

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 12 FEBRUARY 2004

GENERAL SERVICES CAPITAL PROGRAMME 2004/05 - 2006/07

Report by Director of Finance

1 PURPOSE

- 1.1** To propose the basis for capital allocations to each Service Committee in relation to the financial years 2004/05 to 2006/07.

2. BACKGROUND

- 2.1** The introduction of the Prudential Code for Capital Finance has introduced the freedom for Councils to determine the level of capital investment that is most appropriate for the delivery of local services. This level should be determined having taken due regard of the ongoing affordability and sustainability of the proposed programme in the medium to longer term.

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 including ERDF, Lottery Funding and Sports Council Grant. These together with schemes which are self supporting – in that they deliver revenue 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** The following table sets out projects which have been identified as being either self financed, supported by external funding or brought forward resources, which Members are asked to approve.

Slippage and Carry Forward schemes are those known at present. The sum shown against the Galston Flood Prevention Scheme is provisional pending final advice on the level of capital grant from the Scottish Executive.

SCHEME/PROJECT DESCRIPTION		Lead Committee	2004/05	2005/06	2006/07
SLIPPAGE & CARRY FORWARD SCHEMES			£	£	£
Dalsalloch Area Social Work Office		Social Work	625	625	0
Dalrymple Youth Centre		Education	50	0	
Total Slippage & Carry Forward Schemes			675	625	0
EXTERNALLY SUPPORTED SCHEMES		Funding Secured	£	£	£
SCHOOLS FUND	Yes	Education	1,877	1,877	0
GALSTON FLOOD PREVENTION SCHEME (Part Funded)	No	Development	1,920	1,460	45
DEVELOPMENT PROJECTS (Part Funded)	No	Development	80	80	80
ENVIRONMENTAL IMPROVEMENTS Part Funded)	No	Development	60	60	60
HERITAGE & TOURISM (Part Funded)	No	Development	120	120	120
RESTORING COMMUNITIES PROGRAMME (Part Funded)	No	Development	180	180	180
CYCLING WALKING AND SAFER STREETS	Yes	Development	195	205	0
20MPH AROUND SCHOOLS	Yes	Development	257	257	0
PUBLIC TRANSPORT FUND 4	Yes	Development	490	0	0
PUBLIC TRANSPORT FUND 5	Yes	Development	700	1,100	0
CROOKEDHOLM FLOOD PREVENTION SCHEME (Part Funded)	Yes	Development	5,100	0	0
BAIRD INSTITUTE - REFURBISHMENT	No	Community	0	180	70
MUSEUMS COLLECTIONS ON LINE	No	Community	0	0	150
DICK INSTITUTE REFURBISHMENT	No	Community	575	0	0
DEAN CASTLE REFURBISHMENT	No	Community	150	0	0
PALACE THEATRE REFURBISHMENT	No	Community	150	310	0
PUBLIC SECTOR HOUSING GRANTS	Yes	Housing	470	470	470
NORTH WEST AREA CENTRE	Yes	Policy & Resources	4,800	500	0
Total Externally Supported Programme			17,124	6,799	1,175
SPEND TO SAVE / SELF FINANCING PROJECTS			£	£	£
KILMARNOCK TOWN CENTRE ON STREET PARKING STRATEGY		Development	360	0	0
TRAFFIC SIGNAL RENEWAL		Development	110	110	220
CCTV MONITORING CENTRE		Policy & Resources	900	900	0
WATER EFFICIENCY PROGRAMME		Education & Others	50	0	0
Total Self Financing/Spend to Save			1,420	1,010	220

Where funding has not yet been secured the final outcome of the funding bid will be reported to the relevant service committee in due course.

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 2004/05 to 2006/07 be set at £11.250m, £11.500m and £12.000m respectively.

4.2 A number of core projects have been identified that either arise from a statutory obligation or are considered key to the deliverance of core strategic objectives. It is proposed that the funding for these be "top sliced" from the identified borrowing in order to ensure that they can be met. It is proposed that they are approved as priority projects within the 3 year investment programme. These projects are summarized in the following table.

		2004/05 £M	2005/06 £M	2006/07 £M
TOTAL PRUDENTIAL BORROWING		11.250	11.500	12.000
Strategic Policies & Schemes	Lead Dept			
Care Homes for Elderly - Upgrades	Social Work	0.570	0.845	1.330
Children's Homes –Upgrades	Social Work	0	0.720	0.720
Roads–Strategic Upgrade Programme	Development	0.750	0.750	0.750
Stewarton Community Facilities	Community	0	0.250	0.900
Crosshouse Library & Local Office	Community	0	0.295	0.295
Galston Local Office	Community	0	0	0.250
North West Area Centre	Corporate/ Community/ Education/ Social Work/ Housing	0.700	0	0
Ayrshire Electronic Community	Corporate	0.250	0	0
Contingency for Match Funding		0.215	0.160	0.025
Total Strategic Policies & Schemes		2.485	3.020	4.270
Balance available for Service Specific Strategies		8.765	8.480	7.730

- 4.4** All departments have identified a range of projects which may have a lower Council priority than those described above but which are nevertheless important in the delivery of services. Based on currently available methodology all of these appear to rank fairly equally with one another. It is proposed to allocate the remaining funding to service committees broadly in line with average allocations from previous years, with a bias towards Education to reflect current Council priorities, in order that appropriate option appraisal and priority scoring in terms of linkage with the Community Plan and achievement of service plans can be undertaken and appropriately scrutinized by the relevant service committees.

5. PROPOSED SERVICE ALLOCATIONS

- 5.1** The total proposed Service allocations for the three financial years commencing 1 April 2004 are shown in the following table.

It is proposed that whilst the allocations for Year 1 (2004/05) will be fixed, an annual review of the three year programme will be necessary to roll it forward and it is envisaged that allocations for all three years of the programme for 2005/06 to 2007/08 would be reviewed in the autumn of 2004 in order to take any new circumstances or information into account including the outcome of negotiations on Scottish Executive grant level for flood protection. This approach will allow progress to be made by the Executive Director of Development and Property Services on the development of a Council wide asset management strategy which will link to a longer term the capital investment strategy.

RECOMMENDED ALLOCATIONS	04/05 £M	05/06 £M	06/07 £M
Education (Excluding PPP)	4.400	4.600	3.550
Social Services	0.350	0.350	0.350
Development – Operational	2.400	1.900	2.200
Development – Corporate Accommodation	0.100	0.100	0.100
Community Services	0.750	0.750	0.750
Housing – General Fund	0.200	0.200	0.200
Corporate IT	0.500	0.500	0.500
Council Issues – Contingency	0.065	0.080	0.080
Total Proposed Service Allocation	8.765	8.480	7.730

- 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 Housing – General Fund allocation represents an enhancement to the £0.470m capital grant for private sector housing grants indicated in the table at paragraph 3.3 to take the total available to £0.670m. This is over 20% more than the £0.550m allocated in 2003/04.
- 5.4** It is proposed that work arising from the Disability Discrimination Act audit be given priority by departments and that they effectively top-slice funding from their individual allocations over the three years to address issues raised.
- 5.5.1** It is proposed that responsibility for expenditure control for all construction projects be allocated to the Executive Director of Development and Property Services. Sponsoring departments for these projects will continue to have responsibility for specification and for securing the required level of resources.
- 5.5.2** Service Directors should be requested to submit a detailed Capital programme to the relevant Service Committee proposing how these allocations may be utilized taking account of service priorities and option appraisal.
- 5.5.3** It is anticipated that Service Directors will be seeking to maximize the impact of departmental allocations by securing additional match funding from external sources wherever possible.

6. TOTAL CAPITAL PROGRAMME

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

EXPENDITURE	04/05 £M	05/06 £M	06/07 £M
Slippage & B/Fwd Schemes	0.675	0.625	0.000
Externally Supported Schemes	17.124	6.799	1.175
Self Financing/Spend to Save Schemes	1.420	1.010	0.220
Strategic Priorities	2.485	3.020	4.270
Service Allocations	8.765	8.480	7.730
TOTAL CAPITAL EXPENDITURE	30.469	19.934	13.395
FUNDING			
Grants & partnership Funding	17.124	6.799	1.175
Spend to Save Efficiencies	1.420	1.010	0.220
Slippage & B/Fwd Funding	0.675	0.625	0.000
External Borrowing	11.250	11.500	12.000
TOTAL FUNDING	30.469	19.934	13.395

- 6.2 In order to comply with the Prudential Code all projects going forward should have had some form of option appraisal applied. 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.

7 RECOMMENDATIONS

It is recommended that Members be asked to: -

- 7.1 Approve the proposed Service allocations identified in paragraph 5.1 above.
- 7.2 Agree the proposed arrangements for expenditure controls on construction and related works, and ask the Executive Director of Development & Property Services to make appropriate arrangements in this regard.
- 7.3 Instruct Directors to submit detailed capital programmes for the utilization of capital allocations to their Service Committees for consideration.

- 7.4** Approve the overall proposed capital expenditure outlined in this report and summarised in paragraph 6.1 above with a review in Autumn 2004 to take account of any new circumstances or information

Alex McPhee
Director of Finance

LIST OF BACKGROUND PAPERS
NIL

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

AMcP/JP
9 February 2004