

**Report of the Director of Resources**

**Report to Executive Board**

**Date: 17<sup>th</sup> July 2013**

**Subject: Capital Programme Quarter 1 Update 2013-2016**

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 the Housing Revenue Account (HRA). The Council continues to seek to deliver a substantial capital programme across the city which will provide improved facilities and infrastructure and which supports the Leeds economy.
2. As reported in the Capital Programme Update in February 2013, there is now a new approach to presenting the capital programme funding position which recognises that the key control regarding capital investment is on meeting the cost of borrowing. Overprogramming has been eliminated from the capital resources statement by introducing additional borrowing, which has increased the forecast debt costs in future years. A level of capital programming slippage is built into the debt forecast along with interest rate variations and revenue balances assumptions thereby placing the key financial control on the debt costs. Careful monitoring of the overall resources position and phasing of schemes will be required to ensure the cost of borrowing is affordable within the debt budget available.
3. The report concludes that the capital resources position statement shows an increase in the level of borrowing required to fund the 2013-16 capital programme since February 2013 of £35m although £10.2m of this relates to borrowing slippage from 2012/13 and the remainder is for schemes that already have a budget to pay for the additional costs of borrowing. The attached position shows that the cost of borrowing for 2013/14 can currently be contained within the agreed 2013/14 debt budget. In summary debt costs are forecast to rise by £6.6m in 14/15 and £2.6m in 15/16. This increase is due to full year costs of capital spend in 2013/14, higher borrowing costs and capital spend on schemes that generate savings or avoids

costs. The projected increase in debt costs will continue to be managed in the debt budget through efficient treasury management of debt and close monitoring of schemes. The HRA shows a balanced programme over the next 3 years which will be delivered within the resources available.

4. This update notes that the impact of the government spending review on the overall capital programme, announced on 26<sup>th</sup> June 2013, is being assessed.
5. The report sets out progress so far in 2013/14 on major schemes and spending programmes and seeks some scheme specific approvals.
6. An update on schemes completed in 2012/13 is also provided which compares final spend against authority to spend.

## **Recommendations**

Executive Board is requested to:

7. Note the latest position on the General Fund and HRA capital programmes;
8. Note the changes to the Capital Approval process, designed to reduce bureaucracy and improve accountability;
9. Note the transfer of schemes from the Amber to the Green programmes as set out in section 3.4;
10. Approve authority to incur expenditure of £734.0k to allow completion of an alternative technical solution to delivery of the Electronic Documents Records Management System (EDRMS) as set out in section 3.3.4;
11. Approve the injection to the capital programme of the following:
  - £12,860.6k funded by government grant to enable the provision of additional primary school places;
  - £1,247.0k funded by additional Local Transport Plan (LTP) grant towards costs of developing a Park and Ride facility at Elland Road;
  - £355.0k of prudential borrowing, funded by Children's Services Directorate to fund the replacement of Infobase IT system;
  - £416.0k for the refurbishment of Shire View former Home for Older People, funded by prudential borrowing;
  - £311.2k unsupported borrowing for capitalisation of interest on assets under construction.
12. Note the economic impact of the Council's capital programme as detailed in section 5;
13. Note the position on recently completed schemes and associated authority to spend;

14. Approve that the Capital Receipts Incentive Scheme receipts available for allocation across all wards, be transferred to the Area Committees with the sum available being allocated to individual committees on the basis of existing Area Well Being needs based formula.

## **1. Purpose of this report**

- 1.1. The purpose of the report is to provide Members with an update of the progress of the capital programme as at June 2013. The report includes an update of capital resources, a summary of schemes which have been upgraded from 'Amber' status to 'Green' status since February and provides a summary of progress made on some major schemes. The report also seeks to inform members of recent changes to the Capital Approvals process introduced to reduce bureaucracy and increase accountability, includes an update on the economic impact of the capital programme and provides an update on current approval levels in relation to schemes completed in the last financial year. In addition, the report seeks some specific approvals in relation to funding injections and the method for distribution of Capital Receipts Incentive Scheme funding across all Wards.

## **2. Background information**

- 2.1. The Capital Programme approved by Council in February 2013, projected expenditure of £677.6m from 2013/14 to 2015/16. This included borrowing of £262.6m over the period, including £117.1m in 2013/14. The cost of financing this borrowing was included in the debt budget also approved in February.
- 2.2. In February 2013, 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 at 3.4.

## **3. Capital Programme**

### **3.1. Resources Position**

- 3.1.1. Since the approval of the Capital Programme in February 2013, the provisional 2012/13 accounts have been completed and the position reported to Members as part of the June Revenue Outturn Report to Executive Board. Consequently the 2013/14 and future years capital programme has been restated and the resources position has also been updated.
- 3.1.2. The General Fund capital programme currently stands at £550.9m for the period up to 2015/16. It provides for investment in improved facilities and infrastructure and also has an impact on the Leeds economy through supporting jobs and income and business generated throughout the city. The HRA capital programme provides for capital investment of £197.8m for the 3 years 2013/14 through to 2015/16. The HRA/ALMOs will deliver a balanced programme within the available resources. An update on the HRA Capital Programme is found in Section 4 of this report.
- 3.1.3. The latest capital programme resources position for General Fund and HRA in 2013/14 is shown in Table 1 below.

**Table 1 – Capital Resources Position**

	2013/14	
	February 2013 £m	Latest £m
Forecast Expenditure	280.3	282.7
<b>Funded By:</b>		
Government Grants	88.4	71.1
Other grants & contributions	10.8	10.1
Borrowing	117.1	135.4
Revenue / reserves	5.6	7.1
HRA Self Financing	58.4	59.0
<b>Total Forecast Resources</b>	<b>280.3</b>	<b>282.7</b>

- 3.1.4. Since the February Capital programme report 2013/14 forecast expenditure has increased by £2.4m to £282.7m. However, underlying this is a number of injections into the Capital Programme totalling £27.8m offset by a reduction in the programme due to a net slippage of £25.4m.
- 3.1.5. The capital resources position statement shows an increase in the level of borrowing required to fund the 2013-16 capital programme of £35m from £262.6m to £297.6m since February 2013. £10.2m of this relates to borrowing slipped from 2012/13. In addition, a number of prudential borrowing schemes have been injected, funded by departmental revenue budgets. The current forecast position is set out in **Appendix A**. The additional costs of borrowing remain affordable within the agreed 2013/14 debt budget. However debt costs are projected to increase by £6.6m in 14/15 and a further £2.6m in 15/16. This increase is due to full year costs of capital spend in 2013/14, higher borrowing costs and capital spend on schemes that generate savings or avoids costs (for which provision already exists within departmental revenue budgets). The projected increase in debt costs will continue to be managed in the debt budget through efficient treasury management of debt and close monitoring of schemes. The affordability of debt will continue to be monitored and assessed in the context of the medium term financial plan.
- 3.1.6. As reported in the Capital Programme Update 2013-2016 in February 2013, there is now a new approach to presenting the capital programme funding position which recognises that the key control regarding capital investment is on meeting the cost of borrowing. Overprogramming has been eliminated from the capital resources statement by introducing additional borrowing, which has increased the forecast debt costs in future years. A level of capital programming slippage is built into the debt forecast along with interest rate variations and revenue balances assumptions thereby placing the key financial control on the debt costs. Careful monitoring of the overall resources position and phasing of schemes will be required to ensure the cost of borrowing is affordable within the debt budget available.

### **3.2. Reducing Bureaucracy – Changes to the Capital Approvals Process**

- 3.2.1. As outlined in Para 3.1.6, the February 2013 capital programme is now fully funded, enabling directorates to concentrate on delivering their individual capital programmes. Following discussion at CLT and consultation with Corporate Governance and Audit Committee, further changes to the capital approvals process have been made and these are outlined below. **Appendix C** shows the latest Capital Approvals delegations.
- 3.2.2. **Capital Programme Injections – No changes proposed.** Currently Directors have authority to inject schemes funded through explicitly ringfenced externally grants without limit. Director of Resources has authority to inject Council funded schemes up to £250k and up to £500k for some types of schemes funded by borrowing.
- 3.2.3. **Funding Approval** – This financial check was carried out on all schemes regardless of value. The check made sure the funding was in place before an Authority to Spend decision was taken. On the basis that all schemes are now funded, this check will only remain for reports being scheduled for Executive Board, to ensure that Executive Board decisions are taken based on accurate financial information. For Authority to Spend decisions up to £500k Directors will be accountable for decisions and for seeking the appropriate professional advice. The Directorate capital programme teams will support this process where required to ensure financial information in delegated decision reports is correct.
- 3.2.4. **Authority to Spend – No changes proposed.** Currently Directors have full delegated authority, without limit, to approve ATS on category B and C schemes (repair, maintenance and works requested and requested and funded by a third party e.g. s106 and s.278) and authority up to £500k on category A schemes (new build, major refurbishments etc.). Schemes over this threshold are approved by Executive Board.
- 3.2.5. **Chief Officer Approval (COA)** – All schemes required a COA before a contract can be awarded. This stage was the final affordability check and the stage at which a scheme moved from being contractually uncommitted to committed. This process has been removed giving Directors full accountability for the award of capital contracts. In doing this it is imperative that the capital programme system is kept up to date on the status of schemes so that capital programme monitoring and the Council's financial accounts are accurate. Contract award information available through the Council's governance process and other directorate information will be used to update the capital programme system.
- 3.2.6. **Assistance in Decision making** – The following support is available to support Directors in taking capital decisions:
- Directorate capital programme teams will assist in confirmation of financial information for inclusion in reports;
  - A checklist has been provided for the decision taker which details matters which need to be considered in taking decisions on capital scheme.

### 3.3. Progress on Major Schemes

This section provides an update of progress on major schemes since the February Capital Programme. Scheme updates are grouped under objective headings.

#### 3.3.1. Improving our Assets

**Improvement in Council Houses** - Investment of £66.3m is provided in 2013/14 for improving Council houses across the city together with a programme of £42m for new build over the next 4 years. The details of this programme of works are contained in a separate report on the same agenda. The 2013/14 capital programme also includes £2.8m to refurbish 87 properties in Aire Valley Homes which were formerly part of the Beeston Hill PFI project. The remaining programme is made up of schemes to maintain decency, improve energy efficiency and replace communal building components.

**Little London Community Hub** - This project will be the subject of a report to Executive Board later this autumn. The scheme involves the improvement of community facilities in the heart of the neighbourhood. The redevelopment of the area will provide a new Community centre and neighbourhood housing office (NHO), new and improved shops and an extension to Little London Primary School.

**Changing the Workplace** - A key element of the business case is the proposal for Merrion House. Significant work has been completed, despite some delays with an anticipated signing of documents programmed for the end of July 2013. This delay has resulted in some slippage on anticipated spend but the programme is on track to realise the benefits articulated in the original business case. A full annual update is provided in **Appendix D**.

**Maintenance of other Council buildings** - To address budget pressures of holding void properties an annual programme of £1m for demolition of property exists in each of the next 3 years. Since the February report these pressures have increased and £1m has been brought forward from 2015/16 to 2013/14. These properties are vulnerable to break-ins, arson attacks and are costly to maintain as a void property.

**Redhall redevelopment** - As part of the development of the Redhall master plan, provision of £1.3m exists to relocate council services from the Redhall site to Farnley Hall and for the preparation of the outline planning application as the first phase of the Redhall master plan. The Coach House refurbishment will complete September 2013.

**Schools Capital Maintenance** - The government have now confirmed £7.8m of formulaic allocations for schools' Capital Maintenance for 2013/14. This represents a reduction in funding compared with previous years' allocations (2012/13 allocation was £8.5m) due to the number of schools that have converted to academy status and as such receive their funding directly. For planning purposes, it is assumed that 50% of this and future allocations will be utilised to support Basic Need pressures. A £3.8m programme of planned maintenance works will be delivered during 2013/14, with the majority of these works to be carried out during the schools

summer term. The areas of works include roofing, windows & doors, boiler replacement and kitchen ventilation.

**East Moor Secure Children's Home-** Works for the new East Moor Secure Children's Home has started on site with the new buildings becoming operational for September 2014.

### 3.3.2. Investing in Major Infrastructure

**Flood Alleviation** - A report will be brought back to Executive Board in September and further details are provided below in section 3.4.

**New Generation Transport (NGT)** - The programme is still on track to submit a Transport and Works Act Order and associated applications for the NGT project to the Secretary for Transport in September 2013. Authority to submit the order was approved by full Council in July. In addition, an alternative section of the Southern route is being investigated that takes NGT up Belle Isle Road to the Park & Ride site thus avoiding High Speed 2 along the railway corridor. Further consultation events are planned.

**Carbon reduction initiatives** - In respect of carbon reduction initiatives, the free home insulation scheme has resulted in 10,007 cavity wall insulation and loft insulation jobs taking place in over 8,000 private homes, all at zero cost to the householder. In October 2012, the Department of Energy and Climate Change (DECC) awarded Leeds City Region £2.6m to run a Green Deal Demonstrator project, of which £1.28m was awarded to Leeds City Council. This programme has seen around 180 ALMO properties receive free external wall insulation. In addition, over 100 private properties have received fully funded external wall insulation and over 90 private sector Green Deal loans have been applied for. The value to the city of this programme is approximately £5m. The Council has now formed a partnership with 3 major Green Deal Providers and expects to improve at least 2,000 homes over the next year, at a value in the region of £10m, for an investment of under £1m from the council (predominantly from existing ALMO capital budgets).

**A58 Leeds Inner Ring Road** - A contractor for the Woodhouse Tunnel project was appointed in December 2012 under early contractor involvement to advise on the final detailed design and scheme costs. Due to complications with the final design and cost estimates, the original programme is delayed but a solution, to comply with the original scheme constraints, is currently being developed with a full approval submission expected by the end of summer 2013 giving a revised start later in the year.

### 3.3.3. Supporting Service Provision

**Refurbishment of Harry Booth House** – The recent conversion of the former older persons' residential home Harry Booth House into a new intermediate care facility provides the base for delivering a jointly provided service with the Leeds Community Health Trust that will improve both the speed and effectiveness of service delivery to the residents of Leeds. It makes effective use of an existing



asset and provides financial savings to both Health and the Council. The facility, now called the South Leeds Independence Centre (SLIC), has been operational since late April. Early signs are entirely positive in improving outcomes for the people referred there.

**Rothwell Fulfilling Lives Centre** – This scheme was approved in December 2012 at a cost of £2m. The original building has now been demolished and a new build is underway to provide a facility built to modern standards that will provide a specialist day service base for adults with a learning disability, who have additional health needs, in the south of the city. The building will also provide a community resource for other groups, both disabled and non-disabled.

**Assistive Technology (AT) Hub** – Approved at Executive Board in April 2013, this £2.2m scheme will provide a range of specialist services and advice to service users and health and social care professionals. The scheme includes a redesign and conversion of an existing LCC building and will bring together a range of AT services. It will also offer opportunities to develop new services with partners in the public, private and voluntary sectors.

**Basic Need** - Demand for places in primary schools and specialist provision continues to increase and the impact begins to affect the secondary sector in 2015. The Council continues to assess the financial impact of projected increased primary and secondary places.

Major basic need schemes for the new Nightingale Academy Primary School (Florence Street), new Lane End Primary School (South Leeds) and Little London Primary School are currently in design stage. Works are programmed to start on site during 2014 and complete during the summer of 2015, with the new buildings becoming operational for September 2015. Construction works have started on site for the Morley Newlands Primary School with the new buildings due to become operational for September 2014.

**Building Schools for the Future (BSF)** - All BSF schools have been handed over and are operational. The resolution of snags and defects continues along with the settlement of final accounts. Phase 2 works (demolition and completion of external works) at Leeds East Academy are due to complete in October 2013.

#### **3.3.4. Investing in New Technology**

**Electronic Documents Records Management System (EDRMS)** – The EDRMS project has been approved with authority to spend of £3.2m, currently there is £1.06m remaining of this funding. However, at the end of January 2013 the supplier went into administration. At the February 2013 meeting of the Business Improvement (BI) Board the project team was tasked with investigating alternative technical solutions for the provision of a corporate EDRM offering. The recommendation is that SharePoint plus specialist third party products can provide a viable and sustainable alternative solution. Authority to spend is now requested for an additional £734k to complete the project, with funding from existing ICT resources. The revenue impact of the project is reduced as the Council will not incur originally budgeted revenue costs as delivery and support will be through

existing technologies and internal ICT resources. The reduced revenue expenditure over the life of the solution (10 years) equates to £900k. Whilst additional capital is required, the overall cost of the project including capital and revenue over the expected shelf-life of the solution will be less than the original proposal resulting in an overall saving of £200k.

The project will provide capabilities which will allow people to more effectively manage, process and find information (documents and records) which is required to deliver services in a way which is efficient and will significantly improve business processes and require significantly less manual intervention.

The project is a key enabler for a number of Council business plan initiatives including providing critical capabilities in support of the Social Care system implementations in both Adults and Children's, supporting the Changing the Workplace agenda, enabling remote working and the secure sharing and information exchange with partner agencies. The delivery also enables the Council to avoid increased IT operational costs around the storage of data which is anticipated to be in the region of £7m between 2017 and 2019. Delivery improves the Council's ability to meet its information governance legislation and policy, thereby reducing the risk of incurring further fines from the Information Commissioners Office.

**ICT Infrastructure** - The implementation of Microsoft technologies continues as planned in our data centres allowing for the complete decommissioning of the legacy Novell environments by the end of the year. The desktop refresh which involves the rollout of Windows 7 and Office 2010 is approaching the 9,000 device mark and this part of the programme is expected to complete in August 2013. The replacement of BT Featurenet telephony across many of the Council's sites with a modern and more cost effective in house digital solution is also on target to complete in summer 2013. The replacement of our old enterprise class Unix servers that host many of our critical business systems, with a new generation of Unix machines is also on target for completion in 2013/14. The final phase of critical work to make our data centres and the associated applications and services more resilient is scheduled to commence this year. This will mean higher levels of system availability.

**Adult Social Care Management System** - Work continues on the replacement of the system and is scheduled to become operational towards the end of the current financial year. The integrated adult social care and health agenda continues to gather momentum and some key initiatives have been delivered. The wider Leeds Care Record programme will enable the various practitioners from different organisations to have a common view of the individual case and this is getting closer to fruition.

### **3.3.5. Supporting the Leeds Economy**

**Leeds Arena** - Construction of the 13,500 capacity arena began on 23 May 2011. Practical completion of the main arena build works was granted on 8 April 2013, with the balance of the landscaping works completed on programme on 17 May 2013. The final account for the main arena building works has now been agreed.

Subject to reconciling all costs associated with the project, it is envisaged that the project will be delivered within the budget available and has achieved or exceeded nearly all employment and skills targets. An opening season of events has been booked and the Arena is due to host Bruce Springsteen on July 24th.

**Kirkgate Market** - The Feasibility Study on Kirkgate Market was presented to Executive Board in March 2013. Permission has been granted to roll forward the £400k maintenance spend from 2012-13.

**Aire Valley Enterprise Zone** - £2.5m is provided in the programme to support a new spine road which will open up this strategic site for development and enable public transport to connect to East Leeds and local people to access the new jobs created in the Enterprise Zone. Construction on the first phase of the scheme, funded through the business rates raised by the zone, commenced on site in April 2013.

**West Yorkshire Broadband** - The programme is largely back on track after identifying additional resources and overcoming some state aid issues raised by Government. The scheme is currently in the middle of procurement and has hit all recent milestones.

**Super Connected Cities** - Recent state aid issues have been raised at a Government level. This has raised concerns over the type of programme we can deliver and it is becoming apparent that the initial outcomes will not be possible. The Government are investigating alternative projects that are feasible under the state aid umbrella approval.

**Sovereign Street** - Following the sale of the site, work on the creation of a £2.45m green space continues. As part of the redevelopment there are two further development sites available and the Council has recently entered into an exclusivity agreement on one of them, to allow progression with design proposals and secure an occupier for the building.

**Townscape Heritage Lottery (HLF) Fund** - Investment in Armley and Chapeltown continues to underpin private investment in sensitive building repair and restoration. The HLF has awarded Leeds £1.5m of funding to create a new Townscape Heritage Initiative (THI) in Lower Kirkgate, making Leeds the only local authority with three active THI schemes. The HLF funding has been injected into the capital programme. It will support bringing vacant properties into use and increasing the viability of existing businesses within the historic Lower Kirkgate area. A Council contribution of £668k is also included in the programme for this project.

The HLF has also awarded Leeds £845k to address heritage construction skills shortages within the city, primarily in relation to the repair and maintenance of pre-1919 buildings and other buildings within conservation areas. An NVQ3 will be offered to placement trainees with NVQ2 in Construction (or equivalent) in addition to discrete short courses to fill identified skills gaps. It is likely that the former will be attractive to 19-25 year olds, with the latter to local construction small and medium sized enterprises **who** will also be the principal target for providing the work-based placements.

**Tour de France** - Plans are in place for Highways works and also for work on Victoria Gardens.

### **3.4. Approvals on Schemes with Amber Status**

Since February 2013, approval has been given to upgrade £750k of funding for the Leeds' Flood Alleviation Scheme from 'Amber' to 'Green' status. This funding is required in order to allow the scheme to progress to full design. A further report is due to be brought to Executive Board in September seeking approval for delivery of the first phase of construction. Once all phases are completed, the scheme will provide flood defences to achieve a 1:75 year standard of protection for the city centre area from Leeds Station to Knostrop Weir by 2015/16. Approval will also be sought as part of the September report to upgrade further funding from 'Amber' to 'Green' status. Funding is provided for this in the capital programme approved by Council in February 2013.

### **3.5. Scheme Specific Issues**

**3.5.1. Education Basic Need** – The Capital Programme approved in February 2013 included provisional funding of £14.2m per annum for 2013/14 and 2014/15 in relation to the annual formulaic allocations for the Basic Need Programme, which aims to deliver additional school places required as a result of significant demographic growth in Leeds. On 1<sup>st</sup> March 2013 the Secretary of State announced details of the capital allocations for Education; Leeds will receive £36,960.6k for 2013-15. The updated Capital Programme now provides for a further £12,860.6k, including an increase in the provisional allocation for 15/16 of £4.3m. In addition to the basic need allocation the Council has taken up its option to bid for an additional targeted basic need grant. The submission was based on current estimates of anticipated primary and secondary school places across the city. The bid included the expansion of 5 primaries, 2 special educational needs units (1 expansion and 1 new), and 3 new secondary schools (2 expansions and 1 new). The outcome of the bid is expected during the summer.

**3.5.2. Education Capital Maintenance and Devolved Formula Capital** - The announcement on capital funding made on 1<sup>st</sup> March 2013 also included details for 2013/14 Capital Maintenance funding for schools and Devolved Formula Capital. As a result, the capital programme provision for 2013-16 has been reduced by £3,386.5k for Capital Maintenance and £593.2k for Devolved Formula Capital.

**3.5.3. Integrated Transport** – The February 2013 Capital Programme included an indicative allocation of £3,968k which was subject to confirmation by the West Yorkshire Integrated Transport Authority. Confirmation was received in February that the Leeds' allocation was £3,955k, resulting in the updated capital programme being reduced by £13k.

**3.5.4. Elland Road Park and Ride** - The original proposal to develop a park and ride at Elland road included works to be undertaken by both the Council and Metro. Metro have now decided to provide a grant to the Council for the Council to undertake the

full scheme itself. Therefore an additional £1.247m of fully funded grant is included in the capital programme, which now reflects full scheme costs of £2.31m.

- 3.5.5. Development of InfoBase** - Infobase was developed by Education Leeds as a communication channel between the Council and Schools, to provide secure access to software applications and shared policies, news, guidance and documents. The system has become fragmented and outdated and there is a clear need to replace it with new up to date applications that are fit for purpose, which integrate with current technologies and can be fully supported by ICT. £355k of prudential borrowing has been included within the updated capital programme, to be funded by Children's Services directorate.
- 3.5.6. Refurbishment of Shire View** – Shire View is a Leeds City Council owned property in the Headingley area which was formerly a Home for Older People, and latterly was used to deliver Adult Social Care commission based services. Following the lapse of the lease on White Rose House, also in the locality, an opportunity has arisen to consolidate staff in the West North West area onto the Shire View site. The updated Capital Programme includes for £416k of prudential borrowing funding in order to refurbish the property at Shire View. The borrowing costs will be met from savings on rent and service charges currently paid for the occupation of White Rose House.
- 3.5.7. Capitalisation of Interest** - The Local Authority Accounting Code of Practice allows local authorities to capitalise the interest costs relating to assets under construction, providing this is applied consistently to all such assets. In previous years, funding has been injected into the programme as part of the year end process, once actual costs are known. In order to aid financial planning and increase transparency, the capital programme now includes an estimate of £311.2k for interest payments on assets programmed to be in construction at 31<sup>st</sup> March 2014.

### **3.6. Update on Completed Schemes and Associated Authority to Spend**

An analysis of schemes that were completed in 2012/13 against authority to spend has been undertaken. A breakdown of the information is included at Appendix E.

### **3.7. Update on Capital Receipts Incentive Scheme**

- 3.7.1. The establishment of a Capital Receipts Incentive Scheme (CRIS) was approved by Executive Board in October 2011. The key feature of the scheme is that 20% of each receipt generated will be retained locally for re-investment, subject to a maximum per receipt of £100k, with 15% retained by the respective Ward and 5% pooled across the Council and distributed to Wards on the basis of need.
- 3.7.2. Some receipts are excluded from the scheme and these are largely receipts that are already assumed to fund the Council's budget or are earmarked in some other way to previous or future spend.

3.7.3. During the first year of operation receipts under the scheme total £2.33m. The element retained directly by Wards totals £338k with a further £112k available to be distributed across all Wards. Table 2 summarises receipts available to date.

**Table 2: Capital Receipts Incentive Scheme Allocations to Date**

Ward	Retained by Ward	To Distribute across all wards	Total
	£	£	£
ARDSLEY AND ROBIN HOOD	6268.26	2089.42	8357.69
ARMLEY	12034.57	4011.52	16046.09
BEESTON AND HOLBECK	16596.59	5532.20	22128.78
BRAMLEY AND STANNINGLEY	26578.10	8859.37	35437.46
BURMANTOFTS AND RICHMOND HILL	5470.87	1823.62	7294.50
CALVERLEY AND FARSLEY	31810.95	10603.65	42414.59
CITY AND HUNSLET	3749.59	1249.86	4999.46
FARNLEY AND WORTLEY	30697.10	10232.37	40929.47
GARFORTH AND SWILLINGTON	9354.66	3118.22	12472.88
GIPTON AND HAREHILLS	6863.04	2287.68	9150.73
HEADINGLEY	106800.95	35600.32	142401.26
HYDE PARK AND WOODHOUSE	17719.84	5906.61	23626.46
KIRKSTALL	34775.12	11591.71	46366.83
MIDDLETON PARK	25444.63	8481.54	33926.17
OTLEY AND YEADON	3611.00	1203.67	4814.66
<b>TOTAL</b>	<b>337775.27</b>	<b>112591.76</b>	<b>450367.03</b>

3.7.4. Consideration has been given as to how to distribute the 5% element on the basis of need and options have been appraised. It is proposed to allocate the 5% element to Area Committees using the already established methodology that exists for allocation of funding (based on need) between Area Committees. This option would result in larger sums being available within Areas to enable larger capital schemes to progress and as the Area Well Being capital fund is now largely exhausted, this funding stream would provide Area Committees with an on-going, albeit relatively small, source of capital funding. It is recommended that this option is approved and that in future allocations will take place on a quarterly basis following regular update reports to Executive Board.

3.7.5. The distribution of the 5% element to Area Committees using the Area Well Being methodology would result in the shares set out in table 3 below:

**Table 3: Distribution of CRIS 5% to Area Committees**

Area Committee	Percentage Allocation	Area Allocation
Inner South	12.50%	£14,070.76
Outer South	10.23%	£11,518.19
Outer East	10.31%	£11,607.81
<b>Subtotal South &amp; East</b>		<b>£37,196.76</b>
Inner West	7.61%	£8,567.67
Inner North West	12.00%	£13,510.48
Outer West	8.59%	£9,666.28
Outer North West	8.96%	£10,086.17
<b>Subtotal West/ North West</b>		<b>£41,830.61</b>
Inner North East	9.00%	£10,140.70
Inner East	14.57%	£16,404.60
Outer North East	6.23%	£7,019.09
<b>Subtotal East/ North East</b>		<b>£33,564.39</b>
Total – All Areas	100.00%	£112,591.76

3.7.6. Executive Board is requested to approve that the existing 5% allocation from 2012/13 (£112.6k) and future CRIS receipts available for allocation across wards, be allocated to the Area Committees based on the existing Area Wellbeing needs based formula.

#### **4. Housing Revenue Account Programme**

- 4.1. The HRA capital programme provides for capital investment of £197.8m for the 3 years 2013/14 through to 2015/16. The HRA/ALMOs will deliver a balanced programme within the available resources. The HRA capital programme for 2013/14 is currently forecast at £66.3m as shown in **Appendix B**.
- 4.2. The 2013/14 HRA/ALMOs capital programme is in the second year of the self-financing regime. Under HRA self-financing arrangements, from 2014/15 Leeds will develop a citywide investment plan based on investment priorities across the authority and capital resources will be allocated based on these priorities. A detailed investment plan for the 2014/15 and 2015/16 years will be included within the November 2013 Capital Programme update report.
- 4.3. In June 2013 a review of the ALMOs and Housing Management arrangements was presented to Executive Board. Executive Board resolved that Leeds City Council would move to all housing services being integrated within direct council management with a retained locality delivery structure and strengthened governance arrangements to include tenants and independent members. A further report detailing implementation and governance arrangements is included elsewhere on this agenda. Arrangements for the management of the Capital Programme will be developed as part of the detailed development of these governance processes.

## **5. Economic Impact of the Capital Programme**

- 5.1. Members will recall that the February 2013 Capital Programme update included details of the Economic Impact Assessment of the Council's capital programme investment on the Leeds economy. This assessment made use of a Regional Econometric Model (REM) which can estimate the wider economic impact of the capital programme through multiplier effects. By inputting further information on the construction type or sector and the density of jobs contracted to Leeds residents, the model can produce more robust figures than previously reported.
- 5.2. The report has been updated to reflect the current capital programme position, and shows that between 2013 and 2016:
- LCC's capital expenditure will support up to 1,300 full time jobs annually in Leeds. This is the net impact after multipliers; leakage; displacement effects and deadweight have been taken into account.
  - the REM estimates that these jobs will generate £134m for the Leeds economy – equivalent to around 0.7% of Leeds' total GVA of £18bn.
  - similar analysis for Leeds City Region suggests that the capital expenditure will support an additional 200 jobs through multiplier effects in the Leeds City Region.
  - In total therefore, it is estimated that Leeds City Council capital expenditure between 2013 and 2016 will support up to 1,500 jobs annually and generate £147m GVA in the Leeds City Region– equivalent to 0.3% of the City Region's total GVA of £54bn.

## **6 Corporate Considerations**

### **6.1 Consultation and Engagement**

Consultation on the Council's budget proposals, including the capital programme, took place prior to the finalisation and approval of the budget in February 2013. This report gives an update on progress with the approved capital programme. This report also seeks to inject funding for specific proposals for which the necessary consultations will take place when the individual schemes are implemented by services.

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

The capital programme sets out a plan of capital expenditure over future years and further spending decisions are taken in accordance with capital approval processes, as projects are developed. This is when more detailed information will be available as to where in the city capital spending will be incurred and the impact on services, buildings and people. Service Directorates will include equality considerations as part of the rationale in determining specific projects from capital budgets.



### **6.3 Council policies and City Priorities**

Capital objectives were set out as part of the February 2013 budget process and the capital programme approved in February 2013 is structured to show schemes under these objectives.

### **6.4 Resources and value for money**

- 6.4.1 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 the cost of borrowing currently included in the capital programme can be contained within the approved revenue debt budget. The updated capital resources position statement set out in Appendix A shows that the cost of borrowing for 2013/14 can currently be contained within the agreed 2013/14 debt budget.
- 6.4.2 For HRA, the position outlined in section 4 shows that expenditure by the ALMOs can be managed within resources available.
- 6.4.3 In order to ensure that schemes meet Council priorities and are value for money, the Director of Resources has 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 is based on individual business cases and in the context of identifying the revenue resources to meet the borrowing costs.

### **6.5 Legal Implications, Access to Information and Call In**

The recommendations in this report are available for call in and there are no other legal implications arising from this report.

### **6.6 Risk Management**

- 6.6.1 One of the main risks in managing the capital programme is that insufficient resources are available to fund the programme. As the capital programme is now fully funded this risk lays within the treasury management of the debt budget. Monthly monitoring procedures are in place for expenditure, resources and capital receipts and debt monitoring to ensure that this risk can be managed effectively.
- 6.6.2 In addition, the following measure are in place:
- 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.

6.6.3 The February 2013 capital programme reiterated 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.

## **7 Conclusions**

- 7.1 The Council continues to seek to deliver a substantial capital programme across the city which will deliver improved facilities and infrastructure and also support the Leeds economy.
- 7.2 The report concludes that the capital resources position statement shows an increase in the level of borrowing required to fund the 2013-16 capital programme since February 2013 of £12.9m, from £262.6m to £297.6m. The cost of borrowing for 2013/14 can currently be contained within the agreed 2013/14 debt budget.
- 7.3 For HRA, ALMO forecast expenditure can be contained within available resources in 2013/14.
- 7.4 Specific approvals are requested in relation to the allocation of resources from the Economic Initiatives scheme and these are set out in section 3.4.

## **8 Recommendations**

Executive Board is requested to:

- 8.1 Note the latest position on the General Fund and HRA capital programmes;
- 8.2 Note the changes to the Capital Approval process, designed to reduce bureaucracy and improve accountability;
- 8.3 Note the transfer of schemes from the Amber to the Green programmes as set out in section 3.4;
- 8.4 Approve authority to incur expenditure of £734.0k to allow completion of an alternative technical solution to delivery of the Electronic Documents Records Management System (EDRMS) as set out in section 3.3.4;
- 8.5 Approve the injection to the capital programme of the following:
- £12,860.6k funded by government grant to enable the provision of additional primary school places;

- £1,247.0k funded by additional LTP grant towards costs of developing a Park and Ride facility at Elland Road;
- £355.0k of prudential borrowing, funded by Children's Services Directorate to fund the replacement of Infobase IT system;
- £416.0k for the Refurbishment of Shire View former Home for Older People, funded by prudential borrowing;
- £311.2k unsupported borrowing for capitalisation of interest on assets under construction.

8.6 Note the economic impact of the Council's capital programme as detailed in section 5.

8.7 Note the position on completed schemes and authority to spend;

8.8 Approve that the Capital Receipts Incentive Scheme receipts available for allocation across all wards, be transferred to the Area Committees with the sum available being allocated to individual committees on the basis of existing Area Well Being needs based formula.

## **Appendices**

A – General Fund Capital Programme Funding Statement

B – HRA Capital Programme Funding Statement

C – Revised Capital Approvals Delegations

D – Changing the Workplace - Annual Financial Update June 2013

E – Completed Schemes - ATS

## **Background documents<sup>1</sup>**

None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## Appendix A

### GENERAL FUND CAPITAL PROGRAMME FUNDING STATEMENT 2013/14 - 2015/16

24/06/2013

	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
<b>GENERAL FUND - COMMITTED AND UNCOMMITTED</b>				
<b>EXPENDITURE</b>				
IMPROVING OUR ASSETS	91,085	65,365	54,920	211,370
INVESTING IN MAJOR INFRASTRUCTURE	13,023	22,271	13,149	48,443
SUPPORTING SERVICE PROVISION	49,942	92,314	34,982	177,238
INVESTING IN NEW TECHNOLOGY	22,316	3,296	1,202	26,814
SUPPORTING THE LEEDS ECONOMY	20,065	11,602	6,522	38,189
CENTRAL & OPERATIONAL EXPENDITURE	19,970	14,494	14,349	48,813
<b>TOTAL ESTIMATED SPEND</b>	<b>216,401</b>	<b>209,342</b>	<b>125,124</b>	<b>550,867</b>
<b>CERTAIN FUNDING</b>				
GRANTS AND CONTRIBUTIONS	9,861	3,898	2,429	16,188
GOVERNMENT GRANTS	71,126	119,041	47,407	237,574
RCCO / RESERVES	126	0	0	126
BORROWING	135,288	86,403	75,288	296,979
<b>TOTAL ESTIMATED SPEND</b>	<b>216,401</b>	<b>209,342</b>	<b>125,124</b>	<b>550,867</b>

#### OVER PROGRAMMING

	0.0	(0.0)	(0.0)	0.0
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Note:-

\* The statement shows net of Reserve capital programme.

Committed Schemes (£,000's)	90,684	15,282	4,968	110,934
Committed Schemes (as % of total programme value)	41.9%	7.3%	4.0%	20.1%

Borrowing Required to fund the programme	135,288	86,403	75,288	296,979
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	2013/14 £000	2014/15 £000	2015/16 £000
General Fund Debt Costs (after income) 13/14 OE	69,683	69,663	69,663
Less budgeted Savings	(722)	(722)	(722)
Base debt Budget	68,961	68,961	68,961
Adjustment to reflect HRA changes	(1,883)	405	1,154
Increase to base to reflect the capital programme	2,555	2,555	2,555
<b>Revised Base budget</b>	<b>69,633</b>	<b>71,921</b>	<b>72,670</b>
Current forecast debt Costs	68,833	76,251	78,911
<b>Shortfall/(Saving) in debt costs against the Revised Base Budget</b>	<b>(800)</b>	<b>4,330</b>	<b>6,241</b>
Overall increase to 2013/14 OE	(800)	6,618	9,278
<b>Average Interest Rate Assumptions</b>	<b>1.6%</b>	<b>2.4%</b>	<b>2.5%</b>

## Appendix B

HRA CAPITAL PROGRAMME POSITION STATEMENT 2013/14 - 2015/16

Date:- 24/06/2013

HRA COMMITTED AND UNCOMMITTED	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
HRA	8,634	62,303	69,288	140,225
<b>ALMOs</b>				
Belle Isle	2,048	0	0	2,048
East North East	18,218	0	0	18,218
South South East	13,054	0	0	13,054
West North West	24,309	0	0	24,309
	<b>66,263</b>	<b>62,303</b>	<b>69,288</b>	<b>197,854</b>
Over programming (see supplementary programme below)	0	0	0	0
<b>Capital Expenditure to be financed</b>	<b>66,263</b>	<b>62,303</b>	<b>69,288</b>	<b>197,854</b>
<b>Financed By:</b>				
<b>Certain Funding</b>				
GRANTS AND CONTRIBUTIONS	167	1,380	0	1,547
GOVERNMENT GRANTS	0	2,015	0	2,015
RCCO / RESERVES	6,949	4,268	11,243	22,460
HRA SELF-FINANCING	59,046	54,254	57,893	171,193
BORROWING	101	386	152	639
<b>subtotal</b>	<b>66,263</b>	<b>62,303</b>	<b>69,288</b>	<b>197,854</b>
<b>Total Funding</b>	<b>66,263</b>	<b>62,303</b>	<b>69,288</b>	<b>197,854</b>

## Appendix C

### Capital Approvals - Table 1

### Financial Procedure Rules

<b>Injections</b>		<b>Funding Approval</b>	<b>Authority to Spend (3)</b>			<b>Variations</b>	
Fully Externally Funded (1)	Leeds City Council Funded (2)						
<b>Constitutional Decision Type (4)</b>	None at this stage	None at this stage	<b>Key, Significant Other or Administrative Decision</b>			Each on individual merit (See Note 4)	
<b>Category of Scheme</b>	All Schemes	All Schemes	<b>Category A</b>	<b>Category</b>			<b>Schemes A,B,C (5)</b>
<b>Expenditure up to :-</b>	Director of Department (6)	Director of Resources (7)	<b>Not Applicable</b>	A	B & C	D	In Accordance with Table 2
£100,000				Director of Department (6)	Director of Department (6)	Director of Resources	
£250,000 (8)							
£500,000							
Over £500,000		Executive Board	Director of Resources	Executive Board			

#### Notes :-

- (1) Examples of Fully External Funding are as follows :- Section 106 ; Section 278\* ; Grant (Ring Fenced only) ; Lottery ; Private Sector ; Health Authority ; Gifts etc ; European Grants  
\*NB - Schemes funded by Section 278 monies can be Injected, given Funding Approval, Authority to Spend & Variations, up to any limit, by the Departmental Director.
- (2) Examples of Leeds City Council Funding are as follows :- External Grants (Unringfenced) ; Capital Receipts ; Revenue Contributions or reserves ; Borrowing
- (3) These approvals constitute a decision under constitutional decision making - refer to thresholds set out in the constitution.
- (4) NB - This is indicative only. Officers should always refer to Part 2 Article 13 of the Constitution " Decision Making" for full explanation & guidance.
- (5) The Director of Resources will approve all variations on Category D schemes using internally managed ICT Development resources.
- (6) Where concurrent delegations exist, this delegation applies equally to the appropriate Chief Officer.
- (7) For the following categories of scheme, the Director of Resources has authority to inject schemes up to £500.0k where the schemes are funded by borrowing :-  
Vehicle and equipment replacement; Demolition of property; Asbestos removal and other health and safety works; Energy Efficiency projects (where capital investment is funded by savings on energy costs); Any other spend to save/operate schemes where a business case has been approved.
- (8) Please note that ATS approvals above this amount require notification on the Forward Plan.

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**Report of Director of Strategy & Resources and Deputy Chief Executive**

**Subject: Changing the Workplace – Annual Financial update**

**1. Summary of main issues**

- 1.1. The business case for Changing the Workplace phase 1 was approved by Executive Board in July 2012. In accordance with recommendations, this appendix provides an update to apprise Executive Board members on financial spend and progress against outcomes since July 2012.
- 1.2. A key element of the business case was the new proposal for Merrion House. The work involved to progress the new Agreement for Lease on Merrion House since July 2012 has been significant. It is anticipated that all the nineteen documents that make up the new Agreement for Lease for Merrion House will be agreed by the end of June 2013 and signed off under delegated approval, in consultation with the Leader of the Council, by end of July 2013. At this stage the Council and the owners of Merrion House will be committed to the scheme and new agreement, subject to the owners obtaining required formal planning and legal permissions for the development. This will be a significant milestone achieved.
- 1.3. The Agreement for Lease will be conditional at this stage. However, this will provide sufficient certainty to allow the Council to undertake the next phase of projects. This will include further detailed internal design of Merrion House, taking more staff through new ways of working and relocating them out of Merrion, and investing in our people, technology and other workplaces to support new ways of working.
- 1.4. Overall eight hundred staff have now been taken through new ways of working to date, seven buildings originally in scope have been vacated since the programme commenced, and a refurbished phase 1 city centre one stop facility for integrated services was opened in November 2012 bringing together further customer facing services including Registrars. It should be noted that the next phase of property releases will not take place until 2017/18 when phase 1 has been completed.
- 1.5. The programme is on track to realise the benefits articulated in the original business case, with the release of a further six buildings from 2017/18. The non-cashable benefits, including increases in productivity and health and wellbeing, are being realised and evidenced through regular surveys undertaken pre, during and post projects. Staff working in new ways are shown to be much more effective in delivering quality services and able to adapt more readily to changing demands in their work. This programme of work is an important building block for an efficient and enterprising council underpinning the Best Council Plan aspirations.
- 1.6. There has been some slippage on anticipated spend during 2012/2013 due to the agreement for lease for Merrion House taking longer than anticipated. In turn this has delaying linked expenditure on the relocation of staff out of Merrion House. The slippage on spend, together with the revised arrangements for shared ownership

staged payments are reflected in the revised financial tables presented in this appendix.

- 1.7. The spend to date arising from the approved business cases is £5.23m. This will ultimately support delivery of the future £15.3M cost saving opportunity detailed in the July 2012 Executive Board report. It should be noted that this programme of work does required upfront investment to deliver medium to longer term benefits: it allows the Council to avoid future cost obligations whilst delivering improved workplaces, technology solutions and investment in the workforce. In addition this programme of work will create an opportunity for further cost savings to be achieved through streamlining support services.

## **2. Recommendations**

Executive Board are requested to note the content of this appendix.

## **3. Purpose of this report**

- 3.1. In accordance with the recommendations in the Executive Board report, an update is now provided on the expenditure and achievements made against the original business case.
- 3.2. The report updates figures and information presented to Executive Board in line with actual and future anticipated spend plus delivery of outcomes.

## **4. Background information**

- 4.1. The business case for Changing the Workplace was approved by Executive Board in July 2012. The report in summary sets out the reasons for proceeding with a value for money solution in the city centre resulting in the Council reducing its city centre office portfolio from seventeen buildings down to four thus reducing capacity by over 35%.
- 4.2. Merrion House is a critical part of this solution. The Council currently occupies Merrion House on a long term, full repairing lease which still has twenty four years to run. The condition of the building reflects its age, no longer meets the operational requirements of the Council and is in need of significant investment to bring it back to an acceptable standard. The council is liable to undertake this significant work under the terms of the lease.
- 4.3. The financial benefit of the proposal put forward in July 2012 estimated future cost savings to the council of circa £15.3M, as compared to the cost of the “do minimum” option, whereby the Council only undertakes repair and maintenance responsibilities under the terms of its existing onerous lease arrangement for Merrion House.



- 4.4. Executive Board agreed that the proposed refurbishment to mitigate the significant repair and maintenance obligations under the current lease, and allow a further seven hundred staff to be accommodated in a newly refurbished building through new ways of working, was a key element to the wider value for money solution approved as part of Changing the Workplace phase 1.
- 4.5. Since July 2012 the Council has been in detailed negotiation with the owners of Merrion House and anticipate finalising the new Agreement for Lease by end of July 2013.
- 4.6. Changing the Workplace is a holistic programme delivering new ways of working across the organisation through co-ordinated activity around people, process, technology/information, and workplace. It is supporting the changes needed in the way we work so the organisation can respond more effectively to the significant challenges ahead.
- 4.7. The programme is already delivering cashable benefits which are highlighted below and non-cashable including improved staff productivity and health and wellbeing.
- 4.8. There has been some slippage in anticipated spend in 2012/13 which is reflective of the complex nature of the Merrion House Agreement for Lease. The Agreement for Lease is now anticipated to be concluded by end of July 2013.

## **5. Main issues**

- 5.1. The programme has already implemented a number of key projects which are delivering against the agreed outcomes set out in the original reports and include:
  - Enabling ICT Infrastructure (£1,453k) – investing in an agile workforce delivering a technology platform to support mobile applications
  - IT Services Canon to Evolution (£639.4k) – New ways of working project resulting in release of Canon House
  - Leeds Community Safety Leeming House to Great George Street (£265.7k) – New ways of working project resulting in release of Leeming House/ Ludgate House
  - Children’s services Merrion House to Great George Street (£86.3k) – New ways of working project to relocate priority teams out of Merrion House and integrate with Community Safety.
  - Registrars Town Hall to Great George Street (£137.8k) – New ways of working project to integrate services into the city centre one stop phase 1
  - Customer Services One Stop ground floor refurbishment at Great George Street (£694.1k) – Allowing services to be fully integrated into a single city centre customer facing facility. Further services to be integrated between 2013 -2015 prior to development of phase 2 in Merrion House.

- Corporate Property Management Merrion House to Thorsby House (£95.8k) – New ways of working project to relocate priority teams out of Merrion House
- Adult Social Care (Information Management & Technology) Merrion to Enterprise House (£103.5k) - New ways of working project to relocate priority teams out of Merrion House

5.2. The remaining agreed spend is on fees and enabling work as follows:-

BREEAM Consultancy	£1.3K
NPS Space Planning	£51.5K
Property Fees	£436.9K
Programme Management	£703.8K
Enabling moves	£329.5K
Essential Minor Works (GGst)	£32.8K

## **6. Corporate Considerations**

### **6.1. Consultation and Engagement**

Extensive consultation and engagement has been undertaken throughout 2012/13 with key stakeholders at senior officer level across key service areas. The Member Champion and Cabinet leads have been consulted at key milestones. Customers through relevant focus groups have been consulted in respect of the city centre on estop project.

### **6.2. Equality and Diversity / Cohesion and Integration**

The programme has an equality impact assessment and implementation plan. On-going dialogue is progressing with the equality groups across the council to ensure plans are in line with relevant policy and practice.

### **6.3. Council policies and City Priorities**

This is in line with Council policy and Best Council plan priorities for an efficient and enterprising council.

### **6.4. Resources and value for money**

6.4.1. The resources required to deliver are in place and this has been achieved at a lower overall cost than originally planned by effective management of resource. The programme is still providing value for money and is on target to deliver future cost savings of £15.3M plus enable further cost savings that will arise from linked work to streamline support services.

## 6.4.2. Capital Funding and cash Flow Update June 2013

Reprofiled Spend	TOTAL £000's	TO MARCH 2013 £000's					
			2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017 on £000's
CONSTRUCTION (3)	54633.5	886.0	2658.7	14002.8	6012.0	29662.0	1412.0
FURN & EQPT (5)	11412.3	1196.0	1649.6	2651.3	1336.5	4072.4	506.5
DESIGN FEES (6)	10391.7	2271.3	2363.0	1975.5	2007.7	1652.7	121.5
OTHER COSTS (7)	812.7	812.7					
<b>TOTALS</b>	<b>77250.2</b>	<b>5166.0</b>	<b>6671.3</b>	<b>18629.6</b>	<b>9356.2</b>		<b>2040.0</b>
<b>Total overall Funding</b>							
	TOTAL £000's	TO MARCH 2013 £000's					
			2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017 on £000's
Unsupported Borrowing	70830.2	5166.0	6671.3	18629.6	9356.2	28967.1	2040.0
Capital Receipt	6420.0					6420.0	
<b>Total Funding</b>	<b>77250.2</b>	<b>5166.0</b>	<b>6671.3</b>	<b>18629.6</b>	<b>9356.2</b>		<b>2040.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

6.4.3. Following approval of capital spend at Executive Board in July 2012, further negotiations have taken place with Town Centre Securities over Merrion House and subsequently, the profile of spend has had to be changed to reflect this. The programme is still expected to deliver within the overall budget and the revised timescale

6.4.4. The revised profile now reflects the acquisition costs of shared ownership of Merrion House in two stage payments, one of which is at the commencement of construction and the final payment upon completion of the construction stage.

6.4.5. As a result of careful negotiation, the Council have secured a substantial reduction to the lease costs during construction phase of Merrion House.

6.4.6. Future benefits are on track to be delivered in line with the original business case including the release of six buildings from 2017/18.

## 6.5. Legal Implications, Access to Information and Call In

Legal implications will arise from the Agreement for lease. This will be reported through the delegated approval process.

## 6.6. Risk Management

6.6.1. The programme is being managed in line with Delivering Successful Change methodology with the appropriate risk management in place. The Council is seeking to minimise its risk on Merrion House through detailed work and negotiation on the Agreement for Lease prior to sign off. The details of this will be reported separately as part of the delegated approval process.

- 6.6.2. The recovery of upfront costs to enable the programme to progress under invest to save shall be managed through the benefits realisation strategy which shall track cashable benefits across the whole life of the programme and the business improvement portfolio as a whole.
- 6.6.3. Changing the Workplace programme is a key enabler to allow the Council to adopt new ways of working and also share resources and realise significant efficiencies in future years.

## **7. Conclusions**

- 7.1. The strategic financial management of the programme will ensure that the programme is delivered within budget and to agreed outcomes.
- 7.2. Over eight hundred staff have been taken through new ways of working, a total of seven properties have been vacated since the start of the programme and a phase 1 integrated city centre one stop facility has been successfully delivered.
- 7.3. Agreement for Lease on Merrion House is anticipated to be finalised by the end of July 2013 after significant and complex negotiations across nineteen documents.
- 7.4. Slippage on spend on the programme is primarily due to delays on reaching Agreement for lease sign off due to the complex nature of this agreement. This has subsequently resulted in delays to further project delivery for staff relocating out of Merrion. This is reflected in the updated figures.
- 7.5. The programme does require upfront investment to deliver medium to longer term benefits. It is on track to deliver the estimated future cost savings of £15.3M, and in addition will enable further cost savings to be achieved through a linked programme of work to streamline support services.

## **8. Recommendations**

Executive Board are requested to note the content of this appendix.

## **9 Background documents<sup>2</sup>**

Executive Board Report dated July 2012 approving Changing the Workplace Business case.

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2

The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## APPENDIX E

### CAPITAL PROGRAMME 2012/13 - COMPLETED SCHEMES AGAINST AUTHORITY TO SPEND

Directorate	Number of completed schemes 12/13	Total Cost of completed schemes	ATS on completed schemes	Variance to ATS	Comments
Adult Social Care	9	795.5	833.3	37.80	No material variances in the 9 schemes completed.
Strategic Accounts	10	3508	3573.2	65.20	No material variances in the 10 schemes completed.
Childrens Services	43	33321.9	35084.7	1,762.80	One material variance (£143k), problems with the design of one primary school and original contractor went into liquidation. This overspend was funded from the schools modernsation grant.
					One material variance (£125.8k) which was funded from the overall WYPT grant. This overspend was funded from the WYPT grant funding and contained within the overall programme.
City Development	206	50854.9	51210.8	355.90	
Environments & Housing	36	19738.3	20171.4	433.10	No material variances in the 36 schemes completed.
Strategy and Resources	46	7850.3	8480.9	630.60	No material variances in the 46 schemes completed.
<b>Total completed schemes against ATS 2012/13</b>	<b>350</b>	<b>116068.9</b>	<b>119354.3</b>	<b>3,285.40</b>	
General capitalisation all Directorates	1	5474.5	0	(5,474.50)	These schemes were capitalised at year end as income to revenue. No ATS has been sought in previous year as approved in the revenue budget.
					Other Directorate capitalisations from revenue.
Capitalisation of Interest major assets.	11	2194.4	0	(2,194.40)	Capitalisation of interest on major schemes, £1.86m on the arena and other smaller assets £334.1
Capitalisation of Salaries not against specific schemes	3	2566.7	0	(2,566.70)	Capitalisation of salaries City Dev £1.5m, Financial Development £0.6m and Childrens £0.5m.
<b>Total other revenue related capitalisations 2012/13</b>	<b>15</b>	<b>10235.6</b>	<b>0</b>	<b>(10,235.6)</b>	