into 2006/07. The slippage is due to the review of the new build element of the scheme and the associated demolitions of existing facilities requiring the submission of planning approvals.

4.3.7 Environmental Services

The works relating to the Riverside programme are subject to potential flooding and weather delays, due to its location in the river corridor, and seasonal restrictions to working, eg. bird nesting season. The forecast level of expenditure in 2005/06 is £51,000 with £50,000 forecast to slip into 2006/07.

A Planning Delivery Grant (PDG) of £123,648 has been awarded to the City Council by Central Government to help with the planning system. The grant is to be used on IT related equipment and fees for capital improvement schemes. This will aid greater electronic access to the planning system to meet e-government requirements.

4.4 **Housing**

4.4.1 The level of expenditure at the end of period 9 was £31.2 million. Expenditure had been incurred on a range of schemes including improvements to council dwellings (eg replacement of kitchens and bathrooms, central heating boilers, and wooden doors), the Dawn Centre and Disabled Facilities Grants.

4.4.2 Slippage and reductions totalling £2.3 million are forecast, the main areas are detailed below (the level of slippage or reduction is shown in brackets) with explanations for the reduced level of expenditure:

Replacement of kitchens and bathrooms (£400,000) - delays in the implementation of the programme of works.

Renovation Grants (£228,000) – the rate of progress has been less than expected due to delays in agreeing the policy for new areas.

Window and Door Replacement (£900,000) - delays in the implementation of the programme of works.

Replacement Radio Alarm System (£315,000) – evaluation of alternative systems on the market has not been completed causing expenditure on the scheme to slip into 2006/07.

- 4.4.3 The slippage and reductions have been offset by increases in other areas of the programme, the main areas of increase and the level of increase is shown below:

Cladding - Bungalows (£730,000)

Replacement of Wooden Doors (£900,000)

District Heating Pipework (£564,000)

Housing Management System (£100,000)

Work on these schemes was accelerated using resources released by slippage and savings in other areas of the programme. The additional work relating to District Heating Pipework was carried out in order to take advantage of additional grant funding of £250,000.

- 4.4.4 Changes to the programme have been made to take advantage of the relative rates of progress on various elements of the programme and have been agreed by the Director in consultation with the Cabinet Link member.
The resources forecast to be available in 2005/06 will be fully used and some minor revisions made to the 2006/07 programme to accommodate the slippage from 2005/06.

4.5 **Social Care & Health**

- 4.5.1 The revised expenditure forecast totals £1.986 million. Expenditure of £918,000 had been incurred at the end of period 9.

- 4.5.2 Schemes relating to the Integrated Childrens Services and Information Management programme are progressing well:-

a. The capital programme provision for Integrated Childrens Services has been used to purchase an upgrade for the CareFirst computer system enabling front-line workers to view service user information and to help manage their workload. In addition, a laptop has been purchased for each team of children's social workers to support their working in the community and additional PCs so each social worker can have their own PC (as recommended by the Dfes).

b. The Information Management programme has been used for a range of measures including purchasing a laptop for each team of adult and older people social workers to support their work in the community, providing each social worker with their own PC as recommended by the DoH, and to pilot the scanning of paper case records in preparation for the Electronic Social Care Record.

4.5.3 At the end of period 9 expenditure of £918,000 had been incurred being only 46% of the forecast outturn. The main area of the programme where expenditure is outstanding relates to Adults and Older People, in particular modernisation work at Hastings Road Day Centre. Based on the detailed schedule of works relating to the Hastings Road scheme the expenditure forecast should be achieved.

4.6 Resources, Access & Diversity

4.6.1 The approved programme totals £8.48 million. Slippage of £2.1 million and an addition of £293,000 have resulted in a revised forecast of £7 million.

4.6.2 Payments of £2.84 million have been incurred on the programme including expenditure on the Victoria Road East/Lewish Road Link, Town Hall, Property Maintenance and CLABS schemes.

4.6.3 Slippage of £2.1 million is forecast in the programme. The slippage mainly relates to the following schemes (the level of slippage is shown in brackets):

Victoria Road East/Lewish Road Link (£200,000)

Hamilton Footbridge (£192,000)

WAN Modernisation (£202,000)

CLABS ((£820,000)

Water Hygiene Works (£230,000)

Bursom Access Road (£270,000)

4.6.4 Progress and issues relating to schemes in the programme are detailed below.

4.6.5 Victoria Road East Extension and Lewisher Road Link

Expenditure of £658,000 has been incurred relating to landscaping and the remodelling works to Humberstone Heights Golf Course. However, there have been some delays in the Golf Course works resulting in slippage of £200,000; the Golf Course contract is due for completion in April 2006. The forecast outturn is now £900,000; the expenditure outstanding relates to the Golf Course contract and works already completed by public utilities.

4.6.6 Hamilton Footbridge

The City Council is making a contribution of £192,000 towards the construction of the bridge; the works are being carried out by Hamilton Trustees. Hamilton Trustees have had difficulty with the design of the bridge and as a result the scheme has been delayed. The City Council contribution will now be made in 2006/07.

4.6.7 WAN Modernisation

Due to technical, legal and contractual negotiations the contract for the implementation of the Wide Area Network will not be completed until the end of January. The detailed project planning discussions cannot be entered into until the contract is signed. As a result expenditure of £202,000 has slipped into 2006/07.

4.6.8 CLABS Review

Slippage of £820,000 is anticipated reducing the forecast level of expenditure in 2005/06 to £915,000. Whilst the scheme designs relating to Greyfriars, 16 New Walk and Phoenix House are complete and agreed the start of works will be later than anticipated resulting in slippage in expenditure.

The 2005/06 programme included a contingency and provision for strengthening trials of New Walk Centre. The contingency will not be needed in 2005/06 and the strengthening trials are no longer going ahead, as a result there are savings in these areas of the programme which will be used for other schemes within the overall CLABS review.

4.6.9 Water Hygiene

The programme of works includes work at EPH establishments. However, other work is ongoing and it was not possible to incorporate the water hygiene works at the same time. As a result these works, at a cost of £230,000, have slipped to 2006/07.

4.6.10 Bursom Access Road

This scheme was approved by Cabinet in October at a cost of £555,000 but only an estimated £285,000 will be spent in 2005/06. The scheme is due for completion in May/June 2006.

4.6.11 Science Park

In December Cabinet approved demolition at the former John Ellis schools site, at an estimated cost of £325,000 to be funded by grant from Emda. However, it was anticipated that the costs of asbestos removal could be higher than originally anticipated, therefore the Director of Resources, Access and Diversity was authorised, in consultation with the Cabinet Lead Member, to agree expenditure in excess of £325,000, subject to such expenditure being covered by EMDA grant funding.

The estimate of costs, including asbestos removal is £618,000. Work has started on site and Emda have agreed to fund the cost of works undertaken in this financial year, estimated to be £350,000. A further bid will be made to Emda relating to expenditure incurred in 2006/07 (estimated to be £268,000) however agreement has been given, under urgent action, to meet any expenditure not funded by Emda from corporate resources.

4.6.12 The current forecast level of expenditure is £7 million. At the end of period 9 expenditure of £2.8 million had been incurred being 40% of the forecast outturn; this compares to 42% at the same time last year.

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 £4 million have been received. Further potential receipts have been identified to meet the target although these include one large value sale which is expected in 2005/06 but could 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.

5.2 The original target for useable Housing receipts was £7.1 million. The expected level of receipts is now £5.5 million. The Housing capital programme was rephased at period 7 to reflect this.

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 3rd party involvement.

6.2 For programmes excluding those schemes with significant 3rd party involvement the latest forecast of expenditure is 83% of the original programme.

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
Corporately Funded			
Property Maintenance	2,332	4,528	948
Performing Arts Centre		5,000	4,730
CLABSs	765	12,171	12,090
City Centre Improvements/Public Realm	313	6,427	4,000
Spend to Save			
Wide Area Network	5	593	
Decriminalised Parking Enforcement	205	190	340
Museums Collection Facility	1,092	149	
Part funding of sports facilities at Aylestone			
Leisure Centre & Saffron Lane	300		
Mundella Comm College – demolition works	130	11	
Resource Management Strategy		360	1,030
Allotments Strategy	30		
Market Food Court		100	
Other			
Housing – general	12,000	6,000	1,750
Housing – Dawn Centre	575		
Lewisher Road	160		
Upperton Road Viaduct	300	1,270	1,325
St Margarets Bus Station		180	
Vehicles in lieu of leasing	2,000	2,000	2,000
Total Prudential Borrowing	<u>20,207</u>	<u>38,979</u>	<u>28,213</u>

- 7.2 The Chief Finance Officer is permitted to approve Spend to Save schemes below £250,000. The following two schemes have been approved since Cabinet considered the period 7 capital monitoring position:

Allotments Strategy (£30,000) - for the compensation of allotment holders giving up plots to enable a site to be sold. Replacement plots have been provided and new huts provided.

Market Food Court (£100,000) – the construction of a market food court to create 8 trading spaces in the outdoor market, these will provide hot food to eat in or take away.

- 7.3 The cumulative level of prudential borrowing as a proportion of gross revenue expenditure is shown in the table below (this takes into account anticipated repayments):

	<u>Cumulative Unsupported Borrowing</u> £000	<u>Gross Revenue Expenditure</u> £000	<u>Cumulative unsupported borrowing as % of GRE</u>
General Fund			
2004/05 (actual)	5,846	600,640	1.0%
2005/06 (budget)	13,289	651,030	2.0%
2006/07 (forecast)	43,093	667,306	6.5%
2007/08 (forecast)	61,908	683,988	9.1%
Housing Revenue Account			
2004/05 (actual)	6,000	58,239	10.3%
2005/06 (budget)	17,760	61,163	29.5%
2006/07 (budget)	23,040	64,488	35.7%
2007/08 (forecast)	23,830	66,500	35.8%

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

General Fund £1.15 million

Housing Revenue Account £900,000.

- 7.5 The total prudential borrowing now approved by the Council, including planned borrowing in 2005/06 and later years is £91 million.

8. ACTION PLANS

- 8.1 Project plans and cashflows will be examined thoroughly at the start of the year, and then reviewed regularly throughout the year to ensure that any issues are identified at an early stage so that action can be taken. Summaries of plans are detailed below:

Education

Cashflows of schemes, particularly where late grant allocations are received and where third parties are involved are to be closely examined and potential problems reflected in the cashflow. Also, a 'Framework Partnering Agreement' for standard schemes has recently been entered into which should prevent delays in the design stage of schemes.

Regeneration & Culture

Future years cashflows of major schemes are to be reviewed to ensure that they are realistic; this to be coordinated with the detailed monitoring of individual schemes on a regular basis.

Housing

Monthly reporting of expenditure is to be carried out with detailed monitoring to Senior Managers.

Social Care

Projected cashflows are to be reviewed to ensure that they are realistic.

Resources, Access & Diversity

Detailed forecasts of future years cashflows are to be carried out ensuring that all potential problems and delays are considered when preparing the forecasts.

- 8.2 All Action Plans will have been discussed with the relevant Cabinet Lead by the time this report is considered.

9. PRUDENTIAL INDICATORS

- 9.1 The latest forecast of performance in 2005/06 against approved indicators is shown in Appendix B.
- 9.2 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 changes in the forecast level of capital expenditure.

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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