

**Report of Director of Resources**

**Report to Executive Board**

**Date: 2nd November 2011**

**Subject: Capital Programme Update 2011-2014**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. This report sets out the latest capital programme position for both the general fund and housing. Overprogramming on the general fund programme has increased slightly since February 2011 whilst on HRA the position has improved slightly. Forecast expenditure within the ALMO programmes can be contained within available resources.
2. The report sets out progress so far in 2011/12 on some major schemes and spending programmes and seeks some scheme specific approvals.
3. The report concludes that general fund overprogramming in the current year is considered manageable but over the 5 year programme is not sustainable in the long term. Careful monitoring of the overall resources position and phasing of schemes will be required to ensure the programme is affordable.

**Recommendations**

4. Executive Board is requested to:
  - a) note the latest position on the general fund and HRA capital programmes;

- b) note the transfer of schemes from the Amber to the Green programmes as set out in section 3.4;
- c) approve the promotion of £400k from the reserved programme to the funded capital programme for works at Kirkgate Market, funded by a release from the capital contingency scheme.
- d) approve the injection to the capital programme of £738.7k, funded by unsupported borrowing, for the demolition of surplus properties.
- e) Approve the reallocation of £3.51m from the BSF programme to the capital contingency scheme, earmarked for Primary Basic Need and Children's Homes
- f) Approve the extension in the use of the existing capital programme provision for fire risk works to include asbestos removal works
- g) Approve the use of resources to develop the Assistive Technology Hub as outlined in 3.5.5.
- h) Approve a release from the capital contingency scheme of £290k to re-provide the Millennium Square screen

## 1 Purpose of this report

- 1.1 To provide Members with an update of the financial position for 2011/12 as at September 2011. The report includes an update of capital resources; a summary of schemes which have been upgraded from 'Amber' status to 'Green' status since the first quarter report and provides a summary of progress made on some major schemes. In addition, the report seeks some specific approvals to allow some schemes to progress.

## 2 Background information

- 2.1 The Capital Programme approved by Council in February 2011, projected expenditure of £949.1m from 2010/11 to 2014/15. General Fund overprogramming over that period of £59m was assumed which whilst higher than in previous years, was considered to be manageable. For HRA, overprogramming of £9.7m was included and ALMOs are expected to manage this throughout the year and constrain their expenditure within resources available.
- 2.2 In February 2011, some schemes were given an 'Amber' status and required a business case to be considered before they were allowed to progress. Some schemes have now been upgraded to 'Green' and a summary of these is included in section 3.4.

## 3 Main issues

### 3.1 Resources Position – General Fund Capital Programme

- 3.1.1 The latest capital programme resources position in Table 1 below:

**Table 1 – General Fund Capital Resources Position**

	2011/12		
	February 2011	Quarter 1 2011/12	Latest 2011/12
	£m	£m	£m
Forecast Expenditure	275.5	309.3	280.1
<b>Funded By:</b>			
Government Grants	129.2	132.4	116.7
Other grants & contributions	7.8	14.0	13.6
Supported borrowing	39.7	46.6	45.2
Unsupported Borrowing	64.2	89.2	83.4
Capital Receipts (see note 1)	0	0	0
Revenue / reserves	0.1	0.4	0.7

Total Forecast Resources	241.0	282.6	259.6
<b>Overprogramming</b>	<b>34.5</b>	<b>26.7</b>	<b>20.5</b>

Note 1: all capital receipts in 2011/12 are being used to fund liabilities in respect of PFI and finance leases.

- 3.1.2 As reported at quarter 1, the reduction in overprogramming for 2011/12 has largely arisen from a reduction of £7.8m in the amount needed for Equal Pay in 2010/11 and the need to provide for capitalisation costs in 2010/11, which were not previously included within the programme.
- 3.1.3 The latest resources position reflects annual programmes of expenditure through to 2013/14 which includes Disabled Facilities grants, capitalisation and annual repair and refurbishment programmes. No provision has yet been made for these spending programmes beyond 2013/14 and consideration will need to be given to the level of provision made for these during the capital programme review in February 2012. Since 2004, the programme has provided some £80m, funded by the Council, for highway maintenance. This budget is scheduled to be fully spent by 2013/14.
- 3.1.4 Since the first quarter report, the capital receipts forecast has been updated and receipts now supporting the programme total £4.9m. The General Fund programme through to 2014/15 now forecasts expenditure of £517.5m with forecast resources of £454.9m leaving overprogramming of £62.6m.
- 3.1.5 Overprogramming in the current year has reduced to £20.5m and in the following two years are £25.9m and £22.2m with a credit position of £5.9m in 2014/15. However, as noted above, no provision has yet been made for annual programmes in that year. This will need careful management to ensure the programme is affordable. The current forecast position is set out in **Appendix A**.

## 3.2 Progress on Major Schemes

- 3.2.1 Since the Capital Programme was approved in February a number of major schemes have made progress and these are outlined below:
- 3.2.2 **Leeds Arena** – this major project continues on site and on budget and is scheduled to complete in spring 2013. A new visitor centre has opened on site and is open to the public to view the construction site.

The Woodhouse Lane multi-storey car park will serve events at the Leeds Arena and in September, works began on repairing and upgrading the car park. These works will be completed in advance of the Leeds Arena opening.

The terms of the contract include delivery of an employment skills plan which will see 450 jobs created over the life of the construction, 30 existing apprenticeships completed and 60 new apprenticeships created. Progress against these will be monitored as the construction progresses.

- 3.2.3 **Building Schools for the Future Programme** – Schemes currently on site are Farnley Park, West Leeds Academy, Mount St. Mary's and Corpus Christi. Work on the new East Leeds Academy is due to start on site in October 2011 and complete in August 2013.
- 3.2.4 **Primary Capital Programme** – Six projects are currently on site and are due to complete between May and November 2012.
- 3.2.5 **Basic Need Provision** – The 2011 programme provided 225 additional permanent reception places and 30 temporary reception places. For the September 2012 programme proposals will provide 145 additional permanent reception places and 30 temporary reception places. Projects have recently been approved as follows:  
Bracken Edge – new build (modular construction), ½ form entry expansion to establish a 2 form entry primary school.  
Wykebeck - new build (modular construction), ½ form entry expansion to establish a 2 form entry primary school. This project includes provision for community facilities that replaces the South Gipton Community Centre.  
Roundhay – new build (modular construction), 2 form entry through school based on education provision for pupils and students within the 4-18 age range at Roundhay High School Technology & Language College.  
Carr Manor - new build (modular construction), 1form entry through school based on education provision for pupils and students within the 4-18 age range at Carr Manor High School.

A number of 2<sup>nd</sup> phase expansions are required at previously provided Basic Need schemes to ensure their permanent expansion. Design options are currently being reviewed. A review of the existing estate in the areas facing greatest demand for reception places is being undertaken to establish options for temporary places that could be delivered for September 2012.

- 3.2.6 **Inner Ring Road Tunnel** – The Woodhouse tunnel phase 1 works have now been completed. The works were completed to a high quality, three weeks ahead of schedule and £800k below the original funding for the scheme. The scheme was funded from government grant and the savings will now form part of the overall funding package for the bid that has been made to Department for Transport for funding towards the major works phase of the Inner Ring Road.
- 3.2.7 **Lovell Park Bridge** - Work has commenced on the replacement of selected bridge beams to extend the life of the structure.
- 3.2.8 **Essential Services programme** – This is a programme of essential ICT upgrading to ensure that the Councils ICT infrastructure is up to date and can support the business and service needs of the Council's services. Works have commenced on a number of aspects of the programme including the migration from Novell to Microsoft and storage consolidation.
- 3.2.9 **Web and Intranet Replacement** – work continues on these two projects which will see a new integrated and comprehensive web site for all the Council's services and a new intranet. The first stage launch of the new web site is scheduled for December 2011 with the intranet following in June 2012.

### 3.3 Economic Impact Analysis

- 3.3.1 Following on from the first quarter capital programme update report in July 2011, work has commenced to bring together an Economic Impact Analysis for the capital programme and initially this is looking at schemes over £1m in value which have economic development content. This work will identify the impact of the Council's capital programme in relation to the economy in Leeds.
- 3.3.2 Whilst this work has not yet completed, where an economic impact analysis has been done for individual projects and programmes, these have been brought together and are shown in **Appendix B**.
- 3.3.3 For the major schemes shown in Appendix B, at least 10,000 jobs will be created or maintained during construction. An additional net GVA of £376m will also result from the Arena development.

### 3.4 Approvals on Schemes with Amber Status

- 3.4.1 Since the quarter 1 report, business cases for some schemes which were graded as 'Amber' have been considered and have been upgraded to 'Green' status as detailed below. Funding is provided for these in the Capital programme approved by Council in February 2011.
- 3.4.2 Provision of £7.5m is included in the capital programme in 2011/12 for Highway Maintenance. Of this works totalling £5.5m had already been scheduled. The remaining £2m has now been released so that works can be scheduled through to the end of the financial year.
- 3.4.3 There are a number of challenging agendas across the Council in terms of its workforce and to support these it is proposed to develop an on-line Learning Management system at a cost of £225k. Efficiencies and savings identified within the service will make this investment cost neutral. The development will provide managers with a number of tools which will enable:
- support for workforce planning in terms of identifying and addressing needs in relation to experience and qualification gaps arising out of the ELI initiatives and supporting switching/re-deployment;
  - capture and management of all costs associated with workforce development in order to fully analyse spend and better target limited resources
  - generation of intelligence that will enable savings to be identified in terms of council-wide commissioning of shared qualification and training needs
  - identification of opportunities to generate council-wide staff savings linked to the centralisation and automation of on-line training administration as well as reducing duplication of processes.
- 3.4.4 Some business cases have been considered relating to Electronic Services Delivery. One is in relation to the implementation of self service modules linked to the Revenues and Benefits system which will provide citizens and business with access to their Council tax and Business rates accounts; allowing them to access

information and update key information. This capital investment of £172k will reduce call volumes to the corporate contact centre.

- 3.4.5 A further £34k is to be invested in the development of an e-Form for Environmental Services which will capture electronically requests for service on waste related issues. This builds on the Pest Control e-Form already in use.
- 3.4.6 Investment of £33k is to be made in validating the use of mobile phone applications as an appropriate access channel for certain LCC services. This software will allow people to report environmental issues affecting their neighbourhood at the touch of a button; the technology is already successfully used by a number of other local authorities.
- 3.4.7 There is a need to provide £67k for computer hardware and associated implementation costs of hosting speech analytics software within the Contact Centre. This software analyses call audio content and identifies where processes and products can be redesigned or improved and also allows the organisation to react to an issue that may occur on a one off basis.

### 3.5 **Scheme Specific Issues**

- 3.5.1 **Kirkgate Market** – In July 2011, executive Board considered a report on the future of Kirkgate Market and approved a strategy for the future. This report highlighted the need for some investment in the buildings to address essential condition issues. Some funding has already been provided for this through the existing capital programme and through markets general maintenance funding. A further £400k is required to complete these works and it is proposed to promote a scheme in the reserved programme (unfunded) to the funded capital programme to enable these works to progress. It is proposed to fund this through a corresponding reduction in the capital contingency scheme within the capital programme.
- 3.5.2 **Demolitions** - An injection to the capital programme is sought to enable 5 surplus properties to be demolished. These are Wortley High School, West Leeds Family Learning Centre, Swillington Library and public conveniences at Rodley lane and Morley Wesley Street. Demolishing these surplus properties will reduce the Council's on-going maintenance and security costs and will also reduce the Council's risk in respect of Health and Safety. Without demolition these properties will remain at risk from break-ins, theft, vandalism, anti-social behaviour and arson attack.

Work has already commenced to remove asbestos at Wortley High School prior to demolition. The cost of works at these 5 sites is estimated at £738.7k and will be funded through unsupported borrowing, the revenue cost of which will be met through savings in national non-domestic rates at these properties.

- 3.5.3 **BSF Contingency** - Executive Board in December 2008 considered a report in relation to the Building Schools for the Future programme and in particular schemes at Pudsey Crawshaw and Priesthorpe High Schools. Due to particular difficulties on these schemes, a specific contingency sum of £1.49m was set aside to deal with

residual risks. Both schemes have now been completed without the need to call on the contingency sum and in addition there is a contract saving on the Crawshaw scheme of £300k. These sums can be released from the BSF programme now.

A further contingency sum for the wider BSF programme stands at £1.72m. Now that East Leeds Academy is about to reach financial close it is felt that any substantial programme risks regarding the costs of schemes in development have been mitigated and that there should not be any further calls against this fund.

It is proposed at this stage to transfer these two contingency sums, £3.51m in total, to the Capital Contingency scheme pending an assessment of capital investment need regarding the Basic Need and Children's Homes.

**3.5.4 Asbestos Removal Programme** – Following a programme of surveys and risk assessments, there is a need to remove or safely contain asbestos in some Council properties. The capital programme in February 2011 provided a sum of £1.76m for fire risk works in council buildings. This programme of work has progressed and fire precaution works in high and medium risk buildings has been completed with a further programme of work scheduled. These works have cost less than originally envisaged and so it is proposed to extend the use of this funding to include asbestos works to ensure that the Council's responsibilities in this area can be addressed.

**3.5.5 Leeds Assistive Technology Hub** – Due to the unsuitability of premises, there is a need to relocate the Leeds Community Equipment store currently based at the Roundhay Road site. In addition, recognising the increasingly complex health and social care economy, there is a need for better coordinated services across Adult Social Care and Health professionals to ensure that service users have one point of contact for access to specialist advice and services across a range of Assistive Technologies.

In response to this need it is proposed to develop an Assistive Technology Hub located at 81 Clarence Road which will be declared surplus for operational use shortly. The capital cost of establishing the hub will be £276k and is proposed to be funded using £126k from the Adult Social Care settlement provision within the 'Amber' capital programme and £150k held in the reserved capital programme for the Roundhay Road relocation but funded through unsupported borrowing.

**3.5.6 Millennium Square Screen** – After 5 years in place, the Millennium Square screen now needs to be replaced. The screen has proved successful in engaging local people in events, activities, information about what is on in the city and moments of coming together to share national or international happenings. The current screen is beyond its life expectancy and is showing significant signs of wear leading to frequent breakdowns or potential breakdowns at significant times. It is due to be removed by the current owners. It is proposed to replace the screen to ensure Leeds retains its profile as a leading and safe city for engaging local people with national and international events.

The estimated cost of providing and installing a new screen is £290k and it is proposed to fund this initially from the capital contingency scheme. However,



attempts to secure some sponsorship/private sector contributions will continue as will identification of savings on existing schemes, to seek to reduce the impact on the capital programme. The screen will be installed in time for the European Football finals, the Olympics and Paralympics and screenings of Opera, Ballet intermingled with local community created film and activity. The partnership with the BBC will continue ensuring access to high quality live action from all of the above events.

### **3.6 Housing Revenue Account Programme**

- 3.6.1 The approved February 2011 Capital Programme reported an overall HRA programme of £200m for 2010/11 through to 2014/15; this included an additional programme of £9.7m for which resources were not available. At period 6, forecast spend for the period 2011/12 to 2014/15 is £164.8m and the level of overprogramming has reduced from £9.7m to £4.5m and this is shown in **Appendix C**. Further work will be undertaken with the Director of Environment and Neighbourhoods and the ALMOs to address the overprogramming and deliver the programme within available resources.
- 3.6.2 The 2011/12 forecast spend now stands at £53.3m including overprogramming of £2m. This will be managed back within available resources with the likelihood that some schemes will slip, given the level of spend to date at period 6.
- 3.6.3 The 2011/12 HRA/ALMOs capital programme will be the last to include Major Repairs Allowance (MRA). From 2012/13 the council will move to the self financing regime and will be able to retain all its rental income in return for a one off debt settlement figure announced in March 2011. Within the ALMOs capital programme from 2012/13 onwards this funding has been set at the 2011/12 MRA level.
- 3.6.4 Monitoring of the individual ALMO programmes indicates that current levels of overprogramming across the 4 years will be managed back to within available resources. The current position for each ALMO is summarised below:

**Aire Valley Homes (AVH)** – At period 6 AVH has slipped £1.18m of its sheltered housing programme to 2012/13 and while expenditure to date is low at £2.6m it is now considered Aire Valley Homes has a realistic programme which it can deliver in 2011/12. At period 6 AVH are projecting to spend all available resources of £12.57m.

**East North East Homes (ENEH)** – At period 6 the 2011/12 programme is currently £18.9m with at mid year, a manageable overprogramming level of £2m (12%). The expenditure position at month 6 is £2.5m and ENEH are projecting to spend all available resources of £16.9m.

**West North West Homes (WNWH)** – WNWH have available resources of £23m and at period 6 have slipped £6m of available resources to 2012/13 reducing their 2011/12 programme to £17m. Expenditure to date is low at £2.6m but it is now considered WNWH has a realistic programme which it can deliver in 2011/12.

**Belle Isle Tenant Mgt Organisation ( BITMO)** – At period 6 spend to date is £0.2m and BITMO are currently projecting a balanced programme and will spend all available resources of £2m.

## **4. Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 There has been no direct consultation in relation to this report. For the scheme specific approvals in the report, relevant consultations have been undertaken by the service directorates concerned.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 This report seeks approval to some project specific issues. Where these proposals have an impact in relation to equality, diversity, cohesion and integration, these assessments will be carried out by the directorate responsible for delivery of the project.

### **4.3 Council Policies and City Priorities**

4.3.1 The project specific issues referred to in the report are consistent with the City Priority Plans and the Council Business Plan as follows:

Kirkgate Market Strategy: Supports the sustainable growth of the Leeds economy, raises the profile of Leeds nationally and internationally and reduces carbon emissions (due to fewer food miles in getting produce to market).

Demolitions and Asbestos removal: delivery of an Asset Management Strategy and reducing the running costs of our buildings.

Assistive Technology Hub: Supporting more people to live safely in their own homes, giving people choice and control over their health and social care services.

Millennium Square Screen: Supports raising the profile of Leeds, marketing and promoting the city and supports development of the Council's cultural events and facilities.

### **4.4 Resources and Value for Money -**

4.4.1 The resource implications of this report are detailed in section 3 above. For the capital programme to be sustainable, the Director of Resources must be satisfied that spend in each year of the programme can be afforded. A level of overprogramming is suitable for the capital programme to take account of the nature of capital schemes where timing is not always easy to predict.

4.4.2 The overprogramming over the life of the capital programme stands at £62m which is £3m higher than reported in February 2011. For HRA, the position outlined in section 3 shows that expenditure by the ALMOs can be managed within resources available.

4.4.3 In order to ensure that schemes meet Council priorities and are value for money, the Director of Resources will put processes in place to ensure;

- the introduction of new schemes into the capital programme will only take place after completion and approval of a full business case and identification of the required resources;
- promotion of best practice in capital planning and estimating to ensure that scheme estimates and programmes are realistic;
- the use of unsupported borrowing by directorates based on individual business cases and in the context of identifying the revenue resources to meet the borrowing costs.

#### **4.5 Legal Implications, Access to Information and Call in**

4.5.1 There are no legal or Access to information issues arising from this report. The report is subject to call in.

#### **4.6 Risk Management**

4.6.1 One of the main risks in developing and managing the capital programme is that insufficient resources are available to fund the programme. A number of measures are in place to ensure that this risk can be managed effectively:

- monthly updates of capital receipt forecasts prepared, using a risk based approach, by the Director of Development;
- monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
- quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;
- ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
- provision of a contingency within the capital programme to deal with unforeseen circumstances;
- compliance with both financial procedure rules and contract procedure rules to ensure the Council's position is protected

4.6.2 In the February 2011 capital programme report Members agreed that no further injections can be made to the capital programme without a corresponding reduction or identification of additional resources. In light of the current resources position and the budget challenges ahead it is imperative that this principle is maintained. In addition, further transfers to the reserved programme may need to be considered during the year dependent on the overall resources position.

## **5 Conclusions**

- 5.1 The general fund overprogramming of £20.5m in 2011/12 is considered manageable through to the end of the year. The overprogramming over the life of the programme, £62m, is higher than normal tolerances and will require careful management to ensure the programme can be afforded.
- 5.2 For HRA, ALMO forecast expenditure can be contained within available resources in 2011/12.
- 5.3 Specific approvals are requested in relation to the Kirkgate Market, the demolition of surplus properties, the use of the Building Schools for the Future contingency funding, the asbestos removal programme, the Assistive Technology Hub and the Millennium Square screen.

## **6 Recommendations**

- 6.1 Executive Board is requested to:
  - a) note the latest position on the general fund and HRA capital programmes;
  - b) note the transfer of schemes from the Amber to the Green programmes as set out in section 3.4;
  - c) approve the promotion of £400k from the reserved programme to the funded capital programme for works at Kirkgate Market, funded by a release from the capital contingency scheme.
  - d) approve the injection to the capital programme of £738.7k, funded by unsupported borrowing, for the demolition of surplus properties.
  - e) Approve the reallocation of £3.51m from the BSF programme to the capital contingency scheme, earmarked for Primary Basic Need and Children's Homes
  - f) Approve the extension in the use of the existing capital programme provision for fire risk works to include asbestos removal works
  - g) Approve the use of resources to develop the Assistive Technology Hub as outlined in 3.5.5.
  - h) Approve a release from the capital contingency scheme of £290k to re-provide the Millennium Square screen

## **7 Background documents**

Capital Programme 2010/11-2014/15 – Executive Board 11<sup>th</sup> February 2011

Capital Programme Update Report – Executive Board 27<sup>th</sup> July 2011