



Leicester  
City Council

OSMB  
CABINET  
COUNCIL

17 MARCH 2011  
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## REVIEW OF CORPORATE CAPITAL PROGRAMME 2011/12

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### Report of the Chief Finance Officer

#### 1. Purpose of Report

- 1.1 The purpose of this report is to present a “corporate” capital programme for 2011/12.
- 1.2 The corporate programme is that part of the Council’s capital programme which can be spent at our own discretion, and is chiefly funded from property sales. These sales have reduced substantially in the economic downturn, and at present it is expected that this situation is likely to continue for the next two years.
- 1.3 Significant programmes exist for housing, education and transport, funded by earmarked government resources. Proposed transport, housing and education programmes are approved separately.

#### 2. Summary

- 2.1 The Council approved a financial strategy in February 2010. The financial strategy supports the Council’s vision for Leicester, and forms the strategic context for the capital programme.
- 2.2 Since March 2009, the Council has departed from its usual practice of approving multi-year capital programmes, and has only approved one-year capital programmes. This is due to the economic downturn and the subsequent reduction in future capital receipts, and it is again proposed that a one-year programme is prepared for 2011/12.
- 2.3 In practice, due to the scarcity of anticipated receipts, the corporate programme consists mainly of minor works, together with works continuing from 2010/11, although it is also proposed to include provision to progress developments at Hamilton in addition to those already approved for

Ashton Green which should over the long-term be financially beneficial for the Council. A further £0.6m is available for other priority schemes which emerge.

- 2.4 An assessment of the property market was undertaken in Autumn 2010, with a view to establishing whether or not normal levels of sales activity are returning. There is currently no sign of this in the near future.
- 2.5 Through adopting a short-term outlook, the Council has avoided having to review, and make cuts to, a multi-year capital programme.

### **3. Recommendations**

3.1 Overview and Scrutiny Management Board is asked to give its comments on the proposed corporate capital programme to help inform Cabinet's recommendation to the Council.

3.2 Cabinet is asked to:

- (a) recommend to Council:
- (i) that the schemes identified in Appendix A, as described in paragraph 5 be the corporate capital programme for 2011/12;
  - (ii) the split between schemes in block A which can proceed without further approval and schemes in block B which require a report to the Executive Function;
- (b) designate the following as service resources for the purposes of this programme (being resources which fall outside the scope of the corporate programme):
- (i) capital receipts from the sale of housing dwellings or HRA land;
  - (ii) housing, education and transport supported capital expenditure (borrowing and grant) allocations;
  - (iii) any other supported capital expenditure allocations awarded by central government for specific purposes;
  - (iv) third party contributions for specific purposes;
  - (v) divisional revenue contributions;
- (c) In connection with Financial Procedure Rules:

- (i) recommend to Council a “higher limit” of £10m, being the amount below which the Executive Function can make changes to the programme. This “higher limit” of £10m is subject to no more than £2m of the funding in total of any scheme being financed from corporate resources.
- (ii) approve a “lower limit” of £250,000 below which directors can vire resources;
- (d) note that the above limits apply to the capital programme as a whole, not just the corporate capital programme.
- (e) note that the programme leaves £0.6m unallocated.

#### **4. Resources**

4.1 This section of the report describes the resources available to the Council for the entirety of its capital spending, how these are allocated between programmes, and the amount made available in the Government’s 2011/12 Capital Settlement.

#### **4.2 Types of Capital Resources**

4.2.1 Capital resources are sources of funding for capital projects. They include borrowing, capital grants, and the proceeds of the sale of property (capital receipts). The Council has divided capital resources into 2 categories: “Service” resources and “Corporate” resources.

4.2.2 “Service” resources are those resources ringfenced to a particular service or scheme by government or local policy (although local policy usually follows government expectation). Capital grants fall into this category if they are ringfenced for a specific purpose. By local policy, receipts from the sale of HRA land are ringfenced to the housing programme.

4.2.3 “Corporate” resources are those resources that can be spent at the Council’s discretion and hence are available for the corporate programme. Corporate resources may be “supported” (i.e. funded by central government) or “unsupported” (borrowed by the Council, and paid for out of the revenue budget). From 2011/12, all government support for new projects will be provided by means of capital grant.

Corporate resources include:-

- supported borrowing for unrestricted purposes
- capital receipts from non-housing sources
- unsupported borrowing
- corporate (non-divisional) revenue contributions.

4.2.4 The most significant “service” programmes are housing, transport and education.

#### 4.3 The Government's Capital Settlement

4.3.1 Table 1 shows the main elements of the Government's capital settlement for 2011/12, compared to that of 2010/11. These are mostly service resources. The majority of these resources are now unringfenced.

**Table 1 - MAIN CAPITAL RESOURCES**

|                                     | <b><u>2010/11</u></b><br>£000s | <b><u>2011/12</u></b><br>£000s | <b><u>Percentage</u></b><br>change |
|-------------------------------------|--------------------------------|--------------------------------|------------------------------------|
| <b><u>Transport</u></b>             |                                |                                |                                    |
| Integrated Transport Package        | 5,554                          | 2,847                          |                                    |
| Road safety grant                   | 79                             |                                |                                    |
| Transport – Maintenance             | 2,189                          | 2,104                          |                                    |
| Estimated one-off potholes grant    |                                | 261                            |                                    |
| Maintenance – A563/A6030 schemes    | 380                            |                                |                                    |
| <b>Total transport</b>              | <b>8,202</b>                   | <b>5,212</b>                   | <b>-36.5%</b>                      |
| <b><u>Education</u></b>             |                                |                                |                                    |
| New Pupil Places                    | 4,227                          | 6,943                          |                                    |
| Schools Access Initiative           | 612                            |                                |                                    |
| L.A. Devolved Formula               | 4,750                          | 930                            |                                    |
| Co- location                        | 2,625                          |                                |                                    |
| Primary Capital (7.3m tfr to 09/10) | 7,332                          |                                |                                    |
| City Learning centres               | 300                            |                                |                                    |
| Modernisation                       | 2,821                          |                                |                                    |
| Kitchen improvements                | 1,778                          |                                |                                    |
| Harnessing technology grant         | 547                            |                                |                                    |
| Capital maintenance                 |                                | 4,258                          |                                    |
| Extended Schools                    | 144                            |                                |                                    |
| <b>Total Education</b>              | <b>25,136</b>                  | <b>12,131</b>                  | <b>-51.7%</b>                      |
| <b><u>Social Care</u></b>           |                                |                                |                                    |
| Single capital pot allocation       | 79                             |                                |                                    |
| Social care grant                   | 145                            | 811                            |                                    |
| Mental health grant                 | 159                            |                                |                                    |
| <b>Total social care</b>            | <b>383</b>                     | <b>811</b>                     | <b>+111.7%</b>                     |
| <b><u>Housing</u></b>               |                                |                                |                                    |
| HRA Decent homes                    | 5,500                          | 0                              |                                    |
| Private sector decent homes         | 1,427                          |                                |                                    |
| D.F.G.                              | 820                            | 843                            |                                    |
| Major repairs allowance             | 11,420                         | 13,512                         |                                    |
| <b>Total Housing</b>                | <b>19,167</b>                  | <b>14,355</b>                  | <b>-25.1%</b>                      |

|              |               |               |               |
|--------------|---------------|---------------|---------------|
|              |               |               |               |
| <b>TOTAL</b> | <b>52,888</b> | <b>32,509</b> | <b>-38.5%</b> |

#### 4.3.2 Housing

The housing allocation for 2011/12 no longer includes provision of £6.9m for the decent homes programme which was expected. Provision for disabled facilities grants has just been recently announced and is similar to the 2010/11 provision.

#### 4.3.3 Social Care

There is a total allocation of £811,000 in 2011/12. This block grant represents a significant increase compared to the total of £383,000 allocated in 2010/11 which comprised of £79,000 supported borrowing allocated on a formulaic basis available for the corporate programme, and grants of £304,000 allocated for social care and mental health.

#### 4.3.4 Transport

The allocation for transport has reduced significantly from £8.202m in 2010/11 to £5.212m in 2011/12, particularly in the area of the integrated transport package. This sum includes a one-off sum for potholes that has yet to be allocated which is estimated to be in the region of £260,000.

#### 4.3.5 Education

The allocation for Education in 2011/12 has decreased overall from £25.136m to £12.131m excluding B.S.F. However, £11.818m of funding allocated by central government in 2010/11 was brought forward into 2009/10 from 2010/11 to counter the effects of the recession.

### 4.4 Other Funding

4.4.1 Most of the funding for the corporate capital programme has traditionally come from capital receipts. Usual levels are some £5m p.a. The economic downturn has substantially reduced the potential for capital receipts given their current market values. The anticipated level of receipts (excluding those earmarked for a specific purpose) for 2010/11 is £600k and for 2011/12 is £800k.

4.4.2 It is estimated that currently, £3.4m is available to finance the corporate capital programme for 2011/12. This includes a one-off revenue contribution to capital of £1m in 2011/12 which was approved as part of the revenue budget for 2011/12

4.4.3 In addition, the Council continues to use unsupported borrowing for specific schemes which meet the requirements of the financial strategy.

No new schemes are proposed for unsupported borrowing in 2011/12, although it is possible that a few relatively small scale “spend to save” schemes may be proposed in future. Such “spend to save” schemes by definition should not affect available capital resources or net revenue budgets.

#### 4.5 Corporate Capital Resources

4.5.1 The estimated funding sources for the corporate capital programme are detailed in the table below:

**Table 2 - FUNDING SOURCES**

|   | <b><u>2011/12</u></b><br>£m |
|---|-----------------------------|
| Capital receipts 2011/12                      | 0.8                         |
| Social services capital grant                 | 0.8                         |
| Revenue Contribution                          | 1.0                         |
| Carry forward from 2010/11                    | 0.8                         |
| <b>TOTAL</b>                                  | <b>3.40</b>                 |
| Proposed new rolling programmes               | (1.74)                      |
| Proposed additional schemes                   | (1.07)                      |
| <b>Total proposed schemes</b>                 | <b>(2.81)</b>               |
|   |                             |
| <b>Balance available for other priorities</b> | <b>0.59</b>                 |

#### 5. Capital Programme

5.1 The proposed programme is shown at Appendix A. The proposed schemes are generally schemes which require on-going annual contributions to allow for programmed maintenance, to refurbish and/or improve existing assets.

5.2 In addition the Council has previously approved a £29.9m scheme for the centrally located administrative buildings review, which predates the 11/12 programme and is happening over a number of years.

5.2 The rationale for the proposed schemes in 2011/12 (ie those shown in Appendix A) is detailed below.

##### 5.2.1 Children’s Residential Homes - £100,000

This is a continuing programme of improvements and modernization of children’s homes including residential facilities and modernizing external play areas.

##### 5.2.2 DDA Improvements – £40,000

This is towards the end of a rolling programme to improve access to buildings / signage and lift refurbishment in line with the requirements of the Disabilities Discrimination Act. More urgent needs are now complete.

#### 5.2.3 Watercourse Maintenance and Improvements – £50,000

This scheme will carry out urgent repairs and improvements to watercourses in the City reducing the risk of flooding to properties. This includes maintaining the free flow of water throughout the watercourse network and maintains the upkeep of the city's flood retention areas. The sum assigned is in line with recent spending levels and previous years' allocations.

#### 5.2.4 Local Environmental Works - £400,000

This scheme will enable a programme of local works to be developed .The sum assigned is equivalent to most year's previous allocations, though less than last year. A detailed programme will be prepared for approval by the executive.

#### 5.2.5 Bridge Refurbishment - £150,000

This is a rolling programme to improve the condition and appearance of bridges, which don't come within the ambit of the integrated transport plan. This funding is being saved towards works at the Aylestone Old Mill Bridge which will need undertaking in the future, probably in the 2012/13 financial year.

#### 5.2.6 Property Schemes to fit block sum allocated (Including Water Hygiene) - £1,000,000

These are individual schemes relating to improvements, renovation or Health and Safety of Council properties and remedial work to reduce the risk to employees, customers and public of infection due to contaminated water in Council buildings. It is also expected that a review of fire precautions will result in a programme of additional works being required. The total allocated is the same as that for last year. A detailed programme will be prepared for approval by the executive.

#### 5.2.7 Hamilton preparation works- £200,000

The council owns significant land holdings at Hamilton, and in order to progress the development of this area for mainly housing, preparation works are required. This expenditure should in time result in significant additional receipts when the site is developed.

#### 5.2.8 Ashton Green - £325,000

Cabinet has previously approved provision of £325,000 within the capital programme for Ashton Green at its meeting on 7<sup>th</sup> February 2011 to support the project through the developer procurement stage.

#### 5.2.9 Social Care and Mental Health - £304,000

It is proposed to include provision of £304,000 for Social Care and Mental Health within the capital programme. This sum is equivalent to the sum which was provided in 2010/11 in the form of a ringfenced grant and has been used for minor works for individuals or organizations with mental health or social care needs.

#### 5.2.10 Potholes repairs - £240,000

The proposed additional works in respect of potholes will support the Local Transport Programme maintenance programme. Taken together with the additional government grant for potholes, this makes available an estimated £500,000 (over £3m possible works were identified). Works fall into 4 areas, namely:

- (a) Failing Road humps £60,000;
- (b) Failing Concrete bay replacement £125,000;
- (c) Rushey mead pothole patching £150,000;
- (d) Spinney hill pothole patching £165,000.

### 6. Other Issues

- 6.1 Council previously approved a revenue budget of £3m p.a. to provide for increased borrowing costs from additional capital expenditure required on centrally located administrative buildings. Following a review of CLABs options, the 2011/12 budget has reduced this provision to £1.9m p.a.
- 6.2 Existing funding of £3.24m remains for the intermediate care scheme which is not progressing. With the current uncertainty regarding the proposed dementia centre which was potentially to utilise some of this funding, it is proposed to leave this funding in place subject to a further review when the situation becomes clearer.
- 6.3 A further £0.6 million is available for any additional priority capital works which may emerge.

### 7. Financial / Legal Implications

- 7.1 This report is exclusively concerned with financial issues.



7.2 There are no specific legal implications arising from this report. Peter Nicholls, Legal Services has been consulted as Legal Advisor and has confirmed that there are no further legal implications.

**8. Equality Impact Assessment**

Items of the capital programme for Children’s Residential Homes, DDA Improvements, Social Care and Mental Health will have a positive effect on the day to day use of these improved facilities by those who are vulnerable and disadvantaged as a result of their personal circumstances or disability.

**9. Other Implications**

| <b>Other Implications</b>    | <b>Yes/No</b> | <b>Paragraph References</b>  |
|------------------------------|---------------|--|
| Equal Opportunities          | Yes           | 8  |
| Policy                       | Yes           | The programme has been formulated with reference to the approved financial strategy. |
| Sustainable & Environment    | No            |  |
| Crime & Disorder             | No            |  |
| Human Rights Act             | No            |  |
| Elderly people on low income | No            |  |

**10. Background Papers – Local Government Act 1972**

Review of the corporate capital programme 2010/11 – Cabinet 8<sup>th</sup> March 2010.

**11. Consultations**

11.1 All services have been consulted on the programme.

**12. Report author**

Nick Booth Principal Accountant & Mark Noble Chief Finance Officer.

|                                      |                     |
|--------------------------------------|---------------------|
| <b>Key Decision</b>                  | No                  |
| <b>Reason</b>                        | N/A                 |
| <b>Appeared in Forward Plan</b>      | N/A                 |
| <b>Executive or Council Decision</b> | Executive (Cabinet) |

**CORPORATE CAPITAL PROGRAMME – 2011/12**

|  | <b><u>2011/12</u></b><br>£000s |
|--|--------------------------------|
| <b>2011/12 PROGRAMME Block A</b>   |                                |
| <b>Rolling Programmes</b>  |                                |
| 1. Water courses   | 50                             |
| 2. Children's homes  | 100                            |
|  |                                |
| <b>2011/12 PROGRAMME – Block B</b><br><b>Funding Approval Subject to Further Information</b> |                                |
| <b>Rolling Programmes</b>  |                                |
| 1. Local Environmental Works   | 400                            |
| 2. Property maintenance schemes  | 1000                           |
| 3. DDA Improvements  | 40                             |
| 4. Bridge Refurbishment  | 150                            |
|  |                                |
| <b>Sub –Total Rolling Programmes</b>   | <b>1,740</b>                   |
|  |                                |
| <b>Proposed Additional Schemes – Block A</b>   |                                |
| 1. Ashton Green (previously approved)  | 325                            |
| 2. Hamilton Development  | 200                            |
| 3. Social Care and Mental Health   | 304                            |
| 4. Potholes  | 240                            |
|  |                                |
| <b>Sub-Total Additional Schemes</b>  | <b>1,069</b>                   |
|  |                                |
| <b>Total Proposed Programme</b>  | <b>2,809</b>                   |
|  |                                |

**RISK ASSESSMENT MATRIX**

| <b>No.</b> | <b>Risk</b>                               | <b>Likelihood<br/>(L/M/H)</b> | <b>Severity<br/>Impact<br/>(L/M/H)</b> | <b>Control Actions<br/>(if necessary / or appropriate)</b>  |
|------------|---|-------------------------------|--|---|
| 1          | The Corporate Programme is not affordable | L                             | H                                      | Robust management and monitoring of the funding streams, primarily Capital Receipts. Cautious assumptions of receipts.                                      |
| 2          | Overspending on a scheme                  | M                             | M                                      | Robust financial management of the outturn of schemes. Review and stop, if possible, any non-essential works on schemes.                                    |
| 3          | Slippage                                  | H                             | L                                      | Robust profiling of expenditure on schemes where possible. Monthly progress meetings and regular reports to Members through the Capital Monitoring reports. |
| 4          | Accuracy of Estimates                     | L                             | L                                      | As most programmes are minor works, work can usually be contained within a total sum, and can be slowed down or expedited as necessary.                     |