

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest includes a crown with four maple leaves, a shield divided into four quadrants (top-left: saltire, top-right: anchor, bottom-left: sailing ship, bottom-right: eagle), and a banner at the bottom with the motto 'A NE FOR A'.

AGENDA ITEM

14

Capital Programmes Update 2016/17

Falkirk Council

Title: Capital Programmes Update 2016/17
Meeting: Executive
Date: 27 September 2016
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 This purpose of this report is to provide details of the forecast position for the General Fund Services and Housing Capital Programmes.

2. Recommendations

2.1 The Executive is asked to

- (a) note the forecast spend for both the General Fund Services (£33.7m) and Housing Capital Programmes (£28.4m).**
- (b) approve the acceleration of projects from 2017/18 as detailed in paragraph 4.3.4. and the inclusion of other projects that may be identified for acceleration during the course of the year, and**
- (c) note the revised Prudential Indicators.**

3. Background

- 3.1 The General Fund Services and Housing Capital Programmes were approved by Council on the 17 February 2016. The 2016/17 budgets for both programmes are part of a three year plan and as such there will be movement in spend across the years.

4. Considerations

4.1 General Fund Services Capital Programme

- 4.1.1 The budget for 2016/17 was based on estimates made in late 2015. The approved budget of £29.6m (excluding TIF which will be the subject of a separate report by Development Services) has since been revised to £35.1m taking into account slippage of £1.8m from 2015/16 and £3.7m of projects that have been rescheduled from previously approved budgets (see Appendix 1(A)). The revised budget for the General Services Capital Programme and the 2016/17 forecast is as detailed below:

	£'m
Approved 2016/17 Budget	29.625
Add Slippage 2015/16	1.767
Add Projects Rescheduled to 16/17	3.665
Revised Budget 2016/17	35.057
Forecast	33.744
Forecast Variance 2016/17	1.313

4.1.2 The following paragraphs focus on the main areas of anticipated spend for 2016/17 (see Appendix 2), whilst paragraph 4.3 will examine the forecast variance against budget.

4.1.3 Children's Services (£15.3m)

Work continues on the building of the new ASN School (£12.9m), which is expected to be completed in 2017/18 and is 50% funded by a Scottish Government Grant. Within the Scottish Government funded Expansion of Early Years project, £0.5m is to be spent on the Bonnybridge campus. In addition, work is underway to improve the school estate, meet health and safety requirements and expand capacity (£1.4m). Demolition of part of the Camelon Education Centre site is due to be completed this year (£0.2m).

4.1.4 Roads & Transport (£6.3m)

The Falkirk High Station Car Park is due to commence in October after a delay in obtaining access to the site from Network Rail (£1.0m). The rolling programme of works for bridge strengthening, structural roads works, road safety and street lighting is forecast to spend £4.3m over the year. Cycling, Walking, Safer Streets project spend will equate to £0.2m. Spend on the DEAR of £0.8m is anticipated, funded by a contribution from Avant Homes.

4.1.5 Flooding & Environment (£2.4m)

The Grangemouth Flood prevention project is forecast to spend £0.7m but is dependent on gaining access to some privately owned sites. Flood prevention schemes on minor projects are forecast to spend £0.3m. Within Countryside Access, external funding has been secured which will allow investment of £1.2m to take place this year. The two main projects funded by the £1.2m are the John Muir Way, Bo'ness (£0.6m) and Zetland Park Cycle Path (£0.2m). Work on the restoration of Kinneil Kerse Landfill site (£0.2m) will continue.

4.1.6 Economic Development (£4.2m)

The Denny Town Centre Regeneration project is forecast to spend £2.9m in 2016/17. As part of the Business Property Reinvestment initiative, new units at Abbotsford Business Park are due to be completed at a cost c£1.0m, funded by Capital Receipts. The spend on the Falkirk THI project is expected to be £0.3m.

4.1.7 Operational Services (£2.1m)

Vehicle replacement spend is expected to be £0.6m. The spend on the Crematorium upgrade is likely to be £0.7m with a further £0.4m anticipated for additional interment space. The rolling programme for investment in

Parks assumes a spend of £0.2m during the year. The forecast includes spend on the Kinneil Walled Garden (£0.1m) and the storage Shed at Roughmote (£0.1m).

4.1.8 Adult Services (Social Work) (£0.1m)

The main element of the Older Peoples Accommodation budget has been carried forward to 2017/18. However a balance of £0.07m has been retained this year to fund any design fees that may be incurred. Spend of £0.05m will be incurred in relation to the rolling programme of replacement MECS equipment.

4.1.9 Corporate & Housing (£2.2m)

The spend on corporate IT is forecast to be £1.6m, of which £0.5m is for the replacement of the Social Work Information System (SWIS). Within the Central Support heading £0.6m is set aside for Accommodation Investment. Spend will also be dependent on the outcome of the Strategic Property Review.

4.1.10 Community Trust (£1.0m)

The main areas of spend include the refurbishment of the Dollar Park tennis courts (£0.3m mainly from external funding), Grangemouth Sports Complex (£0.2m), Grangemouth Flume replacement (£0.1m), Mariner Sports Centre Wave Machine (£0.1m), Denny Library (£0.1m) and works across a variety of buildings (£0.2m)

4.1.11 Helix (£0.1m)

Residual costs for the Visitor Centre.

4.2 Resources

4.2.1 The budgeted level of resources has been amended to include the funding for the 2015/16 carry forward (£1.8m) and those projects that were rescheduled to 2016/17 (£3.7m).

4.2.2 Following approval of the 2016/17 capital investment programme, the Scottish Government confirmed additional General Capital Grant funding of £3.7m. Although this grant relates to Early Years (£0.9m) and Flooding (£2.8m), the grant conditions allow the Council complete flexibility over how the grant is utilised.

4.2.3 The late timing of the grant notification has meant that it is difficult to fully utilise the funding on new projects. Projects funded include £0.2m for Roads and £0.3m for Flood Prevention projects. At this point it is assumed that the balance of the additional funding will mainly be used to reduce our overall borrowing requirement.

4.2.4 The forecast for resources includes additional external funding of £1.6m, mainly in relation to Countryside Access projects (£1.2m) and external funding for the works at Dollar Park tennis courts (£0.3m).

4.2.5 The forecast borrowing requirement for 2016/17 is c£4.9m less than budget as a result of the forecast underspend and additional resources received.

This reduction in borrowing equates to a Revenue Budget saving in loan charges of c£0.2m.

4.3 Budget and Forecast Variance 2016/17

4.3.1 The forecast spend for the General Fund Services Capital Programme is as detailed below:

	2016/17 £'m
Revised Budget 2016/17	35.057
Forecast	33.744
Forecast Variance 2016/17	1.313
Analysis:	
Projects fully funded from external grants/contributions	(2.045)
Slippage	3.358
Forecast Variance 2016/17	1.313

4.3.2 As shown in the table above there are a number of projects (£2.0m) which have been included in the forecast which are fully funded from external grants and contributions. Such projects include Countryside Access Schemes (£1.2m), Roads projects (£0.3m), Flood prevention projects (£0.3m) and the refurbishment of the tennis courts at Dollar Park (£0.3m).

4.3.3 The main reasons for the £3.4m slippage shown in the table at paragraph 4.3.1 are as follows:

	£'m	Comments
Children's Services:		
Expansion of Early Years	0.050	Awaiting confirmation from Scottish Government on future requirements.
Development Services:		
Kinneil Kerse	0.095	New legislative requirements - SEPA
Arnotdale House	0.468	Works delayed pending external funding application
Falkirk THI	0.134	Procurement delays in relation to Public Realm contract, work now underway, but won't fully spend in 2016/17.
Denny Town Centre	0.233	Delays in land acquisitions
Crematorium	2.054	Delayed whilst reviewing options - revised proposals will deliver an improved facility.
Cemeteries	0.044	New legislative requirements - SEPA
Community Trust:		
IT Infrastructure	0.280	Online booking system delayed
Total Slippage	3.358	

4.3.4 Services have been asked to provide details of projects that could be accelerated to mitigate the slippage. The Trust have highlighted £0.23m of projects, including works at Grangemouth Sports Complex and Grangemouth Stadium. In addition Social Work has advised that they can accelerate spend of £0.07m for the upgrade of the MECS system. The anticipated slippage would therefore reduce from c£3.4m to c£3.1m.

4.3.5 Finance will continue to liaise with Services to identify other projects that can be accelerated during the remainder of the year.

4.4 Rescheduled Projects

4.4.1 Members previously agreed to reschedule a number of projects to future years where delivery was dependant on strategic decisions yet to be made. In addition other projects were rescheduled to a more appropriate timeframe. The total value of projects rescheduled to 2017/18 is £6.8m, details of which are shown in Appendix 1(B).

4.5 Housing Capital Programme

4.5.1 The 2016/17 approved budget has been revised to include the carry forward from 2015/16. Appendix 3 details the revised budget of £31.3m with a current forecast spend of £28.4m. The following paragraphs focus on the main areas of anticipated spend whilst paragraph 4.7 examines the projected slippage of £2.9m.

4.5.2 Elemental Improvements (£15.9m)

Work continues to progress with £10.1m forecast to spend on external fabric improvements, £2.2m on kitchen and bathroom replacements and £2.3m on electrical works.

4.5.3 Energy Efficiency (£2.2m)

The Council's replacement heating scheme is forecast to spend £2.2m.

4.5.4 New Build Housing (£2.1m)

The new build housing project at Stenhousemuir is progressing well, whilst design and procurement work at Haugh Gardens, Falkirk and Duke Street, Denny are moving ahead. Overall a spend of £2.1m is anticipated.

4.5.5 Buy Backs (£6.0m)

The purchase of ex-Local Authority houses continues and is expected to come in at £6.0m.

4.6 Resources

The Right to Buy Scheme ceased on 1 August 2016. There has been an increase in applications in the lead up to this date and as such the forecast for sales income has been increased by c£1.4m. An additional revenue contribution of £1m is also forecast. Given the additional sales receipts and revenue contributions, borrowing at the budgeted level is no longer necessary. The £2.9m slippage in the programme also reduces the level of borrowing required. Consequently borrowing is forecast to be £5.3m less than budget.

4.7 **Budget and Forecast Variance 2016/17**

Slippage of £2.9m is currently being forecast. The main reason for the slippage relates to later than anticipated site starts on new build developments at Stenhousemuir, Falkirk and Denny. The development at Stenhousemuir is underway and is progressing well. Design and procurement work is now progressing in relation to the other developments at Haugh Gardens, Falkirk and Duke Street, Denny, with building works scheduled to commence in the first quarter of 2017. The slippage in new build expenditure has been in part offset by an acceleration of elemental improvement works i.e. roofing and roughcasting work.

4.8 **Prudential Indicators**

4.8.1 The Prudential Indicators were approved by Council on 17 February 2016 as part of the budget process. The Indicators were based on the approved Capital Programmes, however they now require to be updated to reflect the revised budgets which include the 2015/16 carry forward and rescheduled projects for the General Fund.

4.8.2 The revised Prudential Indicators and the forecast Indicators for 2016/17 are appended.

4.9 **Capital Reserves**

4.9.1 Capital Receipts Reserves

This Reserve comprises proceeds from the sale of Council Assets. As part of the 2015/16 Revenue budget process, Members approved the potential to deploy capital receipts to meet the costs of voluntary severance. The movement on this Reserve is as detailed below:

	General Fund £'m	HRA £'m	Total £'m
Balance at 1 April 2016	4.072	2.426	6.498
Less:			
Earmarked for Voluntary Severance	(1.903)	-	(1.903)
To be Applied to 2016/17 Capital Programmes	(1.071)	-	(1.071)
Projected Balance at 31 March 2017	1.098	2.426	3.524

Further application of the Capital Receipts Reserve continues to be reviewed as part of the budget process for the roll forward of the Capital Programme.

4.9.2 Capital Grants Unapplied Accounts

This Reserve comprises Section 75 contributions from developers as well as capital grants/contributions for which conditions often apply. The movement on this reserve is as detailed below:

	General Fund £'m	HRA £'m	Total £'m
Balance at 1 April 2016	2.544	1.082	3.626
Less:			
To be Applied to 2016/17 Capital Programmes	(1.332)	-	(1.332)
Projected Balance at 31 March 2017	1.212	1.082	2.294

It should be noted that the projected General Fund Balance at 31 March 2017 includes £0.423m of earmarked Business Property Re-investment receipts.

Further application of the Capital Grants Unapplied Account continues to be reviewed as part of the budget process for the roll forward of the Capital Programme.

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 Services and Housing Capital Programmes are forecast to underspend, consequently future budgets will be adjusted to reflect the appropriate carry forward.

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 some of the projects rescheduled to 2017/18 are high value, 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 forecast spend for 2016/17 for the General Fund is £1.3m less than budget.
- 7.2 The forecast spend for 2016/17 for the Housing Capital Programme is £28.4m, which is £2.9m less than budget.

Director of Corporate & Housing Services

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Date: 13 September 2016

APPENDICES

Appendix 1 - Rescheduled Projects
Appendix 2 - General Fund Forecast 2016/17
Appendix 3 - Housing Forecast 2016/17
Appendix 4 - Prudential Indicators

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**

Appendix 1**(A) Projects Rescheduled to 2016/17:**

Project	£'m	Comments
ASN School	0.396	Rescheduled to meet SFT's funding profile
Camelon Education Centre	0.233	Awaiting decision on future use
Falkirk High Station Car Park	0.516	Rescheduled pending outcome of external funding application – now granted.
Kinneil Kerse Restoration	0.210	Planning permission not granted until February 2015.
Countryside Access	(0.040)	Accelerated spend to mitigate slippage in 2015/16
Crematorium	1.269	Rescheduled due to re-appraisal of options
Denny Town Centre	0.909	Rescheduled to secure Scottish Government Regeneration Capital Grant
Accommodation Investment	0.484	Rescheduled pending decision on Council HQ
IT	(0.312)	Accelerated spend to mitigate slippage in 2015/16
Total	3.665	

(B) Rescheduled to 2017/18:

Project	£'m	Comments
Kinnaird Primary School Extension	1.400	Rescheduled to align with the approved 2017/18 budget
Seabegs Road Safety Barrier	0.050	Insufficient budget to fully meet anticipated project costs
Glenbervie Slip Road	0.182	To meet future Compulsory Purchase Order obligations
Older People's Accommodation	3.384	Rescheduled pending Hubco review. Delays will ensure that an enhanced facility is now delivered.
Bainsford Day Centre	1.686	Rescheduled pending review of Day Care Services
Victoria Buildings	0.060	Pending application of match funding
Total	6.762	

2016/17 CAPITAL PROGRAMME**GENERAL PROGRAMME - SUMMARY****APRIL 2016 TO JULY 2016**

EXPENDITURE	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
SERVICE INVESTMENT PLANS	£000	£000	£000
CHILDREN'S SERVICES	15,352	15,302	(50)
DEV - ROADS & TRANSPORT	6,051	6,277	226
DEV - FLOODING & ENVIRONMENT	979	2,427	1,448
DEV - ECONOMIC DEVELOPMENT	5,042	4,213	(829)
DEV - OPERATIONAL SERVICES	4,214	2,116	(2,098)
ADULT SERVICES (SOCIAL WORK)	125	136	11
CORPORATE & HOUSING	2,184	2,184	0
COMMUNITY TRUST	1,042	1,021	(21)
HELIX	68	68	0
TOTAL EXPENDITURE 2016/17	35,057	33,744	(1,313)
RESOURCES	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
FALKIRK COUNCIL BORROWING	13,015	8,116	(4,899)
SCOTTISH GOVERNMENT BLOCK GRANTS	10,187	13,887	3,700
SCOTTISH GOVERNMENT SPECIFIC GRANTS	6,631	6,631	0
CONTRIBUTION FROM CAPITAL RECEIPTS	2,054	1,071	(983)
CONTRIBUTION FROM CAPITAL GRANTS	1,447	1,332	(115)
EXTERNAL FUNDING	1,035	2,696	1,661
CONTRIBUTION FROM REVENUES (DMR, CFCR and R&R)	200	11	(189)
TOTAL RESOURCES 2016/17	34,569	33,744	(825)
SLIPPAGE ALLOWANCE	488	0	(488)
TOTAL RESOURCES 2016/17	35,057	33,744	(1,313)

2016/17 CAPITAL PROGRAMME**HOUSING INVESTMENT PROGRAMME - SUMMARY****APRIL 2016 TO JULY 2016**

EXPENDITURE	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
HOUSING INVESTMENT PLANS	£000	£000	£000
ELEMENTAL IMPROVEMENTS	13,878	15,878	2,000
ENERGY EFFICIENCY	2,200	2,200	0
NEW BUILD HOUSING	7,029	2,108	(4,921)
ESTATES & OTHER EXPENDITURE	1,050	1,050	0
PROPERTY BUY BACKS	6,000	6,000	0
MORTGAGE TO RENT	0	0	0
LHS INITIATIVES & OTHERS	700	700	0
WINDOW LEASE BUY OUT	469	469	0
TOTAL EXPENDITURE 2016/17	31,326	28,405	(2,921)

RESOURCES	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	23,172	17,901	(5,271)
COUNCIL HOUSE SALES	800	2,150	1,350
ENERGY SECTION INCOME	0	0	0
CFCR	5,365	6,365	1,000
SCOTTISH GOVERNMENT - NEW BUILD	1,520	1,520	0
WINDOW LEASE BUY OUT	469	469	0
TOTAL RESOURCES 2016/17	31,326	28,405	(2,921)

FALKIRK COUNCIL
PRUDENTIAL CODE INDICATORS

PRUDENTIAL INDICATOR		REVISED BUDGET 2016/17	FORECAST 2016/17	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	£9.79	£0.25	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". Forecast reported as Nil because of slippage and significant projects being rescheduled to 2017/18.
3.	Gross Borrowing: Gross External Borrowing Accounting Adjustment – Finance Lease Liabilities Capital Financing Requirement (includes HRA) Accounting Adjustment – Finance Lease Liabilities	£'m 273.5 <u>109.8</u> 383.3 308.4 <u>115.3</u> 423.7	£'m 260.9 <u>109.8</u> 370.7 295.8 <u>115.3</u> 411.1	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		REVISED BUDGET 2016/17	FORECAST 2016/17	COMMENTS
4.	Capital Expenditure GF TIF Total	 35.1 <u>5.1</u> 40.2	£'m 33.7 <u>3.3</u> 37.0	Simply the revised budget and projected capital expenditure for the General Fund and TIF.
5.	Capital Financing Requirement (GF & TIF)	£'m 282.4	£'m 274.9	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 310.2 <u>109.8</u> <u>420.0</u>	£'m 310.2 <u>109.8</u> <u>420.0</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 305.2 <u>109.8</u> <u>415.0</u>	£'m 305.2 <u>109.8</u> <u>415.0</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		REVISED BUDGET 2016/17	FORECAST 2016/17	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 an estimated indicator and will be reported when the outturn becomes 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		REVISED BUDGET 2016/17	FORECAST 2016/17	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	18%	17%	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	£1.62	£2.38	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 forecasts.
3.	Capital Expenditure	£'m 31.3	£'m 28.4	Simply the revised budget and projected capital expenditure.
4.	Capital Financing Requirement	£'m 141.2	£'m 136.2	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment