

FALKIRK COUNCIL

**Subject:** CAPITAL PROGRAMMES OUTTURN 2014/15  
**Meeting:** EXECUTIVE  
**Date:** 18 AUGUST 2015  
**Author:** DIRECTOR OF CORPORATE & HOUSING SERVICES

## 1. INTRODUCTION

- 1.1 The purpose of this report is to provide details of the outturn position, subject to final audit review, for the 2014/15 General Fund Services and Housing Capital Programmes.
- 1.2 It should be noted that both capital programmes are three year programmes and the nature of the projects therein means that spend will inevitably move between years. However, clearly the main aim of the capital programmes is to deliver priority projects on time and on budget.

## 2. GENERAL SERVICES OUTTURN 2014/2015

- 2.1 Subject to audit, the outturn for the General Fund Capital Programme for 2014/15 is:

	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Education Services	8,069	5,915	2,154
Development - Roads & Transport	6,208	5,394	814
Development - Flooding & Environmental	1,550	1,630	(80)
Development - Economic Development	1,748	856	892
Social Work	718	643	75
Corporate & Neighbourhood	6,093	6,863	(770)
Central Support	440	226	214
Community Trust	1,220	953	267
Helix	2,695	2,545	150
<b>Expenditure</b>	<b>28,741</b>	<b>25,025</b>	<b>3,716</b>
TIF	2,862	1,364	1,498
<b>Total Expenditure</b>	<b>31,603</b>	<b>26,389</b>	<b>5,214</b>
<b>Resources</b>	<b>31,603</b>	<b>26,389</b>	<b>5,214</b>

- 2.2 The 2014/15 approved budget was revised from £21.2m to £31.6m. The main movements in the budget were: the 2013/14 slippage brought forward (£13.0m); the additional Scottish Government grant for Education projects (£1.3m); re-scheduled budgets for major projects to 2015/16 (-£7.0m, see paragraph 2.3) and the spend on Helix which was externally funded (£2.3m). The outturn subject to audit is £26.4m.
- 2.3 The Report to the January Executive advised Members that the budgets for a number of projects were to be removed from the 2014/15 programme and re-scheduled into 2015/16. The total value of budgets removed was c£7m and related to projects with clear reasons for delay with delivery dependant on strategic decisions yet to be taken. The budgets that were re-scheduled were Denny Town Centre, Crematorium Upgrade, Older Peoples Accommodation, Accommodation Investment and Synthetic Pitches.

### 3. DELIVERY OF INVESTMENT

- 3.1 The following paragraphs below will focus on the main areas of spend during 2014/15 whilst section 4 will detail the outturn variance.
- 3.2 **Education Services (£5.915m)** – Work continued on the extensions to Antonine Primary School (£1.5m) and St Joseph's Primary School (£0.1m) both of which are scheduled to complete during 2015/16. £1.1m was spent within various schools on the expansion of early years, funded by the Scottish Government. The Scottish Government also funded kitchen refurbishment works of £0.2m. In addition, there was spend across a number of schools for health and safety, capacity issues and general upgrades of £2.5m.
- 3.3 **Roads & Transport (£5.394m)** – £0.7m was spent on the bridge assessment and strengthening programme. The rolling programme of structural works for roads, road safety and lighting continued with a spend of c£4.7m, which was partially funded by £0.9m of grant income and planning obligations.
- 3.4 **Flooding & Environment (£1.63m)** – Spend on flood prevention projects was £1.0m for the Chapel Burn and Grangemouth flood prevention schemes. A number of Countryside Access projects were undertaken at a cost £0.6m, of which £0.5m was funded from grant income and planning obligations.
- 3.5 **Economic Development (£0.856m)** – Denny Town Centre Regeneration spend was £0.6m and £0.1m was spent on Grangemouth Enterprise which was fully funded through planning obligations.
- 3.6 **Social Work (£0.643m)** – Work was completed on various Social Work premises e.g. Camelon Social Work office (£0.4m); Torwoodhall Care Home car park (£0.1m); Denny Business Centre (£0.04m). In addition MECS equipment was purchased at a cost of £0.06m. The feasibility study for the Care Home project was complete at a cost of £0.1m which was fully funded from the Scottish Futures Trust.

- 3.7 **Corporate & Neighbourhood (£6.863m)** – £4.7m was spent on the vehicle replacement programme which was £0.4m higher than budget as spend was accelerated from the 2015/16 budget. The corporate ICT programme also accelerated £0.7m from the 2015/16 budget giving a total spend of £1.5m, of which £1.1m was in relation to the Mobile and Flexible Working project. Works on the Crematorium upgrade equated to £0.1m.
- 3.8 **Central Support (£0.226m)** – The main work funded through this budget was a spend of £0.1m on the new Council HQ project and Carronbank House.
- 3.9 **Community Trust (£0.953m)** – £0.5m was spent on the Grangemouth Stadium track, £0.2m was spent on the Mariner Centre and £0.1m spent on renewing the Zetland Park tennis courts (mainly funded from external contributions). In addition a further £0.2m was spent on a number of projects including £0.02m on Bo'ness Recreation pool lights and King George V Pavilion both of which were externally funded.
- 3.10 **Helix (£2.545m)** – £2.5m was spent in 2014/15 of which £0.2m was funded by the Council and the remaining £2.3m from external funding, primarily Big Lottery and Scottish Canals. The Visitor Centre building construction is underway and will complete in October 2015.
- 3.11 **TIF (£1.364m)** – c£1.4m was spent on TIF projects, most of which was in relation to the M9 Junction 6 project. Work has started at Abbotsford Business Park and the enabling works at Falkirk Stadium have also begun.

#### **4. OUTTURN VARIANCE 2014/15**

- 4.1 The Capital Programme is a three year programme and there will inevitably be movement in spend between years. The report to the Executive in January 2015 highlighted projected slippage of £1.3m; however the final slippage figure increased further to £2m. Details of the slippage is analysed in the table at paragraph 4.6.
- 4.2 The outturn variance is detailed in the table below. The variance is analysed into the following categories:
1. Savings in the capital programme.
  2. Re-scheduled projects where spend did not occur because of various reasons e.g. pending external funding, operational decisions required to be made.
  3. Slippage in the capital programme.

<u>Service</u>	<b>Savings £'000</b>	<b>Re-Scheduled £'000</b>	<b>Slippage £'000</b>	<b>Variance £'000</b>
Education	112	272	1,770	2,154
Development – Roads & Transport	20	578	216	814
Development – Flooding & Environment	-	-	(80)	(80)
Development – Economic Development	10	-	882	892
Social Work	-	-	75	75
Corporate & Neighbourhood	-	448	(1,218)	(770)
Central Support	-	182	32	214
Community Trust	-	112	155	267
Helix	-	-	150	150
TIF	-	1,498	-	1,498
<b>TOTAL</b>	<b>142</b>	<b>3,090</b>	<b>1,982</b>	<b>5,214</b>

4.3 The table in paragraph 4.2 details savings of c£0.14m. Within Education, savings of £0.04m were achieved in relation to the works at the CLD property in Park Street and £0.07m of traffic works at Wallacestone primary school. Within Development, savings accrued for Land Compensation payments (£0.02m) and £0.01m for Economic Development.

4.4 The table in paragraph 4.2 also details £3.1m of projects which have been re-scheduled to 2015/16. The projects included within this figure are as follows:

- TIF (£1.5m) has a different funding model from other projects within the capital programme. The offsite road works at Abbotsford Business Park and the enabling works at Falkirk Stadium have both been re-scheduled into 2015/16 because of traffic modeling issues in terms of the off site road works and site availability in relation to the work at the football stadium.
- Camelon Education Centre (£0.3m) where spend is delayed pending a decision being taken on its future use.
- Falkirk High Station Car Park (£0.4m) where spend has been delayed pending additional funding being sourced. Funding has now been secured and the project will commence in 2015/16 albeit that the additional funding element will not be spent until 2016/17.
- Glenbervie Slip Road project (£0.2m) where the budget is ring-fenced to meet potential statutory compensation payments as per our legal funding agreement with Transport Scotland.
- Restoration of Kinneil Kerse landfill site (£0.3m) - the spend will commence in 2015/16 following planning approval in 2014/15.
- Accommodation budget (£0.2m) to be carried forward pending a decision on the Council HQ.
- Community Trust (£0.1m) - projects rescheduled include Muiravonside Visitors Centre (£0.05m) pending match funding from Heritage Lottery (now secured); and £0.06m for Victoria Buildings pending identification of an alternative site for relocation of staff.

- 4.5 The Capital Planning and Review Working Group is chaired by Finance Services and meets on a 6/8 weekly cycle. All Services are represented at these meetings and Service representatives are asked to provide regular updated forecasts to Finance.

These forecasts are expected to be robust and any deviations from budget should be highlighted as soon as possible to allow sufficient time to implement remedial action or to accelerate projects from future years, thereby mitigating all or part of the slippage. Services did accelerate projects from future years, details of which are included in the table at paragraph 4.6.

- 4.6 The following table details the slippage in the General Fund Capital Programme.

Service	Slippage (£000's)	Reasons for Variance
<b>Education</b>		
Antonine Primary School	540	Work on phases 2 and 3 was delayed pending acceptance of the tender. Tender for Phase 2 works came in over budget and had to be referred back to Members for approval.
St Joseph's Primary School	555	Start date delayed following consultation with Parent Council and Care Commission.
Expansion of Early Years	1,019	Underspend relates to changes in location and size of facilities, delays in phasing of projects due to fact that demand for facilities not known until January 2015.
Capital Improvements	(360)	Projects accelerated from 2015/16. Various upgrade works across a number of schools.
Other	16	Mainly CLD properties
	<b>1,770</b>	
<b>Devp Services – R &amp; T</b>		
Road Safety	76	Profile of spend across number of projects due to weather.
Roads/Lighting Maintenance	85	Delays due to bad weather
Vehicle Safety Barrier	50	Insufficient budget to complete project
Other	5	
	<b>216</b>	

Service	Slippage (£'000s)	Reasons for Variance
<b>Devp Services – Flood &amp; Env</b>		
Countryside Access	(80)	Accelerated spend from 2015/16 and 2016/17 budgets.
	<b>(80)</b>	
<b>Devp Services – Econ Dev.</b>		
Economic Development Strategy	469	Work at Arnotdale on hold, pending programme of works being finalised.
Falkirk THI	465	Work on hold pending design team being appointed in August 2015.
Denny Town Centre	(50)	Re-profile of project spend, no impact on overall budget for project.
Other	(2)	
	<b>882</b>	
<b>Social Work</b>		
Various Social Work Buildings	75	Minor underspends across Social Work property portfolio.
	<b>75</b>	
<b>Corporate &amp; Neighbourhood</b>		
Vehicles	(385)	Accelerated spend from 2015/16 budget.
IT	(732)	ICT spend accelerated from 2015/16 including Mobile & Flexible working project.
Playparks	(50)	Accelerated spend from 2015/16 budget.
Interment Space	(51)	Accelerated spend from 2015/16 budget.
	<b>(1,218)</b>	

<b>Service</b>	<b>Total Slippage (£'000s)</b>	<b>Reasons for Variance</b>
<b>Central Support</b> Adaptations for Disabled & Community Safety	32	Demand led, underspend not as high as previously anticipated.
	<b>32</b>	
<b>Community Trust</b>		
Mariner Centre	86	Timing of works to air handling unit, boiler plant and electrics - will be spent in 2015/16.  Delayed due to consultations with Historic Scotland.  Awaiting Consultant's report to determine work required.
Bo'ness Town Hall	45	
Hallglen Sports Centre	40	
Various Projects	(16)	
	<b>155</b>	
<b>Helix Visitor Centre</b>	<b>150</b>	Will be completed in 2015/16.
<b>Total Slippage</b>	<b>1,982</b>	

- 4.7 Slippage and the re-scheduled projects per the table at paragraphs 4.2 will be fully funded by borrowing which was already budgeted for in 2014/15.
- 4.8 Discussions have taken place with Services to establish what year the slippage and indeed the re-scheduled projects should be allocated to. It is apparent from prior years capital outturns, that some carry forwards are not automatically spent in the following year. Going forward, to ensure that revised budgets are accurate, the carry forward will be allocated to the most appropriate year.

## 5. HOUSING CAPITAL INVESTMENT OUTTURN 2014/15

5.1 Subject to audit, the outturn for the Housing capital programme for 2014/15 is:

	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Elemental Improvements	11,400	12,912	(1,512)
Energy Efficiency	4,900	5,656	(756)
High Rise Flats	2,500	2,406	94
New Build Housing	9,024	7,278	1,746
Estates & Other Expenditure	1,050	713	337
<b>Main Programme Expenditure</b>	<b>28,874</b>	<b>28,965</b>	<b>(91)</b>
<b>Additional to Main Programme</b>			
Property Buy Backs	5,000	4,777	223
LHS Initiatives	700	72	628
Windows Lease Buy Out	459	459	-
Mortgage to Rent Scheme	1,500	789	711
<b>Total Expenditure</b>	<b>36,533</b>	<b>35,062</b>	<b>1,471</b>
<b>Resources</b>			
Borrowing	25,703	22,238	3,465
Council House Sales	1,600	3,250	(1,650)
Funding from Revenue and other sources	5,155	6,210	(1,055)
Scottish Government New Build Grant	2,116	2,116	-
<b>Main Programme Resources</b>	<b>34,574</b>	<b>33,814</b>	<b>760</b>
Additional Borrowing for Windows Lease	459	459	-
Additional Borrowing for Mortgage to Rent	1,050	591	459
Government Funding for Mortgage to Rent	450	198	252
<b>Total Resources</b>	<b>36,533</b>	<b>35,062</b>	<b>1,471</b>

5.2 A total of £35.1m was spent during 2014/15, delivering a range of improvements to the Council's housing stock and housing estates. The Housing Investment Programme has also helped to fund the delivery of additional houses to meet the continuing need for affordable housing.



5.3 Elemental Improvements

Of the £12.9m spent in relation to Elemental Improvements, £7.5m was spent on external fabric improvements, £1.8m on kitchen/bathroom renewals and £3.6m spent on electrical upgrading works.

5.4 Energy Efficiency

This expenditure covers the programme of replacement and upgrading of heating to more energy efficient systems across the Council area.

5.5 High Rise Flats

The expenditure within this category covers the continued programme of upgrading works to the High Rise flats, in particular Symon, Leishman and Marshall Towers.

5.6 New Build Housing

Approximately £7.3m was incurred in 2014/15 on the continued programme of new Council house building. The spend was c£1.7m lower than budget due to difficulties with utility connections and some delays due to weather conditions. However the new build projects remain on schedule for completion during summer 2015. Some of the underspend on new build housing has been offset by bringing forward future years planned external fabric improvements, electrical and heating projects.

5.7 Buy Backs

In 2014/15 the total expenditure incurred in relation to the buy-back of ex-Local Authority houses was c£4.8m.

5.8 Mortgage to Rent

The number/cost of properties being purchased through the Mortgage to Rent Scheme is £0.7m less than budget. This is a demand led project and reflects a positive trend in individual's financial circumstances in that less people are requiring to transfer from ownership to rent, due to financial difficulties. The 2015/16 budget has been adjusted to reflect the demand levels experienced in 2014/15.

5.9 Resources

Council House Sales income was over budget by £1.6m which we believe is due to the Government's intention to end right to buy entitlements. The Housing (Scotland) Bill passed by the Scottish Parliament on 25 June 2014, will effectively mean that the right to buy entitlement will end in August 2016. After taking into consideration the grants from the Government and the contribution from revenue of £5.6m, a total of £23.3m was funded from borrowing.

## 6. **PRUDENTIAL INDICATORS**

- 6.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. Appendix 1 details these indicators for 2014/15.

## **7. CONCLUSIONS**

- 7.1 The financial outturn for 2014/15, subject to audit, for both the General Fund and Housing Capital Programmes is detailed in sections 2, 3 and 5.
- 7.2 The 2014/15 outturn variance for the General Fund is detailed in Section 4.

## **8. RECOMMENDATIONS**

**Members are invited to :-**

- 8.1 **Note the outturn position, subject to audit for 2014/15 for both the General Fund and HRA Capital Programmes.**
- 8.2 **Note the explanation for outturn variance for the 2014/15 General Fund Capital Programme.**
- 8.3 **Note the Prudential Indicators per Appendix 1**

.....  
**DIRECTOR OF CORPORATE & HOUSING SERVICES**

Date: 14 July 2015

Ref: AAP180815 – Capital Programmes Outturn 2014/15

### LIST OF BACKGROUND PAPERS

- 1. 3 Year Capital Programme submitted to Falkirk Council 12 February 2014
- 2. Capital Programme Updates report submitted to Executive 30 September 2014
- 3. Capital Programme Updates Report submitted to Executive 13 January 2015

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

**FALKIRK COUNCIL**  
**PRUDENTIAL CODE INDICATORS**  
**[Excluding HRA]**

PRUDENTIAL INDICATOR		BUDGET 2014/15	OUTTURN 2014/15	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	5%	5%	Shows how much of the Council's income is committed to repaying debt arising from capital investment.
2.	Incremental Impact of Capital Expenditure on Council Tax	£4.63	NIL	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	Net External Borrowing Accounting Adjustment – Finance Lease Liabilities  Capital Financing Requirement (includes HRA) Accounting Adjustment – Finance Lease Liabilities	£'m 258.7 <u>120.6</u> 379.3  306.3  <u>125.1</u> 431.4	£'m 208.6 <u>120.6</u> 329.2  283.5  <u>125.1</u> 408.6	This is a key Prudence Indicator which shows that over the medium term external borrowing will only be for a capital purpose. The capital financing requirement reflects the underlying need to borrow to finance assets. It should be noted that the sums included as “Accounting Adjustment – Finance Lease Liabilities”, are not an increase in borrowing or need to borrow, they are merely a presentational change as a result of the requirement to report under International Reporting Standards (IFRS).
4.	Capital Expenditure	£'m 21.2	£'m 26.4	Simply the approved and projected capital expenditure.
5.	Capital Financing Requirement (GF only)	£'m 307.9	£'m 292.6	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment.

PRUDENTIAL INDICATOR		BUDGET 2014/15	OUTTURN 2014/15	COMMENTS
6.	Authorised Limit (AL) for External Debt:- Borrowing Other Long Term Liabilities	£m  279.4 <u>120.6</u>  <u>400.0</u>	£m  279.4 <u>120.6</u>  <u>400.0</u>	This sets the maximum level of External Debt, based on capital investment plans and allowing some headroom over the Operational Boundary (see below) for exceptional circumstances.
7.	Operational Boundary (OB) for External Debt:-  Borrowing Other Long Term Liabilities	£m  274.4 <u>120.6</u>  <u>395.0</u>	£m  274.4 <u>120.6</u>  <u>395.0</u>	This is set at a lower level than the Authorised Limit and is a robust estimate of the External Debt level arising from Capital Investment Plans.
8.	Actual External Debt: External Borrowing Other Long Term Liabilities	     <u>N/A</u>	  233.0 <u>120.6</u>  <u>353.6</u>	Actual External Debt per Annual Accounts 2014/15 which confirms compliance with Authorised Limited (AL) and Operational Boundary (OB).
9.	CIPFA Code of Practice for Treasury Management in the Public Services	Code has been adopted by the Council		The Treasury Management Code is designed to ensure prudence in treasury operations.

**FALKIRK COUNCIL**  
**HRA PRUDENTIAL CODE INDICATORS**

PRUDENTIAL INDICATOR		BUDGET 2014/15	OUTTURN 2014/15	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	13%	13%	Shows how much of the Council's HRA income is committed to repaying debt arising from capital investment.
2.	Incremental Impact of Capital Exp. on weekly Rent	£5.60	£6.86	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". Increase is mainly due to additional revenue contributions to capital which has been fully accounted for in revenue outturn figures.
3.	Capital Expenditure	£m 36.5	£m 35.1	Simply the approved and projected capital expenditure.
4.	Capital Financing Requirement	£m 123.5	£m 116.0	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment