

## **EAST AYRSHIRE COUNCIL**

### **POLICY AND RESOURCES COMMITTEE – 14 NOVEMBER 2006**

#### **GENERAL SERVICES CAPITAL PROGRAMME 2007/08 - 2009/10**

##### **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 2007/08, and an indicative programme for the financial years 2008/09 and 2009/10.

## **2. BACKGROUND**

- 2.1** The General Services Capital Programme has been prepared in accordance with the Prudential Code for Capital Finance (“The Code”) as set out within 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, the Council should 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.

## **3 CAPITAL EXPENDITURE LEVELS**

- 3.1** During 2006/07 a number of schemes were identified which although already approved by Committee had not progressed within the original timetable. Members agreed to re-profile schemes amounting to £17.704m from 2006/07 to 2007/08 at the Emergency Powers Committee of 19 July 2006.
- 3.2** This Committee on 19 September 2006 approved the reprofiling of £0.150m from 2007/08 to 2006/07 for infrastructure work relating to the new Galston Primary School. This has been reflected in the 07/08 reallocation.
- 3.3** In addition, the Policy and Resources report of 8 February 2006 reallocated £0.625m to 2007/08 from 2005/06 for the Dalsalloch Social Work Centre. This is also included in the 2007/08 reallocation figure for this scheme.
- 3.4** It has been identified by the Head of Roads and Transportation that the previously approved Spend to Save Traffic Signal Renewal Programme of £0.220m in 2007/08 will not now generate the savings necessary to make it economically feasible and this has therefore been deleted from the programme.

- 3.5** Project costs for delayed and reprofiled schemes may be subject to inflation as a result of the late start and the impact of this will require to be met within overall departmental allocations.
- 3.6** Additional slippage in respect of 2006/07 schemes to Period 6 (ended 17 September 2006) which was presented to the Budget Scrutiny Group on 17 October 2006 is included in the following table. The Executive Director of Neighbourhood Services submitted a report to Community Services Committee on 8 November 2006 which reallocated £0.356m of this slippage and the Neighbourhood Services balance has been reduced accordingly.
- 3.7** Members are asked to note that detailed work is in progress to determine the anticipated physical and financial outturn of the Capital Programme and any further underspends identified for 2006/07, in addition to the slippage which was identified at Period 6 as outlined above. This will be retained by departments to allow projects to be completed. Expenditure will be required to be contained within the three year budgeting process.
- 3.8** The overall summarised position, taking account of the explanations and figures shown in the following paragraphs and tables is set out in the appendix to this report.

Departmental Reprofiled P6 Variances	Reprofiling	Reallocated		
	2006/07 £m	07/08 £m	08/09 £m	09/10 £m
Educational Services	(0.179)	0.179	-	-
Social Services	(0.098)	0.098	-	-
Development & Property Services	(0.085)	0.085	-	-
Neighbourhood Services	(0.499)	0.143	-	-
<b>TOTAL PERIOD 6 SLIPPAGE</b>	<b>(0.861)</b>	<b>0.505</b>	<b>-</b>	<b>-</b>

- 3.9** The schemes for which external funding has been identified are summarised in the following table.

Externally Funded Scheme	Lead Department	Allocation		
		07/08 £m	08/09 £m	09/10 £m
Cycling, Walking & Safer Streets	Development & Property Services	0.212	-	-
20MPH Around Schools	Development & Property Services	0.271	-	-
Schools Fund	Educational Services	1.713	1.579	-
Galston Flood Prevention	Development & Property Services	3.006	-	-
<b>TOTAL</b>		<b>5.202</b>	<b>1.579</b>	<b>-</b>

- 3.10** Indicative funding has been confirmed in respect of the Schools Fund for 2007/08 but not for future years. This has therefore been assumed at 2007/08 levels. The Council agreed at its meeting of 9 November 2004 that a proportion of this funding should be utilised to bridge any affordability gap in relation to the proposed PPP project. This is forecast to be £0.882m in year 1. The sum available from the Schools Fund for 2007/08 has been reduced by that amount. A proportion of any future Schools Fund allocations will require to be similarly applied to support the PPP Unitary Charge in future financial years.

## 4 SERVICE PRIORITIES AND COMMITMENTS

- 4.1 Having regard to the combined constraints 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 2007/08 to 2009/10 is set at £45.000m. This is net of any prior year slippage brought forward. 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, for example, an unforeseen rise in interest rates.
- 4.2 At its meeting of 8 February 2006 this Committee approved capital allocations for a number of core projects that either arise from a statutory obligation or are considered key to the deliverance of core strategic and Community Plan objectives. Existing schemes for 2007/08 and 2008/09 are detailed in the table below.

Previously Approved Strategic Schemes	Lead Department	Allocation			
		07/08 £m	08/09 £m	09/10 £m	TOTAL £m
Facilities for Older People's Services	Social Services	0.665	-	-	0.665
Roads – Strategic Upgrade	Development & Property Services	0.750	0.750	-	1.500
Stewarton Community Facilities	Neighbourhood Services	1.200	-	-	1.200
Kay Park Facilities	Neighbourhood Services	0.250	-	-	0.250
Galston Primary School	Educational Services	1.980	-	-	1.980
Galston Flood Scheme	Development & Property Services	0.150	0.100	-	0.250
Regeneration, Efficiency & Asset Management	Development & Property Services	2.000	2.000	-	4.000
Contingency	Corporate	0.250	0.250	0.250	0.750
<b>SUB TOTAL</b>		<b>7.245</b>	<b>3.100</b>	<b>0.250</b>	<b>10.595</b>
<b>New Schemes for Approval</b>					
Galston Flood Scheme	Development & Property Services	-	0.500	-	0.500
Galston Primary School	Educational Services	-	1.680	-	1.680
Roads – Strategic Upgrade	Development & Property Services	-	-	0.750	0.750
Regeneration, Efficiency & Asset Management	Development & Property Services	-	-	2.000	2.000
Stewarton Community Facilities	Neighbourhood Services	-	0.855	-	0.855
Galston Local Office/ Social Work Facility	Neighbourhood Services	-	1.350	-	1.350
Building & Works Depot	Neighbourhood Services	2.800	2.800	-	5.600
<b>SUB TOTAL</b>		<b>2.800</b>	<b>7.185</b>	<b>2.750</b>	<b>12.735</b>
<b>TOTAL STRATEGIC SCHEMES</b>					
		<b>10.045</b>	<b>10.285</b>	<b>3.000</b>	<b>23.330</b>

- 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. The Programme will be reviewed annually and any new schemes brought forward for consideration by Executive Directors will be reviewed at that point. Any such schemes should be supported by a business case and option appraisal before being presented to Members.
- 4.4** The Galston Flood Prevention Scheme was formally approved by the Scottish Executive on 11 July 2006. This project has been subject to considerable delay as a result of Planning matters and in the meantime the total cost has increased by approximately £2.507m to £10.067m. The Council will receive grant funding of 80% from the Scottish Executive. The Committee is therefore requested to note the requirement to increase the Council’s contribution by £0.500m in 2008/09 in respect of the share of additional costs.
- 4.5** The approval of the Galston Flood Prevention Scheme has allowed the construction of Galston Primary School to commence. The total funding approved to date is £6.500m, which is based on previous estimates. Due to the delay of this scheme, costs are now estimated at £8.180m. The Committee is requested to approve the additional funding required of £1.680m in 2008/09. The precise time profile of this scheme is dependent on the procurement process and spend is likely to move between years once this has been finalised.
- 4.6** The Emergency Powers Committee of 19 July 2006 authorised the acceptance of the tender in respect of Welltrees Bridge at a cost of £1.485m. The net cost, taking account of a contribution of £0.600m from Scottish Coal, was £0.495m more than the original budget and it was noted that a range of options to reallocate Development Services Capital funds were being explored. The Head of Roads and Transportation has now identified additional income of £0.100m received from a standard security over the former Stoddart’s site. In addition, the Head of Roads and Transportation anticipates unbudgeted grant funding of £0.290m in respect of prior year preparatory flood prevention works which were funded from capital allocations by Development and Property Services which can be committed to support this project. It is proposed that the balance of £0.105m be met from the capital contingency in 2006/07.
- 4.7** The Committee is requested to approve the continuation of funding in relation to the Roads Strategic Upgrade within the 2009/10 Capital Programme.
- 4.8** The initial focus of the Regeneration and Efficiency Fund was on town centre regeneration and energy efficiency projects. Energy Efficiency projects have now largely been completed and it is proposed the scope of the Fund be widened to allow essential Asset Management issues to be addressed as they are identified. The Committee is requested to approve a further £2.000m for these purposes for 2009/10.
- 4.9** The design of the Stewarton Community facility has now been finalised and estimates show the costs to be £3.500m. Planning permission has been granted and the decision of the Scottish Executive is now awaited. The Committee is asked to approve the additional funding required of £0.855m in 2008/09. The precise time profile of this scheme is dependent on planning and procurement and spend is likely to move between years once these have been finalised.

- 4.10** Having examined the options available to facilitate appropriate access to the Galston Local Office, the most effective alternative is to extend the existing library facility and to include Social Work accommodation as well as the local office. Initial estimates indicate costs will be in the region of £1.600m although final designs have still to be prepared and these will determine the final cost which may well be higher. The Committee is asked to approve the provisional level of additional funding required of £1.350m in 2008/09.
- 4.11** The Executive Head of Neighbourhood Services has confirmed that the requirement for Building and Works to accommodate new Supply Chain Management arrangements for Council House kitchens, bathrooms and heating systems means that additional premises are required for mass storage and assembly of these items. A number of options for this were developed including review of existing accommodation, lease of additional premises and new build. The option appraisal shows a new depot incorporating all existing facilities is the most cost effective and efficient option and allowance for this has been included in the proposed programme. There may also be merit in terms of cost and efficiency of co-locating certain Development & Property Services in the same area and the identification of the site will take this into consideration.
- 4.12** 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 for 2007/08 to allocate the balance of funding in line with previous departmental allowances and for Service Committees to rank projects within these allocations.
- 4.13** 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 in advance of the new financial year.

## 5. PROPOSED SERVICE ALLOCATIONS

- 5.1** The proposed Service allocations for 2007/08 are based on previous allocations. These sums are in addition to amounts shown against Slippage, Externally Funded and Strategic schemes.

Recommended Service Allocations	Original 07/08 £m	Adjustments 07/08 £m	Revised 07/08 £m
Education (Excluding PPP)	3.550	(1.245)	2.305
Social Services	0.350	-	0.350
Development – Operational	2.200	-	2.200
Development – Corporate Accommodation	0.100	-	0.100
Neighbourhood Services	0.950	-	0.950
Corporate IT	0.500	-	0.500
<b>TOTAL PROPOSED SERVICE ALLOCATION</b>	<b>7.650</b>	<b>(1.245)</b>	<b>6.405</b>

- 5.2 £1.245m was brought forward into 2006/07 by Education to meet the funding requirements of the Schools Estate Management Strategy. This was agreed by the Education Committee on 22 March 2005.
- 5.3 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.
- 5.4 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.
- 5.5 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.
- 5.6 In order to comply with the Prudential Code all projects going forward should have been subject to a form of option appraisal. In addition, each capital project must be approved by a Qualified Valuer / Engineer as qualifying as capital expenditure under accounting guidelines. The most obvious qualifications are that expenditure creates a new asset, extends the useful life of an existing asset or increases the value of an existing asset. If a department proceeds with schemes which have not been approved by a Qualified Valuer / Engineer as qualifying expenditure, the possibility exists that the Council's external auditors will require the expenditure to be charged to Revenue which in turn may seriously affect the department's Revenue Budget outcome.
- 5.7 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. This should be in line with the strategic framework for the Council's overall Asset Management Strategy and Option Appraisal framework.

## 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. Further detail is provided in Appendix 1.

<b>EXPENDITURE</b>	<b>07/08 £m</b>	<b>08/09 £m</b>	<b>09/10 £m</b>	<b>TOTAL £m</b>
Slippage & B/Fwd Schemes	18.484	0.200	-	18.684
Externally Supported Schemes	5.202	1.579	-	6.781
Strategic Priorities	10.045	10.285	3.000	23.330
Service Allocations	6.405	-	-	6.405
To Be Allocated	-	4.715	9.305	14.020
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>40.136</b>	<b>16.779</b>	<b>12.305</b>	<b>69.220</b>
<b>FUNDING</b>	<b>07/08 £m</b>	<b>08/09 £m</b>	<b>09/10 £m</b>	<b>TOTAL £m</b>
Slippage & B/Fwd Schemes	18.484	0.200	-	18.684
Grants & Partnership Funding	5.202	1.579	-	6.781
External Borrowing	16.450	15.000	12.305	43.755
<b>TOTAL FUNDING</b>	<b>40.136</b>	<b>16.779</b>	<b>12.305</b>	<b>69.220</b>

- 6.2** Within the 2008/09 to 2009/10 Capital Programmes there are unallocated sums of £4.715m and £9.305m respectively. Proposed allocations of these balances will be brought forward for consideration as part of the Budget and Council Tax setting process in February 2007.
- 6.3** The total level of capital investment by each Department is shown in the following table. This may be subject to change pending the outcome of the Option Appraisal process and the annual review of the Capital Programme.

<b>DEPARTMENT</b>	<b>07/08 £m</b>	<b>08/09 £m</b>	<b>09/10 £m</b>	<b>TOTAL £m</b>
Education	10.633	3.459	-	14.092
Social Services	5.448	-	-	5.448
Development - Operational	12.201	3.350	2.750	18.301
Development - Corporate Accommodation	0.100	-	-	0.100
Neighbourhood Services	11.004	5.005	0.000	16.009
Corporate Support (including Contingency)	0.750	0.250	0.250	1.250
To Be Allocated	-	4.715	9.305	14.020
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>40.136</b>	<b>16.779</b>	<b>12.305</b>	<b>69.220</b>

## **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 for 2007/08 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.

Alex McPhee  
**Executive Head of Finance**

6 November 2006

### **LIST OF BACKGROUND PAPERS NIL**

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

## GENERAL SERVICES CAPITAL ALLOCATIONS 2007/08 TO 2009/10

Scheme	Funding Type	SPEND TO DATE / REPROFILING				PROPOSED ALLOCATIONS			
		Spend to 31/3/06 £m	Original 06/07 £m	Reprofiled 06/07 £m	Revised 06/07 £m	07/08 £m	08/09 £m	09/10 £m	Total £m
<b>EDUCATION TOTAL</b>									<b>14.456</b>
Service Allocation - Education (Excluding PPP)	Service Allocation	-	-	-	-	2.305	-	-	2.305
2006/07 - Period 6 Slippages	Slippages	-	-	-	-	0.179	-	-	0.179
Netherthird Community Campus - Original Allocation	Reprofiling	-	0.300	(0.300)	0.000	0.100	0.200	-	0.300
Dunlop Primary School - Electrical Upgrade	Reprofiling	-	0.200	(0.100)	0.100	0.100	-	-	0.200
Galston Primary School	Reprofiling / Strategic	0.014	4.506	(4.256)	0.250	6.236	1.680	-	8.180
Schools Fund	External Grant	-	-	-	-	1.713	1.579	-	3.292
<b>SOCIAL SERVICES TOTAL</b>									<b>6.143</b>
Service Allocation - Social Services	Service Allocation	-	-	-	-	0.350	-	-	0.350
2006/07 - Period 6 Slippages	Slippages	-	-	-	-	0.098	-	-	0.098
Carrick View	Reprofiling	-	0.750	(0.500)	0.250	0.500	-	-	0.750
Children's Homes - North and South	Reprofiling / Strategic	0.036	1.484	(1.184)	0.300	1.184	-	-	1.520
Dalsalloch Replacement	Reprofiling / Strategic	0.030	0.595	(0.516)	0.079	1.141	-	-	1.250
Facilities for Older People's Services	Reprofiling / Strategic	-	1.510	(1.510)	0.000	2.175	-	-	2.175
<b>NEIGHBOURHOOD SERVICES TOTAL</b>									<b>17.354</b>
Service Allocations - Neighbourhood Services	Service Allocation	-	-	-	-	0.950	-	-	0.950
2006/07 - Period 6 Slippages	Slippages	-	-	-	-	0.143	-	-	0.143
Palace Theatre	Reprofiling	-	0.515	(0.435)	0.080	0.435	-	-	0.515
Risk Management Centre	Reprofiling / Strategic	0.090	1.938	(1.468)	0.470	1.468	-	-	2.028
Crosshouse Library & Local Office	Reprofiling / Strategic	-	0.590	(0.590)	0.000	0.295	-	-	0.295
Galston Local Office	Reprofiling / Strategic	-	0.250	(0.250)	0.000	0.250	1.350	-	1.600
Stewarton Community Facilities	Reprofiling / Strategic	-	1.150	(1.150)	0.000	2.645	0.855	-	3.500
Burns Monument	Reprofiling / Strategic	-	2.473	(1.768)	0.705	2.018	-	-	2.723
Building & Works Depot	Strategic	-	-	-	-	2.800	2.800	-	5.600
<b>DEVELOPMENT AND PROPERTY SERVICES TOTAL</b>									<b>25.185</b>
Service Allocations - Development (Operational)	Service Allocation	-	-	-	-	2.200	-	-	2.200
Service Allocations - Development (Corp Accom)	Service Allocation	-	-	-	-	0.100	-	-	0.100
2006/07 - Period 6 Slippages	Slippages	-	-	-	-	0.085	-	-	0.085
Roads – Strategic Upgrade Programme	Strategic	-	-	-	-	0.750	0.750	0.750	2.250
Galston Flood Scheme	Strategic / External	0.497	5.814	(2.289)	3.525	5.445	0.600	-	10.067
Regeneration, Efficiency & Asset Management	Strategic	0.768	3.232	(1.238)	1.994	3.238	2.000	2.000	10.000
Cycling, Walking & Safer Streets	External Grant	-	-	-	-	0.212	-	-	0.212
20MPH Around Schools	External Grant	-	-	-	-	0.271	-	-	0.271
<b>CORPORATE SUPPORT TOTAL</b>									<b>1.250</b>
Service Allocation - Corporate IT	Service Allocation	-	-	-	-	0.500	-	-	0.500
Contingency	Strategic	-	-	-	-	0.250	0.250	0.250	0.750
<b>UNALLOCATED BALANCES TOTAL</b>									<b>14.020</b>
To be Allocated		-	-	-	-	0.000	4.715	9.305	14.020
<b>TOTAL GENERAL SERVICES CAPITAL PROGRAMME</b>		<b>1.435</b>	<b>25.307</b>	<b>(17.554)</b>	<b>7.753</b>	<b>40.136</b>	<b>16.779</b>	<b>12.305</b>	<b>78.408</b>