

Falkirk Council

**Title:** Capital Programmes Outturn 2015/16  
**Meeting:** Executive  
**Date:** 16 August 2016  
**Submitted By:** Director of Corporate & Housing Services

**1. Purpose of Report**

- 1.1 This report is to provide details of the outturn position, subject to final audit review, for the 2015/16 General Fund Services and Housing Capital Programmes.

**2. Recommendation**

- 2.1 **The Executive is invited to note the outturn position, subject to audit for 2015/16 for both the General Fund (£25.5m) and Housing Capital Programmes (£25.4m).**

**3. Background**

- 3.1 The main aim of the capital programmes is to deliver priority projects on time and on budget, it should be noted however that both capital programmes are three year programmes and the nature of the projects therein means that spend will inevitably move between years. As such Members have previously approved the rescheduling of a number of General Fund projects to future years (see paragraph 4.2.3).

**4. Considerations**

**4.1 General Services Capital Outturn 2015/16**

- 4.1.1 The revised Budget for 2015/16 was agreed by the Executive on 23 February 2016 as £28.02m. This has now been revised to £27.53m as a result of a reduction in the previously anticipated number of externally funded projects.
- 4.1.2 Subject to audit, the outturn for the General Services Capital Programme for 2015/16 is:

	<b>2015/16 £'m</b>
Revised Budget	27.529
Outturn	<u>25.492</u>
<b>Variance</b>	<b><u>2.037</u></b>

Detailed spend across Services is shown in Appendix 1.

4.1.3 The following paragraphs focus on the main areas of spend during 2015/16 whilst section 4.2 will detail the movement in the outturn variance.

4.1.4 **Children's Services (£5.7m)**

Work was completed on the extensions to Antonine Primary School (£0.6m) and St Joseph's Primary School (£1.1m). Work commenced on the building of the new ASN School (£1.0m) and is expected to be completed in 2017/18. Spend was incurred on the Scottish Government funded Expansion of Early Years project (£1.0m). The Council also purchased the former Focus School (£0.4m) with a Scottish Government contribution of £0.2m. In addition, work was undertaken to improve the school estate, meet health and safety requirements and expand capacity (£1.6m).

4.1.5 **Roads & Transport (£5.6m)**

£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£4.9m, which was partially funded by £0.9m of grant income and planning obligations.

4.1.6 **Flooding & Environment (£1.3m)**

Spend on the Grangemouth Flood prevention project was £0.3m. A number of Countryside Access projects were undertaken at a cost of £0.9m, all of which were funded from grant income and planning obligations.

4.1.7 **Economic Development (£2.7m)**

Denny Town Centre Regeneration spend was £2.1m and £0.6m was spent on the Abbotsford Business Park.

4.1.8 **Operational Services (£4.1m)**

£3.5m was spent on the vehicle replacement programme which included £1.2m of spend accelerated from the 2016/17 budget to mitigate slippage. Works on the Crematorium upgrade and the Cemeteries Interment spaces amounted to £0.4m.

4.1.9 **Adult Services (Social Work) (£0.3m)**

Work was completed on various Social Work premises e.g. Camelon Social Work office (£0.03m); Denny Town House (£0.1m); JLES warehouse (£0.07m). In addition MECS equipment was purchased at a cost of £0.05m.

4.1.10 **Corporate & Housing (£2.0m)**

The spend on corporate IT was £1.4m, of which £0.5m was in relation to the Mobile and Flexible Working project. The remaining £0.9m of IT spend was mainly on replacement servers and licenses. Within the Central Support heading, £0.6m was spent on the deferred Council HQ project.

#### 4.1.11 **Community Trust (£1.2m)**

£0.9m was spent on the new Stenhousemuir Gym project, £0.1m on the Mariner Centre with the remaining £0.2m spent on various projects, which include Callendar House & Park, Bo'ness Town Hall and Dollar Park Tennis Court. In addition, £0.02m was spent on Ash Park, Banknock which was part funded from planning obligations.

#### 4.1.12 **Helix (£2.6m)**

The majority of the spend was on the Visitor Centre, which was completed during 2015/16. The Council funded £0.8m of the works and the remaining £1.8m was funded externally, primarily from Big Lottery, Scottish Canals and Sports Scotland.

#### 4.1.13 **Resources**

Scottish Government Grants received of c£18.0m includes the General Capital Grant (£13.6m), the Regeneration Grant for Denny Town Centre (£1.4m) and Expansion of Early Years Grant (£2.0m). External Funding of £3.8m was sourced including monies for the Helix Visitor Centre (£1.8m) and Countryside Access projects (£0.9m). Revenue contributions equated to £2.7m leaving a balance of £1.0m of borrowing required to fund the Capital programme.

### 4.2 **Outturn Variance 2015/16**

- 4.2.1 The outturn variance was £2.04m under budget (£1.68m in February). The outturn variance includes savings of £0.18m and slippage of £1.86m (£1.5m slippage in February). Details of this increase in slippage are outlined below:

<b>Service</b>	<b>Forecast Variance £'000</b>
Children's Services	(29)
Development Services	212
Corporate & Housing Services	(10)
Adult Services – Social Work	76
Community Trust	39
Helix	68
<b>Total</b>	<b>356</b>

The main reasons for the movement in the slippage are as follows:-

- **Children's Services** – Reduction in the previously anticipated overspend for the extension at Antonine Primary School (£0.098m), offset in part by accelerated spend of £0.14m in the "All Schools" Capital budget. Miscellaneous slippage across various areas (£0.01m).

- **Development Services** – Road Maintenance projects were delayed due to inclement weather (£0.13m). In addition the Traffic Regulation Order for the Road Safety Project at Union Road (£0.04m) was not approved; slippage in Flood prevention projects, particularly Grangemouth, due to delays in accessing sites (£0.11m); Restoration at Kinneil Kerse delayed because of additional SEPA requirements (£0.04m); Falkirk THI (£0.12m) and Denny Town Centre (£0.15m) both delayed, but fully offset by £0.31m of works at Abbotsford Business Park which progressed quicker than anticipated; vehicle purchases were accelerated to mitigate slippage £0.11m and there were minor delays in works at the Crematorium and Cemeteries (£0.04m).
  - **Corporate & Housing** – further IT spend of £0.01m was accelerated to mitigate slippage.
  - **Adult Services (Social Work)** – minor underspends across Social Work's property portfolio (£0.08m). These monies are to be carried forward to supplement the rescheduled Older Peoples Accommodation Budget of £3.5m (see para 4.2.3).
  - **Community Trust** – Monies for Muiravonside Visitor Centre carried forward (£0.05m) to align with match funding, offset by accelerated spend at Callendar Park £0.01m.
  - **Helix** – Underspend in Visitor Centre which is to be carried forward to meet residual costs that will flow through in 2016/17.
- 4.2.2 The 2016/17 Capital Programme will be increased by the overall slippage of £1.86m and will be fully funded by borrowing which was already budgeted for in 2015/16.
- 4.2.3 Members previously approved the rescheduling of a number of projects to future years. Consequently where appropriate, the 2016/17 Capital Programme will also be adjusted to include these projects. The total value of projects that were rescheduled is c£11m and includes Older People's Accommodation (£3.4m), Bainsford Day Centre (£1.7m), Crematorium Upgrade (£1.3m), Denny Town Centre (£0.9m), Early Years budget to part fund the extension at Kinnaird Primary School (£1.4m).
- 4.3 Housing Capital Outturn 2015/16**
- 4.3.1 Subject to audit, the outturn for the Housing Capital Programme for 2015/16 is £25.4m as detailed in Appendix 2. This spend delivered 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.

- 4.3.2 The projected underspend reported in February was £3.5m. The actual underspend has increased by £1.8m to £5.3m. It had been anticipated that £1.2m of Elemental Improvements could be accelerated to mitigate slippage in the New Build projects. This was not possible due to delays in site start dates. This was the main reason for the increase in the underspend. However all works have now commenced with the exception of the New Build Housing project at Duke Street, which will progress once planning considerations have been finalised. The following paragraphs provide details of the work undertaken and the main reasons for the movement in the forecast variance.
- 4.3.3 **Elemental Improvements (£13.2m)**  
Of the £13.2m spent in relation to Elemental Improvements, £7.6m was spent on external fabric improvements, £2.0m on kitchen/bathroom renewals and £3.6m spent on electrical upgrading works. The February Executive report forecast a spend of £14.4m, but this slipped by £1.2m to £13.2m due to delays in site start dates. Work on all designated projects has now commenced and will be completed in 2016/17.
- 4.3.4 **Energy Efficiency (£2.7m)**  
This expenditure covers the programme of replacement and upgrading of heating to more energy efficient systems across the Council area. An additional £0.5m of spend was accelerated to help mitigate slippage elsewhere in the programme.
- 4.3.5 **New Build Housing (£1.2m)**  
Approximately £1.2m was incurred in 2015/16 on the continued programme of new Council house building. The spend was c£3.6m lower than budget due to delays with design consultations and planning considerations as previously advised to Members. The underspend forecast in February was £3.4m. The Stenhousemuir project has now commenced and the Duke Street project will progress following planning considerations.
- 4.3.6 **Buy Backs (£6.3m)**  
In 2015/16 the total expenditure incurred in relation to the buy-back of ex-Local Authority houses was c£6.3m. Scottish Government provided grant funding of £1.9m to fund the Buy Backs.
- 4.3.7 **Mortgage to Rent (Nil)**  
The number/cost of properties purchased through the Mortgage to Rent Scheme was nil. 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 2016/17 budget has been adjusted to reflect the reduced demand levels experienced in 2015/16.

#### **4.3.8 Resources**

Council House Sales income was £3.6m, an increase on budget of £2.0m, likely to be due to the end of the right to buy entitlement on 1 August 2016. Grant income for New Build and Buy Backs equated to £2.2m, with a further £1.1m of income in respect of energy efficient projects, planning obligations etc. The revenue contributions to Capital were £8.2m and the total borrowing for 2015/16 was £10.3m.

#### **4.4 Prudential Indicators**

- 4.4.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. They are approved by Members in February each year as part of the Budget process. Appendix 3 details these Indicators for 2015/16. There are 9 Indicators for the Council as a whole and 4 for Housing only. The following paragraphs focus on some of the key Indicators.
- 4.4.2 The Capital Financing Requirement (CFR) measures the borrowing the Council needs to undertake to finance its Capital Programmes (See Indicator 3). The level of borrowing is based on the total Capital Investment plans less resources such as grants, capital receipts and Revenue contributions etc. The actual CFR (£401.3m) is lower than the budgeted CFR (£435.9m) because of the underspends in both Capital Programmes and also because of additional capital receipts and Revenue contributions.
- 4.4.3 The Authorised Limit for borrowing is the maximum figure the Council can borrow at any given point during the financial year. The limit is based on Capital Investment plans and borrowing for treasury management purposes and cashflow. As the CFR only takes into account borrowing for the Capital Programmes it is less than the approved Authorised Limit. Given the underspends and the additional resources within both Capital Programmes, it was not necessary to increase this limit during the course of the year, hence the outturn figure in Indicator 6 remained at the budgeted level of £410m.
- 4.4.4 Given that the consequences of capital investment plans impact on the Revenue Budget in the form of loan charges and running costs, Indicator 1 “Ratio of Financing Costs to Net Revenue Stream” specifies the percentage of income that has to be set aside to repay loan charges. The budgeted percentage is the amount that was considered to be affordable at the beginning of the year and the outturn percentage should be no greater than this. Indicator 1 demonstrates that this is the case.

## **5. Consultation**

- 5.1 There is no requirement to carry out a consultation based on the reporting proposals.

## **6. Implications**

### **Financial**

- 6.1 Both the General Fund and Housing Capital Programmes are underspent and the 2016/17 Programmes will be adjusted to include this underspend.

### **Resources**

- 6.2 There are no resource implications arising from the report recommendations.

### **Legal**

- 6.3 There are no legal implications arising from the report recommendations.

### **Risk**

- 6.4 Given that there are a number of high value projects which have been rescheduled to future years (see paragraph 4.2.3), there is a risk that the cost of these projects may increase because of construction inflation.

### **Equalities**

- 6.5 An equality and poverty impact assessment was not required.

### **Sustainability/Environmental Impact**

- 6.6 A sustainable assessment was not required.

## **7. Conclusions**

- 7.1 The financial outturn for 2015/16, subject to audit, for the General Fund Capital Programme is £25.5m, which is £2.0m less than budget.
- 7.2 The financial outturn for 2015/16, subject to audit, for the Housing Capital Programme is £25.4m, which is £5.3m less than budget.

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## **APPENDICES**

Appendix 1 – General Fund 2015/16 Outturn  
Appendix 2 – Housing 2015/16 Outturn  
Appendix 3 – Prudential Indicators 2015/16

### **List of Background Papers:**

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

None



**2015/16 CAPITAL PROGRAMME****GENERAL PROGRAMME - SUMMARY****APRIL 2015 TO MARCH 2016**

<b>EXPENDITURE</b>	<b>2015/16 REVISED BUDGET</b>	<b>2015/16 OUTTURN</b>	<b>2015/16 OUTTURN VARIANCE</b>
<b>SERVICE INVESTMENT PLANS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CHILDREN'S SERVICES	5,992	5,736	(256)
DEV - ROADS & TRANSPORT	5,851	5,635	(216)
DEV - FLOODING & ENVIRONMENT	1,668	1,315	(353)
DEV - ECONOMIC DEVELOPMENT	4,230	2,693	(1,537)
DEV - OPERATIONAL SERVICES	3,135	4,060	925
ADULT SERVICES (SOCIAL WORK)	340	263	(77)
CORPORATE & HOUSING	1,859	2,006	147
COMMUNITY TRUST	1,782	1,180	(602)
HELIX	2,672	2,604	(68)
<b>TOTAL EXPENDITURE 2015/16</b>	<b>27,529</b>	<b>25,492</b>	<b>(2,037)</b>

  

<b>RESOURCES</b>	<b>2015/16 REVISED BUDGET</b>	<b>2015/16 OUTTURN</b>	<b>2015/16 OUTTURN VARIANCE</b>
FALKIRK COUNCIL BORROWING	2,626	981	(1,645)
SCOTTISH GOVERNMENT BLOCK GRANTS	13,646	13,646	0
SCOTTISH GOVERNMENT SPECIFIC GRANTS	4,306	4,306	0
CAPITAL RECEIPTS - SALES	1,100	0	(1,100)
EXTERNAL FUNDING	3,139	3,847	708
RESERVES (DMR, CFCR and R&R)	2,712	2,712	0
<b>TOTAL RESOURCES 2015/16</b>	<b>27,529</b>	<b>25,492</b>	<b>(2,037)</b>

**2015/16 CAPITAL PROGRAMME****HOUSING INVESTMENT PROGRAMME - SUMMARY****APRIL 2015 TO MARCH 2016**

<b>EXPENDITURE</b>	<b>2015/16 REVISED BUDGET</b>	<b>2015/16 OUTTURN</b>	<b>2015/16 OUTTURN VARIANCE</b>
<b>HOUSING INVESTMENT PLANS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
ELEMENTAL IMPROVEMENTS	13,900	13,211	(689)
ENERGY EFFICIENCY	2,200	2,725	525
NEW BUILD HOUSING	4,824	1,236	(3,588)
ESTATES & OTHER EXPENDITURE	1,050	910	(140)
PROPERTY BUY BACKS	6,223	6,257	34
MORTGAGE TO RENT	1,000	0	(1,000)
LHS INITIATIVES & OTHERS	956	548	(408)
WINDOW LEASE BUY OUT	497	497	0
<b>TOTAL EXPENDITURE 2015/16</b>	<b>30,650</b>	<b>25,384</b>	<b>(5,266)</b>

<b>RESOURCES</b>	<b>2015/16 REVISED BUDGET</b>	<b>2015/16 OUTTURN</b>	<b>2015/16 OUTTURN VARIANCE</b>
BUDGETED PRUDENTIAL BORROWING	20,709	9,788	(10,921)
COUNCIL HOUSE SALES	1,600	3,585	1,985
ENERGY SECTION INCOME	300	341	41
CFCR	4,264	8,218	3,954
SCOTTISH GOVERNMENT - NEW BUILD	1,524	261	(1,263)
SCOTTISH GOVERNMENT - BUY BACK	0	1,900	1,900
OTHER GRANTS & CONTRIBUTIONS	256	294	38
PLANNING OBLIGATION - AFFORDABLE HOUSING	500	500	0
SCOTTISH GOVERNMENT MORTGAGE TO RENT GRANT	200	0	(200)
MORTGAGE TO RENT BORROWING	800	0	(800)
WINDOW LEASE BUY OUT	497	497	0
<b>TOTAL RESOURCES 2015/16</b>	<b>30,650</b>	<b>25,384</b>	<b>(5,266)</b>

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

PRUDENTIAL INDICATOR		BUDGET 2015/16	OUTTURN 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	£19.12	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". Increase is due to additional revenue contributions to capital which have fully been accounted for in the revenue outturn figures.
3.	Gross Borrowing: Gross 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  246.1  <u>115.4</u> 361.5  280.8  <u>120.5</u> 401.3	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 Financial Reporting Standards (IFRS).

PRUDENTIAL INDICATOR		BUDGET 2015/16	OUTTURN 2015/16	COMMENTS
4.	Capital Expenditure (GF & TIF)	£'m 28.3	£'m 26.4	Simply the approved and actual capital expenditure including TIF.
5.	Capital Financing Requirement (GF & TIF)	£'m 299.2	£'m 279.1	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 Treasury Management activities. It allows 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 and Treasury Management activities.

PRUDENTIAL INDICATOR		BUDGET 2015/16	OUTTURN 2015/16	COMMENTS
8.	Actual External Debt: External Borrowing Other Long Term Liabilities	<u>N/A</u>	246.1 <u>115.4</u> <u>361.5</u>	Actual External Debt per Annual Accounts 2015/16 which confirms compliance with Authorised Limit (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 2015/16	OUTTURN 2015/16	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	17%	14%	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	£3.97	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". Increase is due to additional revenue contributions to capital which have been fully accounted for in the revenue outturn figures.
3.	Capital Expenditure	£'m 29.3	£'m 25.4	Simply the approved and actual capital expenditure.
4.	Capital Financing Requirement	£'m 136.7	£'m 122.2	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment