

FALKIRK COUNCIL

Subject: CAPITAL PROGRAMMES UPDATE REPORT
Meeting: EXECUTIVE
Date: 1 December 2015
Author: DIRECTOR OF CORPORATE & HOUSING SERVICES

1. INTRODUCTION

- 1.1 The purpose of this report is to provide an update on the 2015/16 Housing and General Services Capital Programmes which both sit within a 3 year rolling timeframe.

2. 2015/16 HOUSING CAPITAL PROGRAMME

- 2.1 The report to the Executive on 29 September 2015 advised Members that the projected outturn for the Housing Capital Programme was £28.3m, an underspend of £2.1m. The forecast has now been updated to £29.3m thereby reducing the projected underspend from £2.1m to £1.1m. Appendix 1 details the spend across the various areas of the programme and the movement in forecast from that previously reported is as detailed below:

Project	September Executive £m	December Executive £m	Movement £m
Elemental Improvements	1.8	3.1	1.3
Energy Efficiency	(0.7)	0.1	0.8
New Build Housing	(3.3)	(3.4)	(0.1)
Estates & Other Expenditure	0.3	0.2	(0.1)
Mortgage to Rent	(0.2)	(1.0)	(0.8)
LHS Initiatives	-	(0.1)	(0.1)
Total	(2.1)	(1.1)	1.0

- 2.2 The Elemental Improvements work has been further accelerated to offset the overall slippage in the programme. Spend of £17m is now forecast, including acceleration of £3.1m.
- 2.3 The Energy Efficiency programme of works is forecast to spend £2.3m, a small overspend of £0.1m. This is mainly due to an increase in the number of replacement heating systems installed.

- 2.4 The New Build Housing projects at Stenhousemuir and Denny have both been delayed. In relation to Stenhousemuir, a change in the treatment of the front façade of the building necessitated a second round of local consultation which has put the start date back by a few months. The change in the façade will provide a better, longer term solution and represents best value for the Council. The Denny project has been affected by ongoing discussions in relation to developer contributions and outstanding planning approval. Consequently, the start date has been pushed back from 2015/16 to 2016/17. In overall terms a spend of £1.4m is forecast in 2015/16 with slippage of £3.4m carrying forward to 2016/17.
- 2.5 There is an underspend of £1.0m in relation to the Mortgage to Rent Scheme, an increase of £0.8m on previously reported figures. This projection reflects the current positive trend in that less people are requiring to transfer from ownership to rent.
- 2.6 The Scottish Government have confirmed additional funding for New Build Housing (£1.1m) and Buy Backs (£1.8m). In order to get the immediate benefit of this resource, this funding has been included in the 2015/16 forecast and as such has reduced the HRA borrowing for 2015/16 and the use of second home council tax funds previously included within the approved budget. Going forward, the previously approved borrowing provision for 2015/16 and second home council tax funds will be considered in forthcoming HRA budget deliberations. The New Build Housing grant forecast includes £0.3m based on the reduced 2015/16 project spend and £1.1m in relation to the additional Scottish Government grant.

3. 2015/16 GENERAL CAPITAL PROGRAMME

- 3.1 The report to the Executive on 29 September advised Members that the approved 15/16 budget had been revised to £28.9m. The budget has been further revised to £29.2m, the main reasons are as follows:

	£m	Comment
Revised Budget September	28.86	
ASN School	0.68	Adjustment to previously rescheduled element to cover budgeted fees to be incurred in 15/16.
Falkirk High Car Park	(0.53)	Rescheduled to 16/17 pending potential submission for planning approval
Various Projects	0.59	Externally Funded Projects
Denny Town House	0.05	Toilet Upgrade funded from R & R
OAP Homes	(0.50)	R & R element of OAP Accommodation project now rescheduled to 16/17 pending Hubco report
Revised Budget December	29.15	

- 3.2 The September Executive report referred to the potential purchase of the Focus School located in the Bog Road Industrial Estate at Laurieston. The cost of this school will be funded from a combination of existing budget within Children's Services and the slippage reported in September, hence the breakeven position being reported per Appendix 2.

4. DELIVERY OF INVESTMENT

- 4.1 The following paragraphs focus on the main areas of anticipated spend for 2015/16.
- 4.2 **Children's Services (£7.064m)** – Work continues on the extensions to St Joseph's Primary School (£1.1m) and Antonine Primary School (£0.6m). Within the overall forecast for Antonine Primary School, an overspend of £0.1m is included. This overspend will be fully funded from the Early Years budget and there is therefore no detrimental impact on the overall 15/16 capital programme. The overspend has occurred as a consequence of the Government's extension of free school meals which required a temporary dining cabin to be procured and installed while the school hall was out of commission due to the extension works. Also, alterations and extension to the new nursery outdoor play area had to be completed in order to secure formal registration with the Care Commission/Inspectorate. Initial design work has started on the new ASN school which is expected to finish in 2017 (£0.9m). The Scottish Government funded initiative Expansion of Early Years, is progressing with spend of £2.6m forecast including additional modular units and nursery alterations at various sites. In addition £1.6m is forecast to be spent across a number of schools for health and safety, capacity issues, general upgrades and will also be used to fund the purchase of the Focus school.
- 4.3 **Development - Roads & Transport (£6.838m)** – The rolling programme of works for bridge strengthening, structural roads works, road safety and street lighting is forecast to spend £5.1m over the year which includes an extra £0.5m for the Salix Street Lighting project. The Salix Street Lighting project is a government backed scheme whereby the Council have obtained an interest free loan, payable over 7 years (chargeable to revenue budget), for the replacement of 2,500 lanterns with new efficient LED equipment. External funding of £0.6m has been secured for cycling, walking, and safer streets projects, bringing the total forecast spend to £0.8m.
- 4.4 **Development – Planning & Transportation (£1.441m)** – The Grangemouth Flood Assessment scheme will continue with a spend of £0.5m anticipated this year. Within Countryside Access, external funding has been secured which will allow investment of £0.7m to take place this year. Work on the restoration of Kinneil Kerse Landfill site (£0.09m) will start this year following planning permission being granted in February 2015.
- 4.5 **Development - Economic Dev't & Environmental Services (£3.408m)** – Following the contract award, Phase 1 construction in relation to Denny Town Centre is now underway with spend of £2.6m included in the forecast. As part of the Business Property Reinvestment initiative, new units at Abbotsford Business Park will be built at a cost of £0.7m this year.

- 4.6 **Development – Operational Services (£3.507m)** - £2.6m is forecast to be spent on vehicle replacement this year which includes £0.9m accelerated from 2016/17 budget. The spend on the Crematorium upgrade is likely to be £0.3m with a further £0.4m anticipated for additional interment space. The rolling programme for investment in parks assumes a spend of £0.1m during the year.
- 4.7 **Social Work (£0.204m)** – The Older Peoples Accommodation budget has been carried forward to 2016/17. Spend of £0.2m will be incurred in relation to capital works at various Social Work buildings and the rolling programme of replacement MECS equipment.
- 4.8 **Corporate & Housing Services (£1.919m)** –The Mobile & Flexible Working project is well underway with further spend of £0.5m anticipated this year. Other IT projects include the replacement email system (£0.2m) and server replacements (£0.7m). The forecast for all I.T. projects includes £0.3m accelerated from the 2016/17 budget. In addition £0.3m has been allocated for various minor capital works across Council wards.
- 4.9 **Community Trust (£1.731m)** – The main areas of spend include the completion of Stenhousemuir Gym (£1.0m), boiler replacement and a new wave machine at the Mariner Centre (£0.2m) and the flume replacement at Grangemouth Complex (£0.1m).
- 4.10 **Helix (£3.037m)** – The Council contribution for Helix is £0.15m, however external funding of £2.9m has been secured from Big Lottery, Scottish Canals and grant monies which will allow the Visitor Centre and the remainder of the Park and facilities to be completed this year.

5. PRUDENTIAL INDICATORS

- 5.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. Appendix 3 details these indicators for 2015/16.

6. CONCLUSIONS

- 6.1 After allowing for the rescheduled projects, the General programme is forecast to be breakeven.
- 6.2 The Housing Capital Programme is forecast to be under budget by £1.1m.

7. RECOMMENDATIONS

Members are invited to:

- 7.1 Note the budget and forecast position for the General Fund & Housing Capital Programmes for 2015/16.**
- 7.2 Note the Prudential Indicators per Appendix 3.**

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Director of Corporate & Housing Services
Date: 2 November 2015
Ref: AAB011215 – Capital Programme Update Report
Contact: Carole McGhee

LIST OF BACKGROUND PAPERS

NIL

2015/16 CAPITAL PROGRAMME**HOUSING INVESTMENT PROGRAMME - SUMMARY****APRIL 2015 to SEPTEMBER 2015**

EXPENDITURE	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
HOUSING INVESTMENT PLANS	£000	£000	£000
ELEMENTAL IMPROVEMENTS	13,900	16,994	3,094
ENERGY EFFICIENCY	2,200	2,324	124
NEW BUILD HOUSING	4,824	1,393	(3,431)
ESTATES & OTHER EXPENDITURE	1,050	1,228	178
PROPERTY BUY BACKS	6,223	6,223	0
MORTGAGE TO RENT	1,000	50	(950)
LHS INITIATIVES	700	600	(100)
WINDOW LEASE BUY OUT	497	497	0
TOTAL EXPENDITURE 2015/16	30,394	29,309	(1,085)

RESOURCES	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	20,709	18,948	(1,761)
COUNCIL HOUSE SALES	1,600	1,600	0
ENERGY SECTION INCOME	300	300	0
CFCR	4,264	4,264	0
SCOTTISH GOVERNMENT - NEW BUILD	966	1,350	384
SCOTTISH GOVERNMENT - BUY BACK	0	1,800	1,800
SECOND HOMES COUNCIL TAX	558	0	(558)
PLANNING OBLIGATION - AFFORDABLE HOUSING	500	500	0
SCOTTISH GOVERNMENT MORTGAGE TO RENT GRANT	200	10	(190)
MORTGAGE TO RENT BORROWING	800	40	(760)
WINDOW LEASE BUY OUT	497	497	0
TOTAL RESOURCES 2015/16	30,394	29,309	(1,085)

2015/16 CAPITAL PROGRAMME**GENERAL PROGRAMME - SUMMARY****APRIL 2015 TO SEPTEMBER 2015**

EXPENDITURE	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
SERVICE INVESTMENT PLANS	£000	£000	£000
CHILDREN'S SERVICES	7,251	7,064	(187)
DEV - ROADS & TRANSPORT	6,895	6,838	(57)
DEV - PLANNING & TRANSPORTATION	1,441	1,441	0
DEV - ECONOMIC DEV'T & ENVIRONMENTAL SERVICES	4,201	3,408	(793)
DEV - OPERATIONAL SERVICES	2,588	3,507	919
SOCIAL WORK	204	204	0
CORPORATE & HOUSING	1,783	1,919	136
COMMUNITY TRUST	1,757	1,731	(26)
HELIX	3,037	3,037	0
TOTAL EXPENDITURE 2015/16	29,157	29,149	(8)

RESOURCES	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
FALKIRK COUNCIL BORROWING	4,228	4,220	(8)
SCOTTISH GOVERNMENT BLOCK GRANTS	13,458	13,458	0
SCOTTISH GOVERNMENT BLOCK GRANTS	4,071	4,071	0
CAPITAL RECEIPTS - SALES	1,085	1,085	0
EXTERNAL FUNDING	5,789	5,789	0
RESERVES (DMR, CFCR and R&R)	526	526	0
TOTAL RESOURCES 2015/16	29,157	29,149	(8)

FALKIRK COUNCIL
PRUDENTIAL CODE INDICATORS
[Excluding HRA]

PRUDENTIAL INDICATOR		BUDGET 2015/16	PROJECTED 2015/16	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	NIL	NIL	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	External Borrowing Accounting Adjustment – Finance Lease Liabilities Capital Financing Requirement (includes HRA) Accounting Adjustment – Finance Lease Liabilities	£'m 254.9 <u>115.4</u> 370.3 315.4 <u>120.5</u> 435.9	£'m 254.9 <u>115.4</u> 370.3 295.2 <u>120.5</u> 415.7	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 28.3	£'m 29.2	Simply the approved and projected capital expenditure.
5.	Capital Financing Requirement (GF only)	£'m 299.2	£'m 284.3	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment.
6.	Authorised Limit (AL) for External Debt:- Borrowing Other Long Term Liabilities	£'m 294.6 <u>115.4</u> <u>410.0</u>	£'m 294.6 <u>115.4</u> <u>410.0</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 289.6 <u>115.4</u> <u>405.0</u>	£'m 289.6 <u>115.4</u> <u>405.0</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.

PRUDENTIAL INDICATOR		BUDGET 2015/16	PROJECTED 2015/16	COMMENTS
8.	Actual External Debt: External Borrowing Other Long Term Liabilities	<u>N/A</u>	<u>N/A</u>	This is an actual rather than estimated indicator and will be reported when outturns become available.
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 2015/16	PROJECTED 2015/16	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	17%	16%	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	£0.33	£0.33	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	Capital Expenditure	£'m 29.3	£'m 29.3	Simply the approved and projected capital expenditure.
4.	Capital Financing Requirement	£'m 136.7	£'m 131.5	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment