

Report of the Director of Resources

Report to Executive Board

Date: 18th July 2012

Subject: Capital Programme Update 2012-2015

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 HRA. The Council continues to seek to deliver a large and ambitious capital programme across the city which will provide improved facilities and infrastructure and which supports the Leeds economy.
2. The report shows that overprogramming on the general fund has increased slightly since February 2012 whilst the HRA will deliver a balanced programme within the resources available.
3. The report sets out progress so far in 2012/13 on some major schemes and spending programmes and seeks some scheme specific approvals. In addition, following the introduction of the new self financing regime for the HRA, the report details the proposed spending plans of the ALMOs for 2012/13.
4. The report concludes that general fund overprogramming in the current year and over the three year period is higher than usual tolerances. Careful monitoring of the overall resources position and phasing of schemes will be required to ensure the programme is affordable. The HRA shows a balanced programme over the next 3 years which will be delivered within the resources available.

Recommendations

5. Note the latest position on the general fund and Housing Revenue Account capital programmes;

6. Note the transfer of schemes from the Amber to the Green programmes as set out in section 3.3;
7. Approve the following allocations from the Economic Initiatives provision in the capital programme:
 - § £885k for the Eastgate development
 - § £250k for Brunswick Terrace
 - § £500k for Town and District Regeneration Scheme
 - § £3,345k to support the delivery of superfast broadband in the region
7. Approve the injection to the capital programme of £10.173m funded by government grant to enable the provision of additional primary school places.
8. Note the economic impact of the Council's capital programme as detailed in section 5 and Appendix D.

1 Purpose of this report

- 1.1 The purpose of the report is to provide Members with an update of the financial position for 2012/13 as at June 2012. 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 includes ALMO capital investment proposals for the coming 3 years. 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 2012, projected expenditure of £872.5m from 2011/12 to 2014/15. Overprogramming over that period of £62.4m was assumed which whilst higher than in previous years, was considered to be manageable. In addition, the programme also included a reserved programme of £41.8m
- 2.3 In February 2012, 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 3.3.1.

3 General Fund Capital Programme

3.1 Resources Position

- 3.1.1 The latest capital programme resources position in Table 1 below.
- 3.1.2 The increase in overprogramming for 2012/13 has largely arisen from schemes slipping from 2011/12 and the need to provide for capitalisation costs in 2011/12, which were not previously included within the programme.
- 3.1.3 Since the approval of the Capital Programme in February 2012, the position on 2011/12 capital expenditure has been finalised and the revised phasing and resources position have been reflected in the programme. The latest resources position reflects annual programmes of expenditure through to 2014/15 which includes Disabled Facilities grants, general capitalisation and annual repair and refurbishment programmes. No provision has yet been made for these spending programmes beyond 2014/15 and consideration will need to be given to the level of provision made for these during the capital programme review in February 2013. Since 2004, the programme has provided some £80m, funded by the Council, for highway maintenance. This budget is scheduled to be fully spent by the end of 2013/14.

Table 1 – Capital Resources Position

	2012/13	
	February 2012	Latest
	£m	£m
Forecast Expenditure	246.0	269.3
Funded By:		
Government Grants	80.7	78.5
Other grants & contributions	7.2	10.7
Borrowing	111.8	128.7
Capital Receipts	0.2	0.0
Revenue / reserves	0.2	0.2
Total Forecast Resources	200.1	218.1
Overprogramming	45.9	51.2

3.1.4 Since the February Capital Programme was approved, the capital receipts forecast has been updated. At February, £15.2m was included as funding from future capital receipts in years 2012/13 to 2014/15. Some sites have now been moved back in the forecast to later years and receipts now supporting the programme have reduced to £13.2m

3.1.5 The General Fund programme continues to be a large and ambitious capital programme and as well as providing investment in improved facilities and infrastructure, the capital programme has an impact on the Leeds economy through supporting jobs and income and business generated throughout the city. In the period through to 2014/15 the capital programme forecasts expenditure of £444.8m with forecast resources of £377.6m leaving overprogramming of £67.2m.

3.1.6 Overprogramming in the current year is £51.2m and in the following two years are £20.3m with a credit position of £4.3m in 2014/15. 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** – the construction contract continues on programme and is due for completion in Spring 2013. The building is expected to be wind and weather tight in

July 2012 when a 'topping out' ceremony will take place. In terms of off site works and developments, the highway works on Claypit Lane have now completed and works to pavements have still to commence. Work is progressing on disposal of development sites within the wider Arena site. In relation to car parking facilities, work continues on programme on the upgrading of the Woodhouse Lane multi-storey car park. Floors 1 to 7 and 13 to 16 are now complete and work is progressing on floors 7 to 12 together with the construction of a new southern stair tower and pedestrian ramp and stairway. Overall completion is anticipated in January 2013.

- 3.2.3 **BSF**– Building Schools for the Future Phases 3, 4 & 5: Contracts were signed in October 2011 for £13.7m to provide a 6 form of entry new build school plus 200 place sixth form at Leeds East Academy (former Parklands Girls High School). Works continue to deliver part new build part refurbishment schools at Farnley Park (completion due July 2012), Corpus Christi (due to complete September 2012) and Mount St Mary's (due to complete March 2013).
- 3.2.4 **Primary Capital Programme** – Works are progressing well to deliver new build/ extensions and refurbishment at six schools throughout the city. The majority of construction works to the main school buildings have been completed at Swillington Primary (one of the first Passivhaus schools in the country), SS Peter and Paul Catholic Primary, Greenhill, Oulton and Gildersome Primary schools, with further phases of demolition and landscaping due to be completed throughout the remainder of the year. Main construction works are due to complete in early September at the final school, Richmond Hill, which will deliver a three form of entry new build Passivhaus school, with nursery, autistic provision and community facilities.
- 3.2.5 **Basic Need Provision** – Work continues on a number of schools throughout the city to ensure sufficient primary school places in response to an increase in pre-school population. Work is on site for extension and internal remodelling works at Bracken Edge Primary School is due to complete in late August (an increase from 1.5 to two form of entry) and Wykebeck Primary School (1.5 to two forms of entry) due to complete in September 2012. New build all-through schools (aged 4-18) are being created through the construction of new build primary provision at Carr Manor and Roundhay Schools. Carr Manor will deliver a 30 place primary provision, due for completion in September 2012, and Roundhay will deliver a 60 place primary provision in January 2013.
- 3.2.6 **Flood Alleviation** – Work continues to develop plans and secure funding for Flood Alleviation works to protect Leeds City Centre against a 1 in 75 year flood between Leeds Railway Station and Knostrup Cut. Funding bids to a variety of organisations, including European Regional Development Fund, Central Government's Regional Growth Fund and the Environment Agency's Flood Defence Grant in Aid are due to be considered during the summer and early autumn. A further report to Executive Board is due later in the year.
- 3.2.7 **Inner Ring Road Tunnel** – Following confirmation of Department of Transport funding to support essential maintenance to 3 of the key structures in the Inner Ring Road, work has commenced on two of the structures: works to New York Road Viaduct are expected to complete in September 2012, with work to Lovell Park

Road Bridge due to complete in March 2013, in time for the completion of the Arena. Design and consultation works are currently underway on the Woodhouse Tunnel scheme, with a further report due to be considered by Executive Board early in 2013.

- 3.2.8 **A65 Quality Bus Initiative** - Construction is now entering its final stage with a planned completion date of the beginning of September. The Willow Road junction has recently been fully resurfaced, other large areas are already complete and the new red bus lane surfacing has been installed. Extensive landscaping has also been planted to further enhance the quality of the route and much of the new road will be opened in advance of this date
- 3.2.9 **Aire Valley Enterprise Zone Logic Leeds Spine Road** - Following the establishment of the Enterprise Zone in Aire Valley Leeds, work is underway to agree terms for the grant payments to the developers of the Logic Leeds site to fund infrastructure works and the construction of a road linking the East Leeds Link Road to Halton Moor. Contracts are due to be signed by the end of June which will allow a start on site by late Autumn.
- 3.2.10 **Children's Social Care Management System** - Procurement of a new Children's Services Electronic Social Care Management System is currently underway, with selection of the preferred supplier due imminently. The new system is due to go live in late Spring 2013.
- 3.2.11 **Technology Components for Adult Social Care** – Options for the replacement of the existing case management system have been evaluated and a preferred option has been selected. A detailed report on the proposal is included as a separate item on this agenda.
- 3.2.12 **Web and Internet Replacement** - Work remains on track for the launch of the new council website in early July as planned. All development work for launch has been completed; publishers have been trained and are in the process of populating the new site. The new site will be slimmer and more customer focused than its predecessor. It will allow real time publishing for more up to date information and will include some key new developments such as improved information about events taking place in Leeds and the facility to “find my nearest “ council facility, Councillor, and other local amenities using post code search. Development work on the intranet is on track for a mid September launch. The new intranet is the result of extensive consultation with staff. It will be much more transactional than the site it replaces and provides a vastly improved search facility. It seeks to provide staff with the essential tools we all need to carry out our jobs and improve the ways we communicate and interact with each other.
- 3.2.13 **New Generation Transport** – Following the Best and Final Funding Bid in May 2011 the Department for Transport announced on 5th July that the scheme has been granted programme entry status and resources allocated. In anticipation that approval to the scheme would be received, plans have been put in place to re-start the project and commission works that will proceed over the summer. It is anticipated that a report will be scheduled for Executive Board in September.

3.2.14 **Changing the Workplace** – Work has continued on the Changing the Workplace programme. A full business case has been finalised and proposals developed for substantial investment in the reconfiguration of office accommodation within the city centre. These are set out in a separate report on this agenda which seeks injection to the capital programme and authority to progress the works required.

3.2.15 **PFI Schemes** – In addition to the mainline capital programme schemes, investment through PFI schemes is also taking place. This includes construction of the Well Being Centre at Holt Park, with a capital cost of around £17m the facility is due to become operational in September 2012. A further investment of around £144m is planned on the Little London, Beeston Hill and Holbeck PFI scheme which is due to reach financial close in summer 2012. This will see the refurbishment of Council homes, the building of new homes and environmental improvements to the estates. Further details on this project are contained in a separate report on this agenda.

3.3 **Approvals on Schemes with Amber Status**

3.3.1 Since February 2012, the 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 2012.

3.3.2 A business case has been agreed for the Lower Kirkgate Townscape Heritage Initiative scheme and Council funding of £668k is required towards the overall funding for the project. The stage 2 Heritage Lottery bid has been submitted with a decision due in July.

3.3.3 The Essential Services Programme (ESP) sets out schemes that are required to maintain the Council's core infrastructure, end user devices and software to provide essential ICT services to the Council. Staffing Resources of £1.2m were upgraded to green status to support this programme.

3.3.4 Provision has been upgraded from 'amber' to green' for resources of £91k to develop new ways of working to adopt Microsoft Technologies and provide collaborative facilities for services to develop the web and intranet replacement programme.

3.3.5 Funding of £90k has also been included within the 'green' capital programme to develop products for learning and performance management, which will improve workforce development across the Council.

3.4 **Scheme Specific Issues**

3.4.1 **Economic Initiatives in the City** - In February 2012, provision of £15m was made in the capital programme over a 3 year period, to support economic initiatives in the city, including continuing support for the outer areas, innovation and carbon reduction initiatives. Of this sum £625k was allocated to support the Council's commitment to the Trinity development. It is now proposed to allocate resources to a number of other key developments as shown below.

3.4.2 Eastgate Development - In addition to the works agreed to be funded by the developer (Hammerson) under a Section 278 agreement, a further £885,000 is required for additional highways/public realm works for the Eastgate Quarter scheme. An outline proposal of works has been developed with the John Lewis Partnership, Hammerson and the Council and includes new pedestrian crossing areas, footpath and carriageway construction on Vicar Lane and George Street, all of which provide a continuation of the agreed 278 works. The proposed highways/public realm improvements will be scheduled for 2015/16 and will ensure a seamless visual and physical link between the new development, the existing retail core and nearby car parks. By improving the quality and nature of the highway in these specific areas and the pedestrian flow between the Victoria Quarter, Sydney Street, the Markets and Harper Street Car Park this will ensure that the new John Lewis store will not become a single destination but will integrate seamlessly with the existing retail offer.

In order to facilitate sufficient car parking in the area of the development, it is proposed that the Council acquire the site of police headquarters at Millgarth when the West Yorkshire Police Authority relocates to their new divisional headquarters at Elland Road in 2014. A separate report on this proposal is included elsewhere on this agenda.

As indicated in the recent Economic Growth Strategy, the delivery of this large, high quality scheme will propel Leeds to the top tier of retail destinations within the UK, delivering £650m of private sector investment and in the region of 4,000 new jobs into the Leeds economy. This, along with hospitality and catering will be a major draw for tourism and leisure trips to the city and coupled with the fact that over 1 in 5 businesses and more than 1 in 7 jobs in Leeds are in the wholesale and retail sector, will reflect on inward investment decisions to the city.

3.4.3 Brunswick Terrace - It is proposed to undertake public realm improvements to a section of Brunswick Terrace that will form one of the key pedestrian routes to and from the Leeds Arena. The area concerned falls between the Casino and Yorkshire Bank, leading from Merrion Way to the Arena. This work did not form part of the main Arena scheme and therefore it is proposed to allocate £250k to carry out these works.

3.4.4 Town and District Centre Scheme - In recent years significant funding has been provided under the Town and District Regeneration Scheme. It total £9m was allocated under this programme which is now largely spent. It is proposed to allocate a further £500k to this scheme to enable further investment in the outer areas.

3.4.5 Broadband Initiatives - Under the Government's National Broadband Strategy: "Britain's Superfast Broadband Future", the vision for broadband in the UK is to ensure the UK has the best superfast broadband network in Europe by 2015. A £25m West Yorkshire project to roll out super fast broadband has been approved by Government and will require all authorities within the project to provide match funding. For Leeds this is expected to be £1m.

In addition, the Leeds and Bradford joint Super Connected Cities (SCC) bid has been successful and a full business case to access between £10 - £14.6m is now

being worked up. The SCC project is a £50m project the main aim of which is to roll out: ultra fast broadband to all businesses and residents. In addition free wireless networks will be provided in both city centres and other key locations. Leeds and Bradford will each need to provide a £2m capital contribution to the project.

A project team will be required to deliver these projects across West Yorkshire over the next 3 years and it is anticipated that this will cost Leeds £345k. It is anticipated that all authorities participating in the projects will each contribute towards the delivery costs so whilst this sum will be allocated initially from the Leeds capital programme, it will be offset by income from other authorities when arrangements have been finalised.

The West Yorkshire Broadband project will ensure a level of digital connectivity for all, whilst the SCC project will drive economic growth and productivity to a new level within the core area, and the city wireless will give an added boost to the vitality of the city centre. Accelerating the level of broadband access will give Leeds a competitive advantage and further the ambition of Leeds to be the best city for digital. A separate report on this proposal is included elsewhere on this agenda.

- 3.4.6 **Education Basic Need** - On 29 November 2011 the Chancellor announced that an additional £600 million to support those local authorities with the greatest demographic pressures would be made available to the Department for Education. This funding is in addition to the £800 million basic need allocation for 2012/13 that was announced in December 2011. In April 2012 the Department for Education provided local authorities with details of individual allocations; Leeds will be provided with £10,173,164. Calculations were based on school capacity, which have been used to generate a forecast of the number of places required. As the funding is based on local data provided by local authorities, the Secretary of State reserves the right to abate future funding in the event that the data provided proves to have been inaccurate. The funding is to be delivered as capital grant with no ring-fence. The Department expects that local authorities will have already developed plans to address their basic need issues.

3.5 **Housing Revenue Account Programme**

- 3.5.1 The HRA system of financing council housing through the subsidy regime came to an end in March 2012 and a new system of self financing was introduced from April 2012. From 2012/13 the council is able to retain all its rental income in return for a one off settlement of debt. The level of capital investment in the HRA is largely determined by the income to the HRA from housing rents and the capital expenditure for 2012/13 has been set assuming a 6.82% rent increase as approved by full council in February 2012.
- 3.5.2 The approved February 2012 Capital Programme reported an overall HRA/ALMO programme of £193m for the 3 years 2012/13 through to 2014/15. The HRA/ALMOs will deliver a balanced programme within the available resources. The latest forecast position for expenditure and resources is shown at **Appendix B**.

- 3.5.3 The 2012/13 HRA/ALMOs capital programme is the first year to use the self financing regime. The ALMOs capital programme for 2012/13 is forecast at £54.5m and a breakdown of the investment planned is shown in **Appendix C**. Within this available funding some resources remain unallocated and work is underway to determine schemes that meet housing investment priorities in line with the HRA business plan.
- 3.5.4 In addition there is a requirement to provide a contribution to support the Little London Beeston and Holbeck PFI project and a report on this proposal is contained elsewhere on this agenda. Since not all of the HRA capital resources have been allocated to identified schemes, there is currently sufficient capacity to provide the required level of support without impacting upon the approved capital programme. In 2012/13 the required contribution will be accommodated within the approved budget for the HRA. Subject to the approval of Members to the proposals contained in the Little London Beeston and Holbeck report which is separate report on this agenda, proposals regarding the adjustments required to the HRA capital programme from 2013/14 onwards will be included within a future capital update report.

3.6 **Economic Impact of the Capital Programme**

- 3.6.1 In the November 2011 capital programme update report, an analysis was included which showed the impact of the Leeds capital programme on the local economy. Following this, further work has been undertaken within the Economic Development team to produce a more detailed economic impact assessment. This has been possible through the use of a Regional Econometric Model (REM) which can estimate wider economic impacts of the capital programme through multiplier effects. A report has been produced and is attached at **Appendix D**, a summary of the findings are set out below.
- 3.6.2 The report shows that in the period 2011/12 to 2015:
- § 2,916 jobs are attributable to Leeds City Council capital expenditure
 - § the REM estimates that the total jobs will generate over £110m for the Leeds economy over the same period – equivalent to around 1% of Leeds total GVA.
 - § similar analysis for Leeds City Region suggests that the capital expenditure will create an additional 1,300 jobs through multiplier effects in the Leeds City Region.
 - § In total therefore, it is estimated that Leeds City Council capital expenditure over the next 5 years will support almost 4,500 jobs in the economy and generate £172m GVA in the Leeds City Region

4 **Corporate Considerations**

4.1 **Consultation and Engagement**

4.1 Consultation on the Council's budget proposals, including the capital programme, took place prior to the finalisation and approval of the budget in February 2012. This report gives an update on progress with the approved capital programme. This report also seeks to allocate funding to specific proposals for which the necessary consultations will take place when the individual schemes are implemented by services.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 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.

4.3 Council policies and City Priorities

4.3.1 Capital objectives were set out as part of the February 2012 budget process and the capital programme approved in February 2012 is structured to show schemes under these objectives. Work is currently underway to develop an evaluation matrix for capital schemes which will assist in determining priorities.

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 £69.3m which is higher than reported in February 2012.

4.4.3 For HRA, the position outlined in section 4 shows that expenditure by the ALMOs can be managed within resources available.

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

4.6 Risk Management

4.6.1 One of the main risks in managing the capital programme is that insufficient resources are available to fund the programme. Monthly monitoring procedures are in place for expenditure, resources and capital receipts to ensure that this risk can be managed effectively.

4.6.2 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.

4.6.3 In the February 2012 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 Council continues to seek to deliver a large and ambitious capital programme across the city which will deliver improved facilities and infrastructure and also support the Leeds economy.

5.2 In order to manage the general fund overprogramming of £54.7m in 2012/13 there will need to be a re-phasing of existing schemes to later years. The overprogramming over the life of the programme at £67.2m is higher than normal tolerances and will require careful management to ensure the programme can be afforded.

5.3 For HRA, ALMO forecast expenditure can be contained within available resources in 2012/13.

5.4 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.

6 Recommendations

Executive Board is requested to:

- 6.1 Note the latest position on the general fund and Housing Revenue Account capital programmes;
- 6.2 Note the transfer of schemes from the Amber to the Green programmes as set out in section 3.3;
- 6.3 Approve the following allocations from the Economic Initiatives provision in the capital programme:
 - § £885k for the Eastgate development
 - § £250k for Brunswick Terrace
 - § £500k for Town and District Regeneration Scheme
 - § £3,345k to support the delivery of superfast broadband in the region
- 6.4 Approve the injection to the capital programme of £10.173m funded by government grant to enable the provision of additional primary school places.
- 6.5 Note the economic impact of the Council's capital programme as detailed in section 5 and Appendix D.

Appendices

A – General Fund Capital Programme Funding Statement

B – HRA Capital Programme Funding Statement

C – ALMO planned investment 2012/13

D – Report – Estimating the Economic Impact of Leeds City Council Capital Expenditure.

7 Background documents¹

Capital Programme 2011/12-2014/15 – Executive Board February 2012

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.