

EAST AYRSHIRE COUNCIL
CABINET – 21 NOVEMBER 2007
ADDITIONAL CAPITAL GRANT 2007/08

Report by the Executive Head of Finance and Asset Management

1 PURPOSE OF REPORT

- 1.1** To seek Cabinet approval of the utilisation of Capital Grant received from the Scottish Government aimed at maximising future revenue savings.

2 BACKGROUND

- 2.1** On 13 December 2006 the Minister for Finance and Public Service Reform announced that an additional £61 million in Capital Grant would be available to local authorities in 2007/08. In making that announcement the Minister indicated that the Grant should be used for investment in Capital expenditure projects which maximise future savings (for example in ways that will enable a reduction in energy costs and secure improvements in Asset Management planning).
- 2.2** Qualifying Capital projects require to be undertaken in 2007/08 and the Scottish Government anticipates that all projects should be substantially complete by 31 March 2008. The Scottish Government accepts that a small amount of slippage may occur requiring local authorities to account for final expenditure in 2008/09. The Scottish Government has indicated that local authorities may carry over grant to meet this slippage on the condition all expenditure is completed by 30 June 2008.
- 2.3** A condition of the Scottish Government making this additional Capital Grant available was that the Efficient Government target for local government as a whole in 2007/08 should be increased on a pound-for-pound basis by the additional grant provided. The President of COSLA therefore agreed on behalf of local government that the Efficient Government target for local government in 2007/08 will be increased by the additional £61 million being provided to a total of £400 million.

3 SPEND TO SAVE

- 3.1** A further condition of the Grant is that each council will be required to submit to the Scottish Government by 30 June 2008 a report that details how the Grant has been used and the impact it has had. This will include a breakdown of the Capital expenditure projects undertaken using the Grant and future savings arising from this expenditure together with a report on the progress made on Asset Management planning.

4 REPORT

- 4.1** East Ayrshire Council's share of the additional Capital Grant for 2007/08 was announced on 2 February 2007 and amounts to £1.212m. It is intended that this Grant be used for Spend to Save projects and this report provides proposals for the utilisation of that Grant and ancillary investment implications.

- 4.2** Despite representations being made to facilitate a more flexible use of the Grant the Scottish Government has stipulated that Capital Expenditure incurred against the Grant shall strictly accord with that defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP). This condition therefore limits investment taken forward from the Grant to costs which strictly accord with the definition of Capital Expenditure contained within the SORP.
- 4.3** In considering proposals for investment members will be aware that the Council has anticipated this agenda and over the last few years has already incurred significant investment in Spend to Save projects including an extensive programme of energy efficiency measures. A consequence of this is that a number of projects have already been taken forward which deliver earlier payback periods through revenue savings. Nonetheless it is important that the Council continues to invest in projects which will result in longer-term financial savings and the one-off Capital Grant provided by the Scottish Government for 2007/08 assists the Council in progressing this agenda.
- 4.4** The Emergency Powers Committee of December 2006 anticipated receipt of this grant and agreed that £0.400m should be allocated to the Galston Primary School Project to facilitate a range of measures including ground source heating, grey water usage and other energy reducing aspects.
- 4.5** The refurbishment of Doon Valley Swimming Pool presents a further opportunity to use these funds in a current project in a way that will ensure future energy costs are reduced by enhancing the boiler plant, improving insulation of the building and purchasing a pool cover. The value of these works will be £0.300m
- 4.6** It is proposed that the remaining funds totaling £0.512m be allocated as follows;

PROJECT		FUNDING FROM CAPITAL GRANT £m
Grange Street Lunch Club Boiler Replacement	Cost savings from reduced energy consumption due to improved boiler efficiency	0.040
Darvel Town Hall Boiler Replacement	Cost savings from reduced energy consumption due to improved boiler efficiency	0.100
Wind Turbine Pilot Programme	Cost savings from reduced energy consumption due self generation.	0.120
Electric to Gas Heating Conversion Programme	Cost savings from change to cheaper energy and reduced energy consumption due improved heating appliance efficiency.	0.120
Dick Institute – Contribution to Installation of Facade Lighting	Cost savings from use of low energy lighting.	0.032
Proprietary Carriageway & Footway Surfacing Repair System	Cost saving due to more efficient repair system and carbon reduction and sustainability due to reuse of existing road materials.	0.100
Total		0.512m

4.7 The quantification of savings arising from this expenditure will be available once the final specifications have been prepared. This information will be included in the final report to the Scottish Government.

5 FINANCIAL AND EFFICIENCY IMPLICATIONS

5.1 The Capital Grant will only be available for works begun in 2007/08 and completed by 30 June 2008.

5.2 The proposed projects work will contribute to reduced costs and reduced carbon emissions.

6 RECOMMENDATION

6.1 It is recommended that Members:-

- (i) approved the utilisation of Capital Grant as indicated in paragraph 4 above; and
- (ii) otherwise note the contents of this report.

AMcP/JP
29 October 2007

Alex McPhee
**Executive Head of
Finance and Asset Management**

LIST OF BACKGROUND PAPERS

NIL