

FALKIRK COUNCIL

Subject : CAPITAL PROGRAMMES UPDATE REPORT
Meeting : EXECUTIVE
Date : 8 October 2013
Author : CHIEF FINANCE OFFICER

1. INTRODUCTION

The purpose of this report is to:-

- a) Advise the outturn position following audit for the 2012/2013 General Services and Housing Capital Programmes.
- b) Provide an update on the progress of both Programmes for 2013/2014.

2. GENERAL SERVICES OUTTURN 2012/2013

2.1 Following audit the outturn for the General Services capital expenditure for the year is:

	Budget £'m	Outturn £'m
Expenditure		
Education Services	7.00	4.89
Roads & Transport	6.20	6.05
Flooding & Environmental	1.01	0.35
Economic Development	2.63	0.54
Social Work	1.30	1.31
Corporate & Neighbourhood	3.05	2.21
Central Support	0.45	0.36
Community Trust	1.14	0.48
Helix	18.40	15.83
Total Expenditure	<u>41.18</u>	<u>32.02</u>
Resources		
Borrowing	16.05	5.38
Government Grants and Other Funding	25.13	26.64
Total Resources	<u>41.18</u>	<u>32.02</u>

2.2 A summary of significant events is noted as follows:

- 2.2.1 **Education Services** – Work was completed on the new St Bernadettes Primary School and the extension to Westquarter Primary School. Work was also completed on Wallacestone Nursery Class extension and the St Andrews Primary School campus. A significant amount of investment, £0.6m, was undertaken on ICT infrastructure for schools, focussing on WiFi provision. The project for the upgrade of Camelon Education Centre is being reviewed following higher than budget tender returns and other options are now being considered.
 - 2.2.2 **Roads & Transport** – £1.7m was spent on completion of the Glenbervie Slip Road. A further £0.7m was spent on the bridge assessment and strengthening programme, including the replacement of Braeface Bridge in Denny and a financial contribution to Network Rail's re-decking of Hope Street bridge in Falkirk town centre. The rolling programme of structural works for roads, road safety and lighting continued with a total spend of £3.5m.
 - 2.2.3 **Flooding & Environment** – Technical problems with Scottish Water underground pipes continue to cause delays to the Chapel Burn/RSNH flood prevention scheme and the funding has been carried forward.
 - 2.2.4 **Economic Development** – A number of smaller scale works were funded, including Larbert phase 2 units. In addition, £0.4m was spent on Denny Town Centre Regeneration. Works on the business property reinvestment project of £1m are contingent on receipts from Abbotsford business park which have not been realised yet. The Falkirk town centre regeneration is linked to lottery funding and will be subject to a separate report to Executive..
 - 2.2.5 **Social Work** – Works continued on the older peoples accommodation programme with £0.95m spent on the Burnbrae upgrade. A further £0.25m was spent on boiler replacements.
 - 2.2.6 **Corporate & Neighbourhood** – £1.8m was spent on the vehicle replacement programme and a further £0.1m spent on corporate ICT investment. In addition, £0.27m was invested in parks and £0.37m on completion of MUGA pitches.
 - 2.2.7 **Central Support** – The accommodation investment budget was not fully spent and the funds have been carried forward to 2013/14. The full £0.1m budget for adaptations for the disabled has been spent.
 - 2.2.8 **Community Trust** – Significant capital works were carried out on Denny Football Centre and the Mariner Centre. These works were funded from the Leisure Strategy Fund which was not fully spent in the year. The unspent funds have been carried forward to 2013/14.
 - 2.2.9 **Helix** – The original capital budget included £5.6m for the Helix which represented the Council's contribution only. At the end of the year, a total of £15.8m had been spent which was funded by the Council (£3m) and external funding, including the Lottery (£12.8m). The remaining £2.6m of Council funding has been carried forward into 2013/14.
- 2.3 The figures in the table at paragraph 2.1 show that the borrowing requirement for the General Fund capital programme was £10.7m less than budgeted. Due to budget savings, £10m has been carried forward in 2013/14.

3. HOUSING CAPITAL INVESTMENT OUTTURN 2012/2013

3.1 Following audit the outturn for the Housing capital expenditure for the year is:

	Budget £'m	Outturn £'m
Expenditure		
Elemental Improvements	10.40	10.16
Energy Efficiency	5.30	7.26
High Rise Flats	2.50	2.62
New Build Housing	8.90	3.97
Estates & Other Expenditure	2.70	1.65
Main Programme Expenditure	29.80	25.66
Additional to Main Programme		
Windows Lease Buy Out	0.00	0.65
Mortgage to Rent Scheme	0.00	1.34
Total Expenditure	<u>29.80</u>	<u>27.65</u>
Resources		
Borrowing	24.41	20.23
Council House Sales	2.50	1.85
Funding from Revenue and other sources	1.81	2.50
Scottish Government New Build Grant	1.08	1.08
Main Programme Resources	29.80	25.66
Additional Borrowing for Windows Lease	0.00	0.65
Additional Borrowing for Mortgage to Rent	0.00	0.78
Government Funding for Mortgage to Rent	0.00	0.56
Total Resources	<u>29.80</u>	<u>27.65</u>

3.2 During the year £20m of investment was undertaken to improve the condition and efficiency of our housing stock in line with Scottish Housing Quality Standards. The improvement and upgrading programme to High Rise properties continued, with the completion of works at Paterson Tower and the commencement of works at Marshall and Leishman Towers during the year. The refurbishment of Symon Tower is due to commence in 2014 and this will complete this improvement programme for High Rise properties.

- 3.3 The programme of Council new build continued during the year, with the completion of 36 new properties at Carron Road/Haugh Street Falkirk. Works also commenced during 2012/13 in respect of two further new build projects at Parkhall Drive, Maddiston (40 homes) and Merchiston Road, Falkirk (40 homes). The new build development at Summerford, Falkirk (24 homes) also commenced in June 2013. A total of 104 new homes are therefore expected to have been completed during 2014. The variance in expenditure is attributable to timing of payments across financial years.
- 3.4 The buy out programme for window lease agreements has continued and the figure of £0.65m was fully funded by additional borrowing. The revenue costs of this additional borrowing will be covered by the savings in lease rentals.
- 3.5 Para 3.1 above includes the costs of buying tenants' houses under the Mortgage to Rent initiative (£1.34m) and the government grants which part fund it (£0.56m). The remaining expenditure is funded by additional borrowing (£0.78m) and the revenue consequences of this additional borrowing will be met from the rent income from these newly acquired properties.
- 3.6 As in previous years, receipts from Council House Sales have continued to fall. However, the additional borrowing which this necessitates can be funded from the retained rental income.

4. SUMMARY 2012/2013

- 4.1 Overall, there was slippage of £9.2m in the general capital programme. This was spread over a number of large projects e.g. Helix, Camelon Day Centre Upgrade and business property reinvestment.
- 4.2 The 2012/2013 Capital Programmes were both managed within the limits set by the Council as part of the Prudential Code regime. The attached schedule (Appendix 1) sets out the Council's compliance with the specific prudential indicators.

5. GENERAL SERVICES CAPITAL PROGRAMME 2013/2014

- 5.1 The General Services Capital Programme was approved by Policy & Resources Committee on 13 February 2013. Capital projects often span several years and variations in spend in one year inevitably have an impact on subsequent years. The budget for 2013/2014 was set within the context of a three year investment programme based on estimates taken in late 2012. Appendix 2 shows the approved plan. The latest forecast takes into account the carry forward from 2012/13 as noted in section 2 of this report and the additional capital funding received from the Scottish Government of £1.168m which was reported to Council in June 2013.
- 5.2 Appendix 2 provides the latest forecast against budget for the 2013/14 capital programme. These figures take into account spend to 31 August 2013. At this time, slippage of £2.77m is anticipated. The majority of this (£2m) relates to social work expenditure on older peoples accommodation which has been put on hold until the findings from an options appraisal exercise on service provision are reported. This exercise will be reported to Members separately. A further £0.5m of slippage relates to Denny Town Centre.

5.3 Other significant events in recent months include:

- 5.3.1 Completion of the St Andrews Primary School gym hall extension and the replacement of the atrium at Grange Primary School. In addition 3 new double modular classrooms have been installed to increase school capacity.
- 5.3.2 The refurbishment of Grangemouth Golf Course changing rooms has been completed. The current programme includes the refurbishment of Zetland Park Tennis Courts at a total cost of £99,000. This project will be funded from £15,000 of capital programme funding, £44,000 from SportsScotland Active Places Fund and the balance from other local and national partners.
- 5.3.3 The re-roofing works at Camelon Day Centre are substantially complete. As part of the additional capital expenditure £0.85m was due to be spent on Dundas Day Centre. This has been reviewed and it is proposed that this project is removed as other works – new windows at Rossvail and new windows, stairwell and brickwork at Brockville are seen as a higher priority.
- 5.3.4 There has been significant investment in play park upgrades.
- 5.3.5 Work continues on the Helix with an anticipated full opening in Spring 2014.
- 5.4 We have been advised by Services that the remaining projects will be delivered as per the approved budget.
- 5.5 A reduction in capital receipts of c£0.68m forecast is anticipated in the year. This has been offset by the carry forward of £0.500m for the remediation clawback of Redding Park. The remaining £0.18m can be met from additional borrowing. £0.37m of receipts for Denny Town Centre have been carried forward from 2012/13 along with the associated works.

6. HOUSING CAPITAL PROGRAMME 2013/2014

- 6.1 The HRA capital investment programme was approved by Policy & Resources Committee on 13th February 2013. As with the General programme the 2013/2014 budget is an integral part of a three year plan. Appendix 3 outlines the programme at the time of the budget and the latest forecast includes resources carried from previous years.
- 6.2 The current forecast for the Housing Capital programme is an overspend of £1.5m. This will be met by additional external funding and capital receipts totalling £0.3m. A further £1.2m has been added to the borrowing figure although methods of financing this are currently being reviewed with an increase in CFCR from the revenue budget likely. However, as Members are aware, external fabric improvements and new build works are particularly sensitive to inclement weather. Progress in these areas will continue to be monitored closely.
- 6.3 The Council will continue its Mortgage to Rent scheme and a total of £1.5m has been added to the expenditure and income lines. For the purposes of forecasting, a 30% grant is estimated from the Scottish Government. However, the grant is calculated for each individual property and is subject to change. The Council will borrow to fund the difference. The borrowing costs will be met from additional rent, with no further costs to the Council.

7. PRUDENTIAL INDICATORS

- 7.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. The attached schedule (Appendix 4) sets out the Council's compliance with these specific indicators.

8. CONCLUSIONS

- 8.1 The financial outturn for both the General Fund and Housing Capital Programmes for the year 2012/2013 is as set out in sections 2 to 4.
- 8.2 The latest forecast for the General Capital Programme for 2013/2014 has now been amended to expenditure of £36.04m as per Appendix 2, following end of year adjustments.
- 8.3 The latest forecast for the Housing Capital Programme for 2013/2014 has now been amended to expenditure of £50.42m as per Appendix 3, following end of year adjustments.

9. RECOMMENDATIONS

Members are invited to :-

- 9.1 **Note the outturn position for 2012/2013.**
- 9.2 **Note the status of the General Services and Housing Capital Investment Programmes for 2013/2014.**
- 9.3 **Approve the revisions to the Social Work Capital Programme as noted at paragraph 5.3.3.**

Chief Finance Officer

Date: 12 September 2013

LIST OF BACKGROUND PAPERS

1. Budget Reports to Policy & Resources Committee, 8 February 2012
2. Update Report to Policy & Resources Committee, 8 August 2012
3. Update Report to Policy & Resources Committee, 13 November 2012
4. Budget Report to Policy & Resource Committee, 13 February 2013
5. Additional Capital Grant Funding Report to Falkirk Council, 26 June 2013

Any person wishing to inspect the above papers should telephone Falkirk (01324) 506340 and ask for Carole McGhee/Amanda Templeman.