

## EAST AYRSHIRE COUNCIL

### SPECIAL POLICY AND RESOURCES COMMITTEE – 31 JANUARY 2003

#### CAPITAL PROGRAMME 2003/04 – 2005/06

#### Report by Director of Finance

### 1 PURPOSE

- 1.1 To enable members to consider the Capital Programme for 2003/04 and the introduction of new capital spending control arrangements from 2004/05 onwards.

### 2 FUNDING

- 2.1 For 2003/04 the existing Section 94 borrowing consent arrangements continue to apply. These will be replaced from 2004/05 with the Prudential Framework which is described later in this report.

### 3 2003/04

- 3.1 The capital allocation for 2003/04 has been confirmed at the level previously announced and noted by Members in February 2002. The Director of Development Services has indicated that the target for capital receipts could be increased from £0.800m to £0.900m and the total funding position is shown below.

Source of Funding	2003/04 £m
Section 94 Borrowing Consent	7.053
Estimated Capital Receipts – Property Disposal	0.900
Estimated Capital Receipts – Vehicle Disposal	0.020
Prior Year Anticipation/Overspend B/Fwd	(0.701)
Current Year Anticipation (Max 10% of Consent)	0.705
<b>TOTAL FUNDING AVAILABLE</b>	<b>7.977</b>

- 3.2 The capital programme agreed in February 2002 took account of projects in hand and Council priorities and resulted in departmental allocations as shown at paragraph 3.3.5.

**3.3** Since then there have been a number of issues of timing and priorities which Members may wish to take account of in producing an updated programme. These include;

#### **3.3.1 Non-HRA Housing Grants**

This covers grants to private householders for aids and adaptations and essential repair. It is clear that the level of funding falls short of the level of demand and it may be that additional funding should be allocated to General Fund Housing line for 2003/04 to enable this to be addressed to some degree.

#### **3.3.2 Education**

This Galston Primary School project made up £2.000m of the total Education allocation of £3.000m for 2003/04. It has however been delayed by unavoidable planning issues and it is now considered that the maximum spend in 2003/04 will be £1.750m. It was also originally envisaged that necessary preparatory work on the PPP project would be charged to the Capital Programme. The External Auditor has confirmed however that this should be a Revenue charge and £0.500m has been added to the Revenue budget for 2003/04 to accommodate this.

#### **3.3.3 North West Area Centre**

Capital funding for this partnership project will not now be required until 2004/05. This means that resources which would have required to have been top-sliced within departmental allocations for this in 2003/04 can be released for other projects.

#### **3.3.4 Disabled Access**

In order to ensure that all buildings have adequate access arrangements for disabled people, a full audit of all premises is required. This is scheduled to be completed by the end of the calendar year.

#### **3.3.5 Proposed Revision**

In light of these issues the revision shown in the table below is proposed. The effect would be that Education would have £2.825m in the Capital Programme with a further £0.500m in the Revenue Budget for PPP preparation costs. The spend on the Galston Primary School project will also be £0.250m less that was previously envisaged. This is of course a profiling issue and that sum will require to be included in the 2004/05 programme to enable the scheme to be completed.

The proposed revision would also allow a level of aspiration in terms of Non-HRA Housing to be met, essential disabled access projects would be identified and all departments would be able to allocate those funds previously held against the North West Area Centre for other projects.

Service	2003/04 Original  £m	2003/04 Proposed Revision  £m
Education	3.000	2.825
Social Work	0.330	0.330
Development Services	1.525	1.525
Community Services – Operational	0.600	0.600
Community Services – Cumnock Pool	0.350	0.350
Non-HRA Housing	0.375	0.550
Corporate Services – IT	0.380	0.380
Corporate Accommodation	0.090	0.090
Council Issues – Health & Safety	0.050	0.050
Council Issues – Ayrshire Electronic Community	0.050	0.050
Council Issues – Dalrymple Area Centre	0.050	0.050
Council Issues – North West Area	Within existing allocations	Council contribution now end-loaded to 2004/05
Council Issues – Disabled Access	-	0.100
Capital Improvements	1.500	1.500
<b>Total Composite Programme</b>	<b>8.300</b>	<b>8400</b>
<b>TOTAL FUNDING AVAILABLE</b>	<b>7.877</b>	<b>7.977</b>
<b>OVER/(UNDER) COMMITMENT</b>	<b>0.423</b>	<b>0.423</b>

- 3.4** Each Director involved will be required to submit a detailed Capital Programme to the relevant Service Committee proposing how these allocations could be utilised.
- 3.5** Expenditure will be monitored against individual projects with significant underspends being remitted back to this Committee for consideration in light of overall Council priorities. A Department underspending on one project will not therefore be in a position to subsidise another project without reference to this Committee.

## **4 CAPITAL FUND**

- 4.1** This Committee in October noted that a Capital Fund had been established with Capital Receipts for 2001/02 totalling £0.621m being credited to it and agreed that it would be prudent to use this to fund capital projects which would result in savings of at least the debt charges arising. Departments were invited to submit bids on this basis.
- 4.2** The Director of Educational and Social Services has requested that £0.095m be allocated to enable capital improvements to be carried out at the Newmilns Ski Slope. On completion the facility would be leased to The Friends of Newmilns Ski Slope to be run by them. This would mean existing annual costs of £0.023m would be saved in the Education budget. The debt charges arising are approximately £0.015m per annum for 10 years. Members are asked to approve the use of funds for this purpose and to the transfer of the estimated debt charges involved from the Education budget to the Debt Charges line for 2003/04. The transfer for 2003/04 will be a part year cost depending on the timing of the project with the full year amount accruing from 2004/05 onwards.
- 4.3** The Director of Community Services has requested that £0.140m be allocated to enable capital improvements to be carried out to restaurant facilities at the Palace Theatre and Dean Castle Country Park. This will improve the amenities and result in increased efficiency. He estimates that savings of at least £0.022m per annum would be achieved in the Community Services budget. This matches the debt charges which would arise. Members are asked to approve the use of funds for this purpose and to the transfer of the estimated debt charges involved from the Community Services budget to the Debt Charges line for 2003/04. The transfer for 2003/04 will be a part year cost depending on the timing of the project with the full year amount accruing from 2004/05 onwards.
- 4.4** A cost/benefit analysis for a central CCTV monitoring station is currently being prepared and considered on a corporate basis. This would deliver further improvements in risk control and help protect properties which provide essential public services. It would also demonstrate the council's continued commitment to risk management to our insurers. If net annual savings can be demonstrated then further detailed proposals will be presented to this committee in due course.

## **5 2004/05**

- 5.1** The issues arising from the proposed changes to the 2003/04 allocations for the 2004/05 programme are the knock on effect of the re-profiling of the Galston Primary School project which will require funds to be allocated for completion, funding for the North West Area Centre and funding to take forward disabled access projects arising from the audit.

- 5.2** From April 2004, Section 94 capital consent arrangements will be replaced with the Prudential Framework. This essentially means that councils will be able to borrow what they can afford to repay within certain parameters. In establishing the level of spend however certain matters require to be taken account of including;

<b>Measure of Value for Money</b>	Option appraisal must be undertaken for all projects
<b>Measure of Stewardship</b>	There must be evidence of asset management planning
<b>Service Objectives</b>	Spending must be in accordance with strategic plans
<b>Measure of Practicality</b>	Project objectives must be deliverable
<b>Measure of Prudence</b>	The implications for external borrowing must be considered
<b>Measure of Affordability</b>	The implications for Council Tax must be considered

- 5.3** The Council's performance against these measures will be scrutinised by the external auditor.
- 5.4** The implications of the code are far reaching therefore and tend to suggest that straight departmental allocations may not appropriate in future. Instead departments may have to put forward projects for inclusion which include an option appraisal and detail of how they tie in with service objectives. These would then be assessed, prioritised and included in the programme. Affordability will depend on issues such as whether there will be any resulting savings and on the type of projects being taken forward.
- 5.5** Final guidance on the Prudential Framework is not yet available but the initial view is that it will allow a substantial increase in the level of investment to be made so long as the conditions outlined above can be met.
- 5.6** Current indications are that final guidance on the Prudential Code will only become available in September 2003. In view of the potential need to amend procedures to comply with the Code, it is proposed that at this stage a one year programme be approved for 2003/04 with a three year programme covering 2004/05 to 2006/07 being brought forward for consideration by Members before the end of the calendar year,

## **6 RECOMMENDATIONS**

It is recommended that Members be asked to;

- 6.1** approve the amendments to capital allocations for 2003/04 identified in Section 3 above;
- 6.2** approve a draw on the Capital Fund of £0.095m for Capital Improvements to Newmilns Ski Slope and £0.140m for Capital Improvements to restaurant facilities at the Palace Theatre and Dean Castle Country Park and the resulting Revenue Budget transfers;
- 6.3** instruct Directors to submit detailed proposed programmes for the utilisation of capital allocations to their service committees for consideration;
- 6.4** note that a three year Capital Programme covering 2004/05 to 2006/07 will be brought forward after the publication of the Prudential Code towards the end of the calendar year; and
- 6.5** otherwise note the contents of this report.

Alex McPhee  
**Director of Finance**

AMcP/JP  
28 January 2003

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

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