

Leicester
City Council

Resources and Corporate Issues Scrutiny Committee
CABINET
COUNCIL

15 MARCH 2007
12 MARCH 2007
29 MARCH 2007

CORPORATE CAPITAL PROGRAMME 2007/08

Report of the Chief Finance Officer

1. Purpose of the report

- 1.1 This report recommends updating the “corporate” capital programme for the period 2005/06 to 2007/08 based on the Council’s Capital Strategy. Together with programmes for Housing, Transportation and Education, this forms the overall capital programme for 2007/08.
- 1.2 The proposed programme represents the final year of the existing, agreed programme. Work will commence in the Spring on the preparation of a new Capital Strategy, which will inform the preparation of the new three year capital programme for 2008/09 to 2010/2011. This will be carried out in parallel with a review of the Corporate Plan.

2 Summary

“Corporate” Programme

- 2.1 The Council approved its Capital Strategy in November 2004. The Council subsequently set a 3-year capital programme (2005/06 to 2007/08) based upon the priorities and policies set out in that strategy, which are derived from the corporate plan.
- 2.2 The programme was derived from a prioritisation exercise. It included a number of reserve schemes which are dependent upon the availability of additional funding, and a number of schemes funded from unsupported borrowing.
- 2.3 As part of setting the Council's general fund revenue budget, the Council approved a set of prudential indicators, which demonstrate that the council’s proposed borrowing is “prudent, affordable and sustainable”.
- 2.4 Whilst the expenditure profile of some schemes has changed since the 3 year programme was approved, the only real changes proposed to the current programme are:-

(a) Inclusion of £300k for a team to carry forward the development of Ashton Green. It is anticipated that this will release many millions of pounds of capital receipts over the next 15 years. (This was previously the Capital receipts Pump Priming reserve scheme).

(b) Inclusion in the programme of the third year rolling programme for maintenance and improvement of Elderly Peoples Homes. (This was previously a reserve scheme).

(C) Deletion of reserve schemes which are no longer required. This includes:

Workplace Nursery building works, following the closure of the nursery;
Development of the Regeneration and Culture ICT Infrastructure;
Telephone system evaluation;
Strengthening of the Adult Services IT Infrastructure;
Staff bases and other Adult Service buildings;
Learning Disability bases;
Replacing a Children's Library Vehicle;
Built Heritage;
Central Library – Option Appraisal.

2.5 A separate report is being presented to Cabinet on the Digital Media Centre. No financial implications of that scheme are included in this report. The scheme will only be included in the capital programme if approved by Council.

2.6 The first phase of the Building Schools for the Future Project is not expected to take place until May 2007. This is a £236million capital scheme, which will only be included in the capital programme once approved by Council. Capital Funding of £48k will be required for the Council's investment in the Local Education Partnership if BSF goes ahead. This scheme is presently included within the Reserve Schemes list.

"Service" Programmes

2.7 The majority of the Council's capital programme is funded from "service" resources. These are resources that are hypothecated to services by government guidance or local policy. Programmes funded from "service" resources are developed by the relevant corporate director with a recommended programme going to cabinet via scrutiny for comment.

2.8 The most significant "service" programmes are Housing, Transport and Education. Council has already approved programmes for Housing and Transport. The Education programme is expected to be considered in Spring 2007.

3. Recommendations

3.1 Cabinet is asked to:

i. Recommend the capital programme shown at Appendix A to Council;

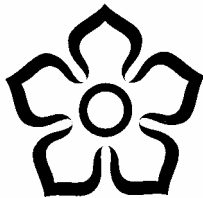
- ii. Agree that the following schemes (in accordance with financial procedure rule 5.4.1) are ones in which a decision on the details of the scheme is reserved to Cabinet (to the extent that a decision has not yet been made) subject to any changes Cabinet wishes to make. These are: -
- Renewal and Replacement of centrally located administrative buildings (CLABS);
Local Environment Works;
DDA Programme.
- iii. Recommend to Council that the schemes on the Reserved List in Appendix B can only proceed subject to a further approval by Cabinet with regard to the detailed implementation of the scheme, and subject to funding being available;
- iv. Designate the following as service resources for the purposes of this programme (being resources which fall outside the scope of the corporate programme): -
- housing capital receipts;
 - housing, education and transport elements of the Single Capital Pot;
 - profits made by the Housing Maintenance DSO;
 - capital grants awarded by central government for specific purposes;
 - third party contributions;
 - departmental revenue contributions.
- v. Recommend to Council to determine that the Integrated Transport, Roads Maintenance and Decent Homes Standards groups of capital schemes are deemed to be capital programme areas within which corporate directors are permitted to reallocate resources on grounds of operational efficiency for the purposes of financial procedure rule 5.1.
- vi. In connection with the Finance Procedure Rules: -
- (a) approve a lower decision limit of £250,000, being the limit above which directors need to seek Cabinet approval for changes to the capital programme which would otherwise be delegated to them (principally changes funded by service resources and spend to save schemes);
 - (b) recommend that the Council approves a higher decision limit of £1 million, being the amount below which the Cabinet can make changes to the programme, provided the revenue impact can be met from other budgets within the Cabinet's virement limit;
- vii. Note that the above limits apply to the capital programme as a whole, not just the corporate capital programme, and that they are unchanged from previous years.

4. Financial and Legal Implications

4.1 This report is exclusively concerned with financial issues. Peter Nicholls, Legal Services, has been consulted as Legal Advisor and has confirmed that there are no legal issues arising from the report.

Author
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Head of Strategy and Development

Key Decision	No
Reason	Part of the budget and policy framework
Appeared in Forward Plan	Yes
Executive or Council Decision	Council



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Report of the Chief Finance Officer

SUPPORTING INFORMATION

1. Capital Strategy

- 1.1 The Council adopted its Capital Investment Strategy in November 2004. The purpose of the strategy is to set out the policies and practices which the authority uses to establish, monitor and manage the Council's capital programme for the period 2005/06 to 2007/08.
- 1.2 The strategy encompasses the requirements and opportunities afforded by the Prudential Framework which came into effect from April 2004.
- 1.3 The Capital Strategy sets out two overarching priorities for investment of "corporate" resources:
- (a) Schemes which enhance the quality of the local environment which have a visible, lasting effect; and
- (b) Spending which enables us to make continuous improvement in a well-managed organisation, particularly making appropriate investment in our stock of buildings and assets and in modernising service deliveries through technologies.
- 1.4 Decisions taken on capital spending in the last 3 years have needed to focus on these priorities, and have been directed at the transformational agenda.
- 1.5 The strategy addresses the "Capital Settlement", which is allocated by Government to spend on capital, and is made with reference to individual services. The strategy acknowledges that, although authorities are free to spend Capital Settlement allocations on whatever capital purposes they determine, government departments appear to expect allocations to be ring-fenced. In the case of DfES, the Secretary of State has reserve powers to enforce this.

- 1.6 The presumption is to ring-fence the allocations in the Capital Settlement to the services to which they are notionally allocated (Housing, Transport – including highways maintenance, and Education), subject to an appropriate case being made. The prime reason for this is a substantial service requirement for investment, specifically: the need to ensure that educational achievement is supported by buildings and infrastructure which are fit for purpose; the need to address the decent homes standard and to create new affordable housing; the need to improve the city’s road conditions, a performance indicator (PI) on which the authority is struggling; and to achieve the Local Transport Plan.

2. Resources

2.1 Types of Capital Resources

- 2.1.1 Capital resources are sources of funding for capital projects. They include borrowing, capital grants, revenue contributions, and the proceeds of the sale of property (capital receipts). The Council has divided capital resource into 2 categories: “Service” resources and “Corporate” resources.
- 2.1.2 “Service” resources are those resources ring-fenced to a particular service or scheme by government or local policy.
- 2.1.3 “Corporate” resources are those resources that can be spent entirely at the Council’s discretion. The Corporate capital programme is only concerned with schemes funded from “corporate” resources. Programmes funded from “Service” resources are recommended to Cabinet by the relevant Corporate Director after consultation with the relevant scrutiny committee. Corporate resources may be “supported” (i.e. funded by central government); “unsupported” (borrowed by the Council, and paid for out of the revenue budget); or capital receipts.
- 2.1.4 The most significant “service” programmes are housing, transport and education.

2.2 “Corporate” Resources

- 2.2.1 Capital receipts, excluding housing receipts and capital receipts earmarked for specific schemes, have been designated as “corporate” resources for the 2005/06 to 2007/08 capital programme. The other main “corporate” resource is contained within the Capital Settlement for other services.
- 2.2.2 The Council anticipates receiving £2.2million, payable over two years (2005/06 and 2006/07), from the capital element of the reward grant derived from local Public Service Agreements. This has been treated as a corporate resource.

2.3 The Government’s Capital Settlement

- 2.3.1 The government has announced a Capital Settlement for Leicester for 2007/08 of £23.720 million. This compares to an allocation of £26.113 million in 2006/07.

2.3.2 The Capital Settlement has been arrived at as follows.

Capital Settlement	2006/07 £000	2007/08 £000	% increase (decrease)
Housing (HRA) grant	5,500	5,500	0
Transport – LTP	6,947	6,189	(10.9)
Transport – Maintenance	3,383	2,096	(38.0)
Social Services	186	185	(0.5)
Total	16,016	13,970	
<u>Education</u>			
New Pupil Places	588	596	1.4
Schools Access Initiative	545	545	0
L.A. Devolved Formula	5,015	3,625	(27.7)
Targeted Capital	1,862	2,890	55.2
Secondary Modernisation	229	236	3.1
Primary Modernisation	1,858	1,858	0
Total Education	10,097	9,750	(3.4)
Total	26,113	23,720	(9.1)

2.3.3 Transport

The Local Transport Package (LTP) element has decreased by 10.9% from £6.947 million to £6.189million. The maintenance element has decreased by 38% from £3.383 million to £2.096 million in 2007/08. This is as anticipated. The 2006/07 figure was much higher because it included £1.11 million for works at Watermead Way bridge.

2.3.4 Education

The Education element of the Capital Settlement decreased by 3.4% compared to 2006/07 and is in line with expectations.

2.3.5 The Capital Settlement resources available as “corporate” resources are therefore £185K.

2.4 Funding

2.4.1 The total Corporate Capital Resources planned to be used for the programme is estimated as follows:

	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 onward £m	Total £m
Capital Settlement	0.2	0.2	0.2		0.6
Capital Receipts	7.2	3.6	4.0		14.8
Local PSA	1.0	1.2	0.0		2.2
Earmarked Resources		0.4	3.1	5.3	8.8
Revenue		4.7	2.1	0.1	6.9
Prudential Borrowing	1.1	23.6	22.8		47.5
Brought Forward	8.5				8.5
TOTAL	18.0	33.7	32.2	5.4	89.3

2.4.2 Capital Receipts

Capital Receipts of £4.0million are assumed for the purposes of the programme. Achievement of this target is dependent upon progress of a small handful of high value sales, for which it is never easy to predict the timing of the receipt.

The target, however, makes a prudent assessment of the speed at which these transactions will proceed, and it is believed that the 2007/08 target will be achieved. Any variation (under or over) will be taken into account in the preparation of the next 3 year capital programme.

2.4.3 Earmarked Resources

Schemes within the programme which are being resourced, at least partly from earmarked receipts include: Saffron Lane Sports Centre replacement changing rooms, gym and store, earmarked from proceeds of the sale of the velodrome; the Learning Disabilities Day Services Modernisation and Elderly People's Homes, earmarked from the proceeds of the Day Centre sale and the PAC and CLABs review which are partly financed from the disposal of surplus properties.

2.4.4 Prudential Borrowing

As part of previous revenue and capital budgets, the Council approved unsupported prudential borrowing towards financing the following projects: Capital Maintenance, Renewal and replacement of central accommodation (CLABs), Public Realm improvements and the Performing Arts Centre.

3. Approved Schemes

3.1 The proposed capital programme is shown at Appendix A, as agreed already by Council, but updated to reflect changes in estimated timings of spending, and the new schemes described in the cover report. The following section briefly describes each new scheme which will be "live" in 2007/08.

3.2 Water Hygiene - £350,000 per annum

On-going remedial work to reduce the risk to employees, customers and public of infection due to contaminated water in buildings as identified in the Water Hygiene Risk Assessments and to set up a system to automate works as required. High risk buildings are considered to be EPHs, primary schools (where the users are more susceptible to legionella) and leisure centres.

3.3 Glenfield Tunnel - £745,000

Work is required to reduce the risk of structural collapse. A survey established that the loading on the tunnel is above what is considered as satisfactory safety levels and is recommending the work should be carried out within the next year.

3.4 Hamilton Footbridge - £192,000

There is a planning obligation on the Council and Hamilton Trust to build bridge at a total cost of £750,000. Under the development agreement, there is a time limit of November 2007.

3.5 Hamilton Community Facilities - £670,000

This scheme provides various community / leisure facilities in keeping with the increase in size of the development of Hamilton as a community. The scheme includes an extension to the Community Hall, Football changing rooms and Neighbourhood Equipped Area for Play and work is due to start in 2007/08.

3.6 Watercourse Maintenance / Improvements - £250,000

This on-going 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.

3.7 Children's Residential Homes - £100,000 per annum

This is a rolling programme to maintain and improve existing premises to enable compliance with national standards and Commission for Social Care Inspection requirements and compliance with Health and Safety rules. It will enable the Council to provide an appropriate and safe environment for children and young people in care, and an avoidance of expensive reactive repairs to buildings and equipment.

3.8 Electronic Scanning - £500,000

This involves the scanning of existing Social Care and Health service user paper files to allow for electronic retrieval within the departmental client system from a single file location for all information to speed up responses. Staff at remote sites will be able to access records with reduced risk of loss/theft/compromise and storage space will be released following the destruction of paper files.

3.9 Performing Arts Centre - £59.1m - (Council's contribution in current programme £34.8 m)

The Performing Arts Centre, total £59.1 million, is being funded from a number of sources such as Arts Council, ERDF, EMDA as well as City Council capital and revenue funding.

3.10 DDA Programme - £1.3 million

Rolling programme to improve access to buildings / signage and lift refurbishment.

3.11 Bridge Refurbishment - £525,000

This is an on-going programme to improve the condition and appearance of bridges, mainly on the Great Central Way.

3.12 Festive Decorations - £150,000 per annum

Replacement programme of existing decorations; Health and Safety Works and additional lighting for areas of the City.

3.13 Local Environment Works - £330,000 per annum

This on-going scheme has enabled a programme of local works to be developed improving lighting, conditions of footways and verges, reducing delays to public transport and improving untidy land areas.

3.14 Adoption of Private Streets - £500,000

This is a rolling programme to bring all roads / footways up to a reasonable standard and improve accessibility for local residents.

3.15 Financial System Replacement - £1.14 million

Existing system uses out of date technology which will cause problems with future integration, on-going support and reliability. The £1.14 million does not represent the full cost of replacement - the balance will be found on a spend-to-save basis. Replacement is integral to efficiency improvements anticipated as part of the support services review and to effective control of the Council's procurement.

3.16 Elderly People's Homes - £625,000

These are the costs for the period 2005/06 to 2007/08 of the rolling programme to maintain and improve existing premises. This includes a complete window replacement programme, refurbishing bedrooms and shower facilities, pilot en-suite bedrooms, door closer to corridor doors and "slips, trips and falls" prevention work.

3.17 Corporate EDRMS - £600,000

Introduction of a corporate Electronic Document Records Management System (EDRMS) to rationalise, maintain and improve property by freeing up office space and providing the potential for remote working.

3.18 LAN Upgrade - £260,000

This on-going work involves upgrading to the Local Area Network (LAN) infrastructure to improve security, performance and resilience.

3.19 Riverside - £351,000

This is a rolling programme to fund a range of environmental and regeneration improvements to the riverside, including improvements to wildlife habitats, access, mooring facilities and the appearance of the riverside area.

3.20 Centrally Located Admin Buildings (CLABs) Review - £29.676million Gross

This is a major programme of works / acquisitions in respect of central offices at a cost of £29.676 million gross funded by prudential borrowing of £25.026 million and earmarked receipts of £4.65 million. These figures reflect the position as approved by Council. A detailed programme of works remains to be approved by the Cabinet.

3.21 City Centre Development - £6.840 million

This scheme focuses on improving the environment of the City centre, including reconstructed streets, new City centre signing and information system, improvements to car parks, provision for cycling and improved access for disabled people. A detailed programme of works has already been approved by Cabinet.

3.22 LRC Intervention Areas - £2.9 million

This scheme focuses on the improvements to the LRC Intervention Areas.

3.23 Duns Lane (Bowstring Bridge) - £466,000

This will need to be demolished for Health and Safety reasons. Surveys are being carried out to ensure safety pending the removal of footpath rights.

3.24 Ashton Green - £350,000

The Council owns over 200 acres of land which is being brought forward for housing development, and which will provide very substantial capital receipts over a number of years. An initial investment in the region of £50,000 was approved in order to submit a new planning application, update the Planning Guidance, update the Environmental Statement, and to produce an amended Traffic Study. A further £300k is required to carry forward and deliver the highest level of development encompassing the latest sustainable and environmental standards.

4. Reserve Schemes

4.1 The following schemes are good schemes, according to the prioritisation system, but which are held as reserve schemes dependent upon further resources being identified. The list has been reviewed since 2005/06, and schemes which are no longer required have been removed.

4.2 Kick-about Areas - £730,000

This will provide additional kick-about areas attached to 4 Neighbourhood Centres across the City, and one attached to Keepers Lodge. This scheme was transferred to the reserve capital programme pending the achievement of capital receipts from the velodrome disposal.

4.3 Astroturf Pitches - £500,000

This is to provide for the replacement of the Astroturf pitches currently situated at Saffron Lane Velodrome. This scheme has been transferred to the reserve capital programme pending the achievement of capital receipts from the velodrome disposal.

4.4 Pool Refurbishment - £400,000

Refurbishing the pools and changing rooms at Evington and Beaumont Leys Leisure Centres. This includes pre cleanse areas and disabled/family changing rooms.

4.5 Feasibility Studies - £500,000

This is to provide Council wide reviews of depots and office accommodation to identify areas for rationalisation and disposal opportunities.

4.6 Regeneration Opportunities - £400,000

This is to allow the Council to bring forward schemes at short notice so as to be able to seize external funding opportunities.

4.7 Initiative to combat Crime and Disorder - £400,000

This is in response to the recent MORI poll and includes installing alley-gate in burglary hot spots across the City and the extension of safer routes to tackle street robbery by improving street lighting and CCTV in targeted areas of the City.

4.8 Area Committee Capital Schemes - £300,000

This is a proposed block sum set aside to be delegated for Area Committees to utilise as they determine for minor capital schemes.

4.9 Replacement of People's Network - £150,000

This is a rolling programme to replace public access computers in all libraries across the City.

4.10 Investment into LEP - £48,000

This is a one-off cost enabling the City Council to make a financial investment to the Local Education Partnership.

4.11 Mobile Working - £120,000

This is an evaluation and development of ICT solutions in order to access corporate systems (email/intranet/applications) via portable devices (laptops, PDA, smart phones, etc).

4.12 Library Improvements - £500,000

This is a programme of maintenance and improvements to current City libraries.

4.13 Disabled Children's facility at Barnes Heath - £150,000

A base for the Disabled Children's Inclusion Service is to be developed at Barnes Heath House, which will also include some day care facilities. This is required to facilitate the planned relocation of the service as set out in the recently approved Departmental Revenue Strategy. A contribution to the cost of the work may be available from the 2005/06 Children's Social Services revenue budget, but capital programme funding will be needed to enable the scheme to be progressed and revenue budget efficiencies to be achieved.

4.14 Public Realm Works - £1.0 million

These are improvements to the LRC Intervention Areas. This work can be undertaken once additional funding is secured for the Performing Arts Centre.

4.15 Book Theft Detection System - £200,000

This scheme provides for the replacement of the book detection system for 10 libraries within the City.

4.16 PC Server Business Continuity - £100,000

This is to provide a disaster recovery plan for corporate PC servers.

4.17 Modernising Social Care ICT Services - £250,000

Extending and developing the use of new technology and its link to IT systems allowing all client records to be held electronically, enabling instant access to information, improved efficiency and home working.

4.18 Neighbourhood Centre Refurbishment - £50,000

This scheme is to carry out refurbishments at the Manor House Neighbourhood Centre.

4.19 Town Hall Improvements - £115,000

This is a rolling programme to provide continuous routine maintenance and updating at the Town Hall.

5. **Contingency for Further Pressures**

5.1 If the capital programme is approved, there would be a total of £87.0 million spent in the main programme, compared with resources of £89.3 million. This leaves an uncommitted sum of £2.3 million. This sum has been left uncommitted in the last two capital programmes, owing to the risk inherent in the capital programme. In particular, risks presently exist in respect of the following: -

a) Building Schools for the Future, where commitment to phase one is not expected to take place until May (subject to Council approval). This is a substantial project which will transform secondary schools within the City.

b) The review of Centrally Located Administrative Buildings, for which cost estimates of £30million were made in 2005. This scheme has slipped due to the decision to evaluate different potential options, including a “new build” option which will support the Leicester Regeneration Company’s masterplan for the city centre. Given the time which has elapsed, these costs will need a fundamental review, and a report is expected later in the year. This scheme is being funded by prudential borrowing.

5.2 It is recommended that a level of contingency is retained until we have a greater certainty over these risks.

6 **Prudential Borrowing**

6.1 The approved capital strategy states that the Council will use the prudential framework to finance capital investment in the following circumstances: -

a) “Spend to Save” schemes, where principal and interest costs of unsupported borrowing can be met from savings achievable from up front investment.

b) “Once in a generation” investment opportunities, and a small handful of significant development projects which meet corporate priorities. It is anticipated that unsupported borrowing in this context will only be used to support substantial projects which can attract significant leverage.

c) As a last resort, as a cost avoidance measure.

6.2 Unsupported Borrowing

The Corporate Capital Programme includes schemes which meet the conditions in the Capital Strategy for use of Prudential Borrowing: Centrally Located Administrative Buildings (CLABs), City Centre Public Realm Schemes, and a contribution to the Performing Arts Centre. The table below shows the amount of Unsupported Borrowing for each scheme and the revenue implications over the period of the Capital Programme 2005/06 to 2007/08.

Unsupported Borrowing	TOTAL
	£000's
CLABs	25,026
Public Realm	9,740
Performing Arts Centre	12,730
SUB – TOTAL	47,496

The full year borrowing costs of these schemes (i.e. the cost in the first full year after completion) is as follows: -

Estimated Financing Costs	Total
	£000's
CLABs	2,377
Public Realm	1,346
Performing Arts Centre	1,209

These estimated capital financing costs are resulting from the additional unsupported borrowing which would be charged directly to the revenue budgets of the appropriate department. Provision for these costs was made within the authority's revenue budget, based on assumptions on asset lives and an interest rate of 5.5%. Assumed asset lives are: -

(a) CLABs and Performing Arts Centre – 25 years;

(b) Public Realm improvements – 12 years.

6.3 Prudential Indicators

The prudential indicators for general fund borrowing and HRA borrowing were approved as part of the general fund budget. This programme complies with these indicators.

7. Financial Implications

7.1 This report is exclusively concerned with financial issues.

8. Legal Implications

8.1 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 legal issues arising from the report.

9. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	NO	
Policy	YES	The programme has been formulated with reference to the approved capital strategy.
Sustainable and Environmental	NO	
Crime and Disorder	NO	
Human Rights Act	NO	
Elderly/People on Low Income	NO	

10. Background Papers – Local Government Act 1972

- 10.1 Council 25/11/04 – Capital Strategy 2005/06 to 2007/08
- 10.2 Council 31/03/05 – Corporate Capital Programme 2005/06 to 2007/08
- 10.3 Council 16/03/06 – Corporate Capital Programme 2005/06 to 2007/08

11. Consultations

- 11.1 All departments have been consulted on the programme. The public has been consulted on capital priorities.

12. Report Author

Steve Charlesworth
Head of Strategy and Development