

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 8 FEBRUARY 2005

GENERAL SERVICES CAPITAL PROGRAMME 2005/06 - 2007/08

Report by Executive Head of Finance

1 PURPOSE

- 1.1** To provide Elected Members with information to allow the setting of the general services capital programme for 2005/06, and an indicative programme for the financial years 2006/07 and 2007/08.

2. BACKGROUND

- 2.1** With effect from 1 April 2004 the Council has been required to take account of the Prudential Code for Capital Finance ("The Code") when carrying out its duty under Part 7 of the Local Government in Scotland Act 2003.
- 2.2** 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.
- 2.3** As part of the general services revenue process and determination of Council Tax and Housing Rent levels the Council should ensure that the proposed capital programme is affordable over the medium to longer term, and that associated borrowing costs can be met from annual revenues and rent income.

3 CAPITAL EXPENDITURE LEVELS

- 3.1** The prudential code therefore allows schemes that are either self financing through efficiency savings or supported by external funding to be taken forward, without the need to remain within capped expenditure limits, as existed under the previous capital control regime.
- 3.2** Departments have identified a number of schemes that are either fully or partially supported through the expected receipt of external grant, or partnership funding. These projects together with schemes which are self supporting – in that they deliver savings equal to or greater than the calculated debt charge, and for which an appropriate transfer from revenue has been identified can now be advanced under the principles of the Prudential Code.

3.3 Slippage and carry forward schemes are those that have already been approved by Committee, but did not proceed within the original timetable due a variety of operational reasons. These schemes are however committed and have been reallocated to the financial year shown.

3.4 There is no financial implication from these schemes as these have already been included within the original funding assumptions. They are however subject to final verification as part of the normal year end audit process and the actual amounts may be varied should any material variance be identified. These are summarised in the following table.

SCHEME / PROJECT	LEAD DEPT'	SLIPPAGE				REALLOCATED	
		2004/05	2005/06	2006/07	2007/08		
SLIPPAGE & CARRY FORWARD		£'M	£'M	£'M	£'M		
Dalsalloch Area Social Work Centre	Social Work	(1.250)	0.030	1.220	-		
Galston Primary School New Build	Education	(1.730)	0.500	1.230	-		
Logan Day Care Extension	Education	(0.060)	0.060	-	-		
Window Contracts – Education	Education	(0.175)	0.175	-	-		
CCTV & Risk Management Centre	Corporate	(0.900)	0.900	-	-		
Care Homes – Adults	Social Work	(0.200)	0.200	-	-		
Children's Homes –Refurbishment	Social Work	(0.020)	0.020	-	-		
A70 Welltrees Bridge	Development	(0.350)	0.350	-	-		
Moorfield – Contaminated Land	Development	(0.200)	0.200	-	-		
Multi Storey Car Park – Refurbish'	Development	(0.050)	0.050	-	-		
Flood Studies	Development	(0.060)	0.060	-	-		
North West Neighbourhood Centre	Corporate	(2.600)	2.600	-	-		
Total Schemes Carried Forward		7.595	5.145	2.450	-		

3.5 The following table sets out projects which have been identified by Departments as being financed through savings which will be at least equal to the annual debt servicing costs. The traffic signal project was due to commence in 2004/05 but is now expected to commence in 2005/06.

SPEND TO SAVE PROJECTS	LEAD DEPT'	SLIPPAGE		ALLOCATION	
		2004/05	2005/06	2006/07	2007/08
		£'M	£'M	£'M	£'M
Traffic Signal Renewal Programme	Development	(0.110)	0.110	0.110	0.220
CCTV & Risk Management Centre	Corporate	-	1.128	-	-
Kilmarnock On Street Parking	Development	-	0.100	-	-
Cumnock Parking Strategy	Development	-	-	0.100	-
TOTAL SPEND TO SAVE		(0.110)	1.338	0.210	0.220

3.6 Those schemes for which external funding is anticipated are summarised in the following table.

EXTERNALLY FUNDED	LEAD DEPT'	ALLOCATION		
		2005/06 £'M	2006/07 £'M	2007/08 £'M
Galston Flood Prevention	Development	4.760	1.000	-
Development Projects	Development	0.080	0.080	0.080
Environmental Projects	Development	0.060	0.060	0.060
Heritage & Tourism	Development	0.120	0.120	0.120
Restoring Communities	Development	0.180	0.180	0.180
Cycling Walking & Safer Streets	Development	0.205	-	-
20MPH Around Schools	Development	0.257	-	-
Public Transport Fund 5	Development	1.100	-	-
Crookedholm Flood Prevention	Development	0.100	-	-
Baird Institute Refurbishment	Neighbourhood	0.180	0.070	-
Museums Collection On Line	Neighbourhood	-	0.150	-
Palace Theatre Refurbishment	Neighbourhood	0.310	-	-
Public Sector Housing Grants	Neighbourhood	0.470	0.470	0.470
North West Neighbourhood Centre	Council Issue	2.596	-	-
Schools Fund	Education	2.366	2.480	1.447
TOTAL EXTERNAL FUNDING		12.784	4.610	2.357

3.7 The Galston Flood Prevention Scheme has been submitted to the Scottish Executive for confirmation. It is anticipated that if the scheme is approved direct grant support at a level of 80% will be received. The remaining costs are estimated at £1.440M and require to be funded from existing capital resources.

3.8 Funding has been confirmed in respect of the Schools Fund for 2005/06; 2006/07; and 2007/08 of £2.366M; £2.480M; and £2.595M respectively. It should be noted the Council agreed at the meeting of 9 November 2004 that this funding stream may be utilised to bridge any affordability gap in relation to the proposed PPP project. This is currently estimated to be £1.148M in 2007/08 to be met from the allocation for that year. The sum available for capital expenditure has been reduced by that amount at this stage. The actual level contribution from the Schools Fund will be known after the PPP contract has been concluded.

4 SERVICE PRIORITIES AND COMMITMENTS

- 4.1** Having regard to the combined restraints of the Council's Treasury Strategy and the revenue budget, it is proposed that the maximum level of capital expenditure to be supported by borrowing for the financial years 2005/06 to 2007/08 is set at £39.000M. This limit will require to be reviewed annually to ensure that it takes into account any material change that would affect the affordability and/or sustainability of the overall programme. An example of this would be a rise in interest rates.
- 4.2** At its meeting of 12 February 2004 this Committee considered and agreed capital allocations for 2005/06 and 2006/07 in respect of a number of core projects that either arise from a statutory obligation or are considered key to the deliverance of core strategic objectives. This funding is summarised in the following table together with further schemes that fall within this classification, and which are presented for consideration and approval.
- 4.3** It is proposed that the funding for these projects be "top sliced" from the identified borrowing in order to ensure that they can be delivered and it is further proposed that they are approved as priority projects within the 3 year investment programme. These schemes are summarised in the following table;

STRATEGIC POLICIES & SCHEMES	LEAD DEPT'	ALLOCATION			
		2005/06	2006/07	2007/08	TOTAL
Previously Approved:					
Care Homes Elderly – Upgrades	Social Work	0.845	1.330	-	2.175
Children's Homes – Upgrades	Social Work	0.720	0.720	-	1.440
Roads – Strategic Upgrade Programme	Development	0.750	0.750	-	1.500
Stewarton Community Facilities	Neighbourhood	0.250	0.900	-	1.150
Crosshouse Library & Local Office	Neighbourhood	0.295	0.295	-	0.590
Galston Local Office	Neighbourhood	-	0.250	-	0.250
SUB – TOTAL		2.860	4.245	-	7.105
New Schemes for Approval					
Galston Flood Scheme – Council Funding	Development	1.190	0.150	0.100	1.440
Roads – Strategic Upgrade	Development	-	-	0.750	0.750
Regeneration & Efficiency Fund	Development	2.000	2.000	2.000	6.000
SUB – TOTAL		3.190	2.150	2.850	8.190
TOTAL – STRATEGIC POLICIES		6.050	6.395	2.850	15.295

- 4.4** A proposed annual provision of £2.000M to provide capital funding in respect of key regeneration and efficiency improvement objectives identified by the Council is included. It is anticipated that this will allow projects to be taken forward that will generate financial gains for the Council at least equal to the annual costs associated with this level of borrowing including those which will assist with town centre regeneration and reductions in property running costs.

- 4.5 All departments have submitted bids for capital allocations in respect of a range of projects which while having a lower Council priority than those set out above, are considered a priority in the achievement of Departmental service plans. As it is difficult to rank any of these projects other than equally with one another as each meets a number of core objectives it is proposed to allocate the balance of funding in line with previous departmental allowances and for Service Committees to rank projects within these allocations.
- 4.6 The proposed basis of allocation will allow appropriate option appraisal to be carried out in terms of meeting community planning criteria and achieving service plans, and should allow relevant service committees to consider and approve prioritised investment programmes.

5. PROPOSED SERVICE ALLOCATIONS

- 5.1 The proposed Service allocations for the financial years 2005/06 and 2006/07 were approved by this Committee at its meeting of 12 February 2004. These have been updated to reflect anticipated changes in the expenditure profile for the Galston Primary School project. The following table shows the revised allocations, together with proposed allocations in respect of 2007/08. The sums shown are in addition to amounts shown against Slippage, Spend to Save, Externally Funded and Strategic schemes.

RECOMMENDED ALLOCATIONS	05/06 £M	06/07 £M	07/08 £M	TOTAL £M
Education (Excluding PPP)	1.605	1.800	3.550	6.955
Education – Galston Primary School	-	2.770	1.980	4.750
Social Services	0.350	0.350	0.350	1.050
Development – Operational	1.900	2.200	2.200	6.300
Development – Corporate Accommodation	0.100	0.100	0.100	0.300
Community Services	0.750	0.750	0.750	2.250
Housing – General Fund	0.200	0.200	0.200	0.600
Corporate IT	0.500	0.500	0.500	1.500
Total Proposed Service Allocation	5.405	8.670	9.630	23.705

- 5.2 The proposed Education allocation is in addition to the capital investment associated with the proposed P.P.P. scheme which is currently estimated at £50M over the 3 years.
- 5.3 The timing of the Galston Primary School project is entirely dependent on the completion of the Galston Flood scheme and so the amounts which will be spent in any individual year on the new school is unknown until the flood scheme has been scheduled. The total amount which this report commits to the primary school project is £6.480m including the £1.730m of slippage already recognised but the Prudential Code arrangements mean the timing of the expenditure of this total is irrelevant.

- 5.4 It is proposed that any work required to comply with the Disability Discrimination Act be given priority by departments and funding effectively top sliced from their individual allocations to address any issues raised.
- 5.5 It is proposed that, as previously agreed, the Executive Director of Development and Property Services should make appropriate arrangements for expenditure controls on construction and related works, whilst sponsoring departments retain the responsibility for specification and for securing the required level of resources for each project.
- 5.6 Each Executive Director should be requested to submit a detailed Capital programme to the relevant Service Committee proposing how these allocations are to be utilised.
- 5.7 In order to comply with the Prudential Code all projects going forward should have been subject to a form of option appraisal. In addition they must qualify as capital expenditure under accounting guidelines. The most obvious qualifications are that they create a new asset, extend the useful life of an existing asset or increase the value of an existing asset. If a department proceeds with schemes which do not fall within the definition, auditors, at the end of the year, are likely to require the expenditure to be charged to Revenue and this may seriously affect the department's Revenue Budget outcome.
- 5.8 Directors must ensure therefore that they are able to evidence the option appraisal process for each individual project and for the departmental programme as a whole and confirm with the Executive Director of Development and Property Services that the requirements relating to asset value and/or life will be met before recommending a scheme for approval by Service Committees.

6. TOTAL CAPITAL PROGRAMME

- 6.1 The total level of General Services capital expenditure together with the expected source of funding is summarised in the following table.

EXPENDITURE	05/06 £M	06/07 £M	07/08 £M	TOTAL
Slippage & B/Fwd Schemes	5.145	2.450	-	7.595
Externally Supported Schemes	12.784	4.610	2.357	19.751
Self Financing/Spend to Save Schemes	1.338	0.210	0.220	1.768
Strategic Priorities	6.050	6.395	2.850	15.295
Service Allocations	5.405	8.670	9.630	23.705
TOTAL CAPITAL EXPENDITURE	30.722	22.335	15.057	68.114
FUNDING				
Grants & partnership Funding	12.784	4.610	2.357	19.751
Spend to Save Efficiencies	1.338	0.210	0.220	1.768
Slippage & B/Fwd Funding	5.145	2.450	-	7.595
External Borrowing	11.455	15.065	12.480	39.000
TOTAL FUNDING	30.722	22.335	15.057	68.114

- 6.2 The total level of capital investment by each Department is shown in the following table:

DEPARTMENT	05/06 £M	06/07 £M	07/08 £M	TOTAL
Education	4.706	8.280	6.977	19.963
Social Services	2.165	3.620	0.350	6.135
Development - Operational	13.572	6.750	5.710	26.032
Development – Accommodation	0.100	0.100	0.100	0.300
Neighbourhood Services – Community	1.785	2.415	0.750	4.950
Neighbourhood Services - Housing	0.670	0.670	0.670	2.010
Corporate Support	0.500	0.500	0.500	1.500
Council Issues	7.224	-	-	7.224
TOTAL EXPENDITURE	30.722	22.335	15.057	68.114

7 RECOMMENDATIONS

It is recommended that Members;

- 7.1 approve the proposed capital investment strategy outlined in this report;
- 7.2 agree the proposed arrangements for expenditure controls on construction and related works;
- 7.3 instruct Executive Directors to submit detailed capital programmes for the utilisation of capital allocations to their Service Committees for consideration and approval having satisfied the requirements in relation to option appraisal and categorisation of capital expenditure; and
- 7.4 approve the overall proposed capital expenditure outlined in Section 6 above.

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LIST OF BACKGROUND PAPERS NIL

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