

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 7 FEBRUARY 2007

ADDITIONAL CAPITAL EXPENDITURE

Report by Executive Head of Finance

1 PURPOSE OF REPORT

- 1.1 To seek approval for additional expenditure on specific capital projects where tender prices are in excess of the preliminary estimates.

2 BACKGROUND

- 2.1 The Policy and Resources Committee of 14 November 2006 approved a Capital Programme for 2007/08 and an indicative programme for 2008/09 and 2009/10. Since then tender prices have been received for three projects which are in excess of the original budgets. Work has been done to investigate the reasons for this and to minimise costs where possible but a gap still remains and the projects can only proceed if Members are minded to enhance the budgets available.
- 2.2 It seems possible that the estimated costs for other major projects which have yet to progress to tender stage may also be affected by increased prices in the current market and a review of these will be carried out and the results presented to Members as necessary.

3 PROPOSALS

3.1 Children's Unit, Auchinleck

- 3.1.1 The total capital allocation for this project is currently £0.800m. The project plan anticipates a completion date of January 2008 with a start on site towards the end of February 2007.
- 3.1.2 Following receipt of tenders and further discussion with the client department, the actual cost is now estimated at £0.840m or £0.040m over the budgeted figure. The increase is due to market conditions currently resulting in tender prices above the levels forecast.

3.2 Care Home for Adults, Auchinleck

- 3.2.1 The total capital allocation for the unit to replace the existing Carrick View is currently £0.750m. This is supplemented by the Social Work Capital Allocation for 2007/08 of £0.350m. The occupation date is anticipated to be January 2008.

3.2.2 Following receipt of tenders and further discussion with the client department, the actual cost is now estimated at £1.310m or £0.210m over the estimated figure. The increase is due to the extent of ground works and associated external works being greater than preliminary assessments of ground conditions and site topography had indicated. In addition current market conditions are resulting in tender prices above the levels forecast.

3.3 Burns Monument Centre

3.3.1 The total capital allocation for this project is £2.723m.

3.3.2 Following receipt of tenders, the actual cost is now estimated at £4.200m or £1.477m over the estimated figure. The increase arises from a variety of factors including costs associated with integration of the new build facility with the existing structure; the condition of the existing structure; the extent of external works and site servicing required; and the extent of close climatic control and asset protection systems required within the building. As with other projects, current market conditions are generally resulting in tender prices above the levels forecast particularly in respect of services which represent a relatively significant part of this scheme.

The Burns Monument Centre will bring together a range of Council services in a flagship facility that will meet the needs of both local residents and visitors to the area. The Centre will provide a high quality venue for wedding and other civil ceremonies and the research and archive facilities will allow people to access family and local history material in an environmentally controlled situation for the first time. The building requires a high specification to meet the expectations of visitors and to ensure that archive material is properly stored and conserved. Opportunities will be taken to limit costs whenever possible without compromising the quality standards required in a facility of this importance.

4 FINANCIAL IMPLICATIONS

4.1 The funding proposals can be summarised as follows;

SOURCE OF FUNDS	PROJECT			Total £m
	Children's Unit, Auchinleck £m	Adult Care Facility, Auchinleck £m	Burns Monument Centre £m	
Existing Capital Plan	0.800	1.100	2.723	4.623
Forecast Cost	0.840	1.310	4.200	6.350
Increase	0.040	0.210	1.477	1.727

4.2 The revenue implications of additional capital expenditure amount to approximately £0.070m per £1m of expenditure commencing in the year following the spend. On this basis the additional revenue implications for debt charges from 2008/09 from increased borrowing of £1.727m would be an increase of £0.120m per annum. This assumes however that no slippage on these or other projects is experienced during the year.

5 RECOMMENDATION

It is recommended that Members :

- 5.1** approve additional capital expenditure of £1.727m in respect of the projects highlighted above; and
- 5.2** otherwise note the contents of this report.

Alex McPhee
Executive Head of Finance

AMcP/JP
5 February 2007

LIST OF BACKGROUND PAPERS NIL

Members wishing further information should contact Alex McPhee, Executive Head of Finance, Telephone (01563) 576300.