
Report To:	Policy & Resources Committee	Date:	18 November 2014
Report By:	Chief Financial Officer	Report No:	2014/P&R/AP/16
Contact Officer:	Alan Puckrin	Contact No:	712223
Subject:	Draft 2015/18 Capital Programme		

1.0 PURPOSE

- 1.1 The purpose of this report is to outline proposals for the 2015/18 Capital Programme for Members to consider as part of the overall budget process.

2.0 SUMMARY

- 2.1 On 30 September 2014 the Policy & Resources Committee agreed that a 2015/18 Capital Programme should be agreed in February 2015. In continuing to agree a three year forward Capital Programme, this enables Officers to undertake the necessary planning and development work to ensure that projects are progressed in a way which also delivers best value.
- 2.2 The Period 6 Capital Programme report elsewhere on this agenda highlights that at present there is a surplus of £1.3million in the 2014/17 Capital Programme. This surplus follows on from the better than expected Capital Grant allocation for 2015/16.
- 2.3 Appendix 1 summarises the proposed 2015/18 Capital Programme on the basis of a continuing £7.3million Capital Grant from the Scottish Government and the continuation of existing Capital Allocations.
- 2.4 In addition, the draft Capital Programme contains two proposed revenue allocations to enhance the Capital Programme. The first relates to delivering the stated commitment to spend £12million over the period 2016/18 on the Roads Asset Management Plan. The Prudential borrowing of £300,000 in 2016/17 increasing to £600,000 in 17/18 will increase the amount allocated to the Roads Service for the delivery of the RAMP over this period by £9.2million.
- 2.5 The second revenue allocation of £100,000 in 2016/17 increasing to £200,000 in 2017/18 partly relates to the £400,000 recurring shortfall in the current approved Capital Programme with the balance of Prudential borrowing proposed to be used for increased investment in the Council's Property Assets. This latter issue will be the subject of a more detailed report to Members as part of consideration of the overall budget.
- 2.6 There is currently one project in the current 2014/17 Capital Programme which the Corporate Management Team would recommend that Members put on hold whilst the overall budget for the period 2015/17 is considered. This project and the rationale for putting it on hold are contained in Section 6 of the report. Depending on the decisions taken in February 2015 regarding the overall budget, then this project will either proceed, proceed in part or not proceed at all.
- 2.7 Further detailed discussions will take place with Members over the coming months and it is proposed that the final 2015/18 Capital Programme be approved on 19 February 2015.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the proposed draft Capital Programme for 2015/18 as outlined in Appendix 1.
- 3.2 It is recommended that the Committee agree that the Draft Capital Programme be increased in respect of the £9.2million extra Roads Asset Management Plan expenditure, £2million Property Assets expenditure and allocating £250,000 to feasibility studies, pre-contract work.
- 3.3 It is recommended that the Committee agree that the project, highlighted in Section 6, be put on hold pending decisions due to be taken in February 2015 as part of the overall budget.
- 3.4 It is recommended that the Committee agree that the 2015/18 Capital Programme, adjusted for the decisions above, form part of the overall Budget Consultation.
- 3.5 It is recommended that the Committee note that final decisions in respect of the 2015/18 Capital Programme, including the use of any surplus resources, will be taken at the Council meeting on 19 February 2015.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 For many years the Council has approved a three year Capital Programme with the current Capital Programme covering the period 2014/17.
- 4.2 It was decided by the Policy & Resources Committee on 30 September that the Council should set 2015/18 Capital Programme at its meeting in February 2015.
- 4.3 The Committee has previously been advised that the current Capital Programme is projecting a surplus of resources over the period 2014/17 due to a better than anticipated Capital Grant Allocation in 2015/16.

5.0 PROPOSED DRAFT 2015/18 CAPITAL PROGRAMME

- 5.1 Appendix 1 shows the current position of the draft 2015/18 Capital Programme on the basis of an estimated Government Capital Grant of £7.3million per year and a continuation of the current allocations to Property, Roads, Housing, ICT, School Estate Management Plan and Zero Waste Fund totalling £7.727million.
- 5.2 The current allocations to each of these areas are as follows:
 - a) Property - £1million
 - b) Roads - £1.4million
 - c) ICT - £447,000
 - d) Scheme of Assistance (Housing) - £500,000
 - e) School Estate Management Plan - £4.3million
 - f) Zero Waste Fund - £80,000

Total - £7.727million
- 5.3 It can be seen that the current existing allocations exceed estimated Government Grant by £427,000. Whilst this can be contained in the 2015/18 Capital Programme due to the current projected surplus, it is recommended that this shortfall be funded by Prudential borrowing contained within the existing Budget Strategy. The Prudential borrowing cost required will be approximately £30,000 per year.
- 5.4 The approved Budget Strategy also contained two further Prudential borrowing amounts in both 2016/17 and 2017/18. The details of each is as follows:
 - a) Roads Asset Management Plan – when agreeing the 2013/16 budget the Council agreed its intention to continue with the £6million investment in the Roads Asset Management Plan for both 2016/17 and 2017/18. On the basis that the Roads Service will receive £1.4million from the core allocation, then a further £4.6million per year is required to achieve the £6.0million annual investment. It is estimated that Prudential borrowing of £300,000 in 2016/17 increasing to £600,000 in 2017/18 will be required to deliver this level of investment. If this level of investment is ultimately agreed it will mean that the Council will have invested £29million in the Roads Asset Management Plan over the five year period 2013/18.
 - b) Other Property Assets – Condition Surveys have been carried out over the last year in respect of all the Council's Other Property Assets, ie, those which are not schools. Whilst a more detailed report will be presented to Members in coming months, it is reported that approximately £30million of investment is required for the Council's Core Property Assets over the next ten years. Committee will note that the current core allocation is approximately £1million per year meaning there is a significant shortfall between the investment required and the investment which the Council is currently making. In light of this it is proposed that an extra £1million per year is prudentially borrowed to double the level of investment. Even with this increased level of investment, the Committee is asked to note that the Council will need to carefully

review and manage its asset base to ensure that it can afford the property assets it is currently operating. The extra £1million investment will cost approximately £70,000 per year in Prudential Borrowing costs.

- 5.5 There are no other Capital Projects due to be undertaken over the period 2015/18 which have been reported and approved by Committee in line with the requirements of the Financial Regulations. It should be noted, however, that some preparatory work in respect of the next phase of cemetery provision and the replacement of the Council's cremators will be required in 2017/18 and it is recommended that the sum of £250,000 be added to the Capital Programme to fund any Feasibility Studies pre-contract work in this and other projects starting in the post 2017/18 period.

6.0 OTHER ISSUES TO CONSIDER

- 6.1 In reviewing the 2014/17 Capital Programme in light of the significant financial challenges which the Council faces, the Corporate Management Team have identified a project where it is believed this is appropriate for the Committee to consider putting the project on hold whilst the wider budget is considered.
- 6.2 It has previously been agreed to invest approximately £700,000 in significantly improving the safety of the Civic Amenity Site within the Kirn Drive Depot at Gourrock whilst undertaking some refurbishment of the existing Depot building. As previously reported to the Environment & Regeneration Committee, the initial costs were significantly in excess of the £700,000 allowance due to the complicated roads layout which is required due to amending the entrance to the Depot, moving the fuel storage tanks and laying a considerable amount of new road infrastructure within the Depot to minimise risk to the public and employees.
- 6.3 The Committee will note that contained in the savings for the period 2015/17 is the proposed closure of the whole Kirn Drive Depot and Civic Amenity Site on the basis of the £1.5 million investment in the new Civic Amenity Site at Pottery Street and the availability of alternative accommodation from which operatives can work. Whilst Members are considering this matter, it would be inappropriate for the Council to proceed with the Capital Project. It is estimated that at least £450,000 could be saved if the project did not proceed, this sum being net of an allowance for any capital investment in alternative sites for storage/messing facilities for operatives, plus an allowance for abortive fees.

7.0 IMPLICATIONS

Financial Implications

7.1 Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
RAMP	Capital	2016/18	9,200		Funded by recurring costs detailed below
Other Property	Capital	2016/18	2,000		Funded by recurring costs detailed below
Feasibility Studies / Pre-Contract Work	Capital	2016/18	250		Funded by current surplus

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
Loan Charges	-	2016/17	400 increasing to 800 in 2017/18	-	Revenue costs included in the approved Budget Strategy

Legal

- 7.2 There are no legal implications arising from this report.

Human Resources

- 7.3 There are no HR implications arising from the contents of this report.

Equalities

- 7.4 There are no equalities issues arising from the proposals in this report, and as such an Equalities Impact Assessment is not required.

Repopulation

- 7.5 The Council's continuing significant level of Capital Investment provides opportunity for local businesses to invest and increase employment and therefore assist with the Council's repopulation agenda.

8.0 CONSULTATIONS

- 8.1 The contents of this report have been agreed by the Corporate Management Team.
- 8.2 It is proposed that the draft Capital Programme included in this report form part of the overall consultation exercise previously approved by the Policy & Resources Committee on 30 September 2014.

9.0 LIST OF BACKGROUND PAPERS

- 9.1 None.

General Fund Capital Programme - 2015/18**Available Resources**

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>Total</u>
	£000	£000	£000	£000
Government Capital Support	10,585	7,300	7,300	25,185
Less: Allocation to School Estate	(4,722)	(4,300)	(4,300)	(13,322)
Capital Receipts	973	83	385	1,441
Capital Grants	371	-	-	371
Prudential Funded Projects	20,388	12,213	10,080	42,681
Balance B/F From 14/15 (Exc School Estate)	2,437			2,437
Capital Funded from Current Revenue	10,047	2,009	433	12,489
School Estate Management Plan Funding	10,510	5,837	6,286	22,633
	<u>50,589</u>	<u>23,142</u>	<u>20,184</u>	<u>93,915</u>

<u>Total Expenditure</u>	<u>48,721</u>	<u>23,775</u>	<u>20,301</u>	<u>92,797</u>
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(Shortfall)/Under Utilisation of Resources **1,118**

General Fund Capital Programme - 2015/18

Notes

	2015/16 £000	2016/17 £000	2017/18 £000	Total £000
<u>Note 1: Further Breakdown of SEMP Expenditure</u>				
Demolish St Stephens HS	147	408	-	555
Ardgowan PS Refurbishment	1,631	-	-	1,631
St Patricks PS New Build	2,417	2,572	138	5,127
St John's PS - Refurbishment	1,392	54	-	1,446
Kilmacolm PS - Refurbishment	1,869	1,541	100	3,510
Balance of Lifecycle Fund	688	917	-	1,605
Future Projects	377	243	5,948	6,568
Early Years (C&YPB - 600 Hrs)	1,348	-	-	1,348
Prudential Funding - Capital Project Contributions	500	-	-	500
Other Projects < £250K	141	102	100	343
	10,510	5,837	6,286	22,633

Note 2: Assumed Annual Allocations

Estimated General Capital Grant	(7,300)	(7,300)	(14,600)
SEMP	4,300	4,300	8,600
Property	1,000	1,000	2,000
Roads	1,400	1,400	2,800
SOA	500	500	1,000
ICT	447	447	894
Excess Prudential borrowing (ICT)	(60)	(60)	(120)
Zero Waste Fund	80	80	160
	-	367	367
			734

Note 3: Proposed Capital Programme Enhancements

Roads Asset Management Plan	4,600	4,600	9,200
Property	1,000	1,000	2,000
Additional Prudential borrowing	(6,000)	(6,000)	(12,000)
Feasibility Studies/Pre-contract Work	100	150	250
	-	(300)	(250)
			(550)

Note 4: Reflects ongoing costs for ICT, Vehicle Replacement Programme and Scheme of Assistance, funded by mixture of CFCR, Prudential Borrowing and Capital Receipts.

General Fund Capital Programme - 2015/18**Approved Programme**

	2015/16 £000	2016/17 £000	2017/18 £000	Total £000
<u>Policy & Resources</u>				
Completion of Existing Programme	126	-	-	126
Annual Allocation (ICT)	549	563	513	1,625
Modernisation Fund	219	-	-	219
<u>Policy & Resources Total</u>	894	563	513	1,970
<u>Environment & Regeneration</u>				
Completion of Existing Programme (Property Services)	243	-	-	243
Annual Allocation (Property Services)	123	2,000	2,000	4,123
Feasibility Studies/Pre-contract Work	-	100	150	250
Central Gourock Development	2,850	500	-	3,350
Regeneration of Port Glasgow Town Centre	150	-	-	150
Broomhill Regeneration	200	-	-	200
Lower Port Glasgow Regeneration	250	250	-	500
East Central Greenock Regeneration	250	250	-	500
Central Gourock Regeneration	150	-	-	150
Leisure & Pitches Strategy	161	-	-	161
Port Glasgow Town Centre Refresh of Town Hall	34	-	-	34
Asset Management Plan - Offices	3,439	1,519	133	5,091
Asset Management Plan - Depots	8,153	1,334	59	9,546
Capital Works on Former Tied Houses	60	60	60	180
Completion of Existing Programme (Roads)	212	-	-	212
Roads Non-RAMP Allocation	-	100	100	200
Roads Grant Funded Projects (SPT/CWSS/Sustrans/Electric)	411	-	-	411
Flooding Works	1,911	776	-	2,687
Roads Asset Management Plan	6,399	5,900	5,900	18,199
Greenock Parking Strategy	232	-	-	232
Vehicle Replacement Programme	2,631	352	1,866	4,849
Play Areas	377	-	-	377
Coronation Park Port Glasgow	200	-	-	200
SV Comet	146	-	-	146
Annual Allocation (Zero Waste Fund)	172	80	80	332
Completion of Existing Programme (Environmental & Planning)	25	-	-	25
<u>Environment & Regeneration Total</u>	28,779	13,221	10,348	52,348

General Fund Capital Programme - 2015/18**Approved Programme****Education & Communities**

Scheme of Assistance/Aids & Adaptations	1,342	1,333	933	3,608
Contribution to Watt Complex Refurbishment	553	1,000	2,221	3,774
Primary School Pitch Upgrading	320	-	-	320
Inverkip Community Facility	1,496	116	-	1,612
New Community Facility Woodhall	400	-	-	400
New Community Facility Broomhill	852	-	-	852
Primary School MUGA's - Various	1,100	-	-	1,100
Birkmyre Park, Kilmacolm Pitch Improvements	100	-	-	100
Ravenscraig Sports Barn	600	-	-	600
School Estate Management Plan	10,510	5,837	6,286	22,633
<u>Education & Communities Total</u>	<u>17,273</u>	<u>8,286</u>	<u>9,440</u>	<u>34,999</u>
<u>CHCP</u>				
Neil St Childrens Home Replacement	1,775	83	-	1,858
Crosshill Childrens Home Replacement	-	1,622	-	1,622
<u>CHCP Total</u>	<u>1,775</u>	<u>1,705</u>	<u>-</u>	<u>3,480</u>
<u>Total Expenditure</u>	<u>48,721</u>	<u>23,775</u>	<u>20,301</u>	<u>92,797</u>