

EAST AYRSHIRE COUNCIL

CABINET – 19 DECEMBER 2007

GENERAL SERVICES CAPITAL PROGRAMME 2008/09 - 2012/13

Report by Executive Head of Finance & Asset Management

1 PURPOSE

- 1.1 To propose a General Services Capital Programme Strategy for 2008/09 to 2012/13.

2 BACKGROUND

2.1 Prudential Code

2.1.1 The level of capital investment expenditure is governed by the Prudential Code for Capital Finance ("The Code") as set out within Part 7 of the Local Government in Scotland Act 2003. The Code allows the Council to determine the level of capital investment that it considers is most appropriate for the delivery of local services. This level should take into consideration locally assessed needs and priorities within an overall framework of affordability and sustainability.

2.1.2 As part of the general services revenue process and determination of Council Tax levels, the Council is required to ensure that the proposed capital programme is affordable over the medium to longer term, and that associated borrowing and consequential running costs can be met from annual revenues.

2.2 Asset Management

2.2.1 The existing Asset Management Strategy agreed at Policy & Resources Committee, 8 February 2006, aims to ensure that the Council's asset management arrangements, and the assets themselves, make a positive contribution towards corporate, community plan and service delivery objectives.

2.2.2 The General Services Capital Programme for 2008/09 has been prepared on a basis that positively reflects the key drivers which change and influence asset management planning in local government. The General Services Capital Programme should therefore be informed by

- Condition & Suitability – challenging property utilisation in relation to fitness for purpose, adaptability to meet future needs and investigating alternative use potential
- Affordability – an assessment of prudence, affordability and sustainability
- Customer & Stakeholder Satisfaction – capital proposals that meet current and future Council needs to enhance customer and stakeholder satisfaction through improved performance and control of services
- Compliance with Statutory / Regulatory Codes – including Disability Discrimination Act, health & safety and fire regulations.
- Environmental Issues – sustainability, emissions and carbon reduction, energy monitoring and targeting.

3 CAPITAL EXPENDITURE LEVELS

3.1 It is proposed that the levels of capital expenditure for financial years 2008/09 to 2012/13 are increased beyond the levels previously set to reflect the indicative capital investment levels required to ensure the Council's asset portfolio maintains value and helps to meet the Council's strategic aims and objectives, whilst giving due regard to the needs and demands of stakeholders.

3.2 Taking account of currently known income streams and the combined constraints of the Council's Treasury Strategy and the revenue budget, it is proposed that the maximum level of General Services capital expenditure for the financial years 2008/09 to 2012/13 is £100m. This will be funded from a variety of sources including external borrowing, utilisation of the Council's Capital Fund, Scottish Government Capital Grants and other external partnership funding.

3.3 The programme for 2008/09 to 2012/13 will be reviewed annually to ensure that it takes account of any material change that would affect the affordability and/or sustainability of the overall programme, for example, an unforeseen rise in interest rates, or changes in overall relative levels of revenue support from central government.

3.4 It is important to recognise when setting expenditure levels, the clear linkages between capital investment and the on-going obligation of the council to provide well maintained facilities. It is clear that within current resource levels, the Council has a challenge to meet its current or backlog maintenance demands, and this has been taken into account in proposals included within the Best Value Service Review of Asset Management Arrangements.

3.5 Slippage and Carry Forward

3.5.1 The Capital Monitoring Report considered by the Cabinet on 5 December 2007 identified a number of schemes which had not proceeded within the original timetable. It is proposed that these commitments will be progressed as part of the new five year plan within the £100m maximum expenditure level indicated.

3.5.2 Detailed work to refine the forecast the physical and financial outturn of the 2007/08 Capital Programme is currently in hand as part of the budget process and some expenditure will require to be reprofiled into future financial years to allow individual projects to be completed.

3.5.3 Project costs for delayed and reprofiled schemes may be subject to inflation and the impact of this will require to be addressed in the annual review.

3.6 External Funding and Capital Receipts

3.6.1 As at November 2007, the Council has not yet received formal confirmation of schemes for which external funding will be received in future years. In the event that the level of external funding becoming available either through central government grants or other sources is greater than present assumptions, the overall value of the programme may be capable of enhancement. Equally some projects will allow land and assets to be released and capital receipts in excess of assumed levels could be used to enhance the programme.

3.6.2 The Scottish Government has indicated that capital grants, including the Schools Fund will not be ringfenced from April 2008. It should be noted that it was previously agreed that a proportion of future Schools Fund allocations would be top-sliced to support Unitary Charges in relation to the current PPP projects. The accounting mechanics of this will require to be reviewed but the remaining portion will be included as part of overall unringfenced capital grant.

3.6.3 The Scottish Government has indicated an intention to introduce an alternative funding mechanism to PPP in the form of the Scottish Futures Trust (SFT). This will be based on the Non Profit Distributing Organisation (NPDO) principles. This may provide an alternative funding opportunity particularly for new schools projects.

3.7 Core Strategic Objectives

3.7.1 A number of strategic projects have been approved previously. Whilst there is scope to revisit those schemes which have not yet commenced it has been assumed for planning purposes that members will wish them to proceed. The current commitment already budgeted is shown in Appendix 1.

3.7.2 A number of new strategic schemes have been proposed for the five year programme. Whilst detailed business cases and option appraisal will be carried out as part of the new project management arrangements, it is proposed that, for planning purposes, these be taken forward as part of the five year plan. Appendix 2 lists the projects involved together with the currently projected spending profile. Given the tentative nature of these projects the costs and profiles shown are for illustrative purposes only at this stage. Key themes of Regeneration, Scotland's Year of Homecoming 2009, the 2014 Commonwealth Games and Better Schools : Better Learning are evident in the proposed programme.

3.7.3 Opportunities for joint working will continue to be pursued. The proposed programme includes the Crosshouse project where the Council's contribution is £0.439m. An extension to Rankinston Community Centre is also planned in order to provide better accommodation for the GP practice. Current indications are that this will be wholly funded by the NHS with the Council contributing the land.

3.8 Spend to Save

3.8.1 Departments were invited to identify projects which could be financed through annual revenue savings or income which will be at least equal to the annual debt servicing costs.

3.8.2 Neighbourhood Services are seeking an allocation of £0.060m in 2008/09 and £0.190m in 2009/10 in relation to the preparation and introduction of Decriminalisation Parking Enforcement (DPE) in East Ayrshire, which will be self financing in terms of future income streams and which will therefore be in addition to the £100m programme.

3.8.3 Work will be done by Educational and Social Services on the viability of establishing a second Intensive Support Unit for young people based on the Montgomery Place model.

4 TOTAL CAPITAL PROGRAMME

4.1 The total level of General Services capital expenditure together with an indication of when the likely expenditure profile is shown in Appendix 2. The figures for new schemes are speculative and have not been verified to any degree given the lack of detail available for many of the projects. As indicated above, these will become more firm as the schemes are developed and costed by Finance and Asset Management in consultation with client departments and reports will be presented to the Cabinet in this regard as the work is progressively completed. The programme for refurbishment, upgrade and component renewal will match the balance of funding available however and will be prioritised using the criteria set out in paragraph 2.2.2. For 2008/09, it is possible to identify £4.106m of General Projects which are of high priority and can be taken forward. These are set out in Appendix 3 Given the need for work on schools to be done predominantly during the Easter and Summer breaks it is important to commence the preparatory design work on these projects immediately.

4.2 A balance of £20.965m remains to be allocated over the five years. It is clear that schools refurbishment or alterations will require to be identified and programmed once the outcome of the Better Schools : Better Learning - A Strategy for Developing the School Estate consultation process is known and this will have first call on that balance.

4.3 There is no overriding need to plan expenditure on an annual basis and it is considered better practice for planning to be done on a project basis with expenditure profiles being a result rather than a criteria as has been the case in the past. The financial profile is an important tool in performance measurement however and will be more useful if it is derived from a consolidation of individual project profiles.

- 4.4 In approving the overall strategy therefore the Cabinet would be approving the inclusion of projects and their relative priorities but the timescale for physical and financial progress of each element over the five years would then be determined taking account of relevant factors including the availability of professional resources both internally and externally, site issues and availability of funding. As these are resolved the Cabinet would be provided with the opportunity to consider and amend proposals to ensure that they are aligned with overall strategic objectives

5. RECOMMENDATIONS

5.1 It is recommended that Members;

- i) Approve the proposed capital investment strategy outlined in this report;
- ii) Agree the proposed arrangements for assessing and prioritising future programmes;
- iii) Approve the overall proposed capital expenditure outlined in Section 4 above and detailed in appendices 1,2 and 3.

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AMcP/JB

10 December 2007

LIST OF BACKGROUND PAPERS

NIL

Members wishing further information should contact Alex McPhee, Executive Head of Finance & Asset Management, Telephone 01563 576300

APPENDIX 1 – STRATEGIC PROJECTS PREVIOUSLY APPROVED

PROJECT	BUDGET 2008/09	ESTIMATED ADDITIONAL ALLOCATION REQUIRED	TOTAL	CURRENT SPEND PROFILE			SLIPPAGE PREVIOUSLY BUDGETED
				2008/09	2009/10	2010/11	
Galston Primary School	2.400		2.400	2.400			
Netherthird Community Campus	1.100		1.100	1.100			
Stewarton Academy Extension	0.544		0.544	0.544			0.544
Rosebank Resource Centre	2.093	0.407 a	2.500	0.800	1.700		2.093
Childrens Home North	0.710	0.790 a	1.500	0.300	1.200		0.710
Auchinleck Resource Centre	0.956		0.956			0.956	0.956
Stewarton Area Centre	0.855	0.060 b	0.915	0.915			
Crosshouse Library/Local office	0.439		0.439	0.144	0.295		0.439
Galston Local Office	1.600		1.600	1.000	0.600		0.250
Burns Monument Centre	2.470		2.470	2.470			2.470
Trading Services Depot	5.600		5.600		2.800	2.800	2.800
Galston Flood Prevention Scheme	0.600		0.600	0.600			
Regeneration & Asset Management	3.085	2.000 c	5.085	3.085	2.000		1.085
	22.452	3.257	25.709	13.358	8.595	3.756	11.347
				a Estimated inflationary effect of delay			
				b Requirement for additional car parking			
				c Maintain level of spend until 2009/10			

APPENDIX 3 – GENERAL PROJECTS 2008/09

PROJECT	INDICATIVE COST
Auchinleck Academy Window Replacement	0.400
Bellsbank Primary Window Replacement	0.350
Catrine Primary Window Replacement	0.200
Cumnock Academy Fire Alarm Upgrade	0.100
Cumnock Academy Window Replacement	0.250
Dunlop primary Demolition of Huttred Accommodation	0.040
Fenwick Primary Roofing Works	0.200
Hillhead Primary Roofing Works	0.100
Hillhead Primary Window Replacement	0.150
Kilmaurs Primary Electrical Upgrade	0.250
Kilmaurs Primary Window Replacement	0.090
Lainshaw Primary Electrical Upgrade	0.150
Loanhead Primary Electrical Upgrade	0.150
Loudoun Academy Electrical Upgrade	0.250
Mount Carmel Primary Electrical Upgrade	0.100
Patna Primary Toilet Upgrade	0.100
Kirkstyle Primary Kitchen Upgrade	0.045
Onthank Primary Kitchen Upgrade	0.080
Libraries IT Upgrade	0.080
National Burns Memorial, Mauchline Refurbishment	0.020
Dick Institute Mosaic Floor and Lighting	0.035
Newmilns Library Refurbishment	0.100
Dean Castle Country Park Upgrade	0.140
Cemeteries Development	0.150
Core Paths Plan	0.030
Streetsport/Playpark Investment Programme	0.200
Public Realm CCTV	0.100
Non-HRA Housing	0.075
Corporate Office Accommodation	0.100
	4.035