

The background of the slide features the coat of arms of the Government of Nunavut. It is a shield divided into four quadrants. The top-left quadrant shows a yellow diagonal cross on a white background. The top-right quadrant depicts a white caribou head with large antlers on a yellow background. The bottom-left quadrant shows a white sailing ship on wavy lines representing water on a yellow background. The bottom-right quadrant features a white eagle with spread wings on a yellow background. Above the shield is a crown with four white maple leaves. A white banner at the bottom contains the text "ANE FOR A'".

Agenda Item 11

Capital Programmes Update 2016/17

Falkirk Council

Title: Capital Programmes Update 2016/17
Meeting: Executive
Date: 29 November 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 and to present the Prudential Indicators for information.

2. Recommendations

- 2.1 **The Executive is asked to note:-**
 (1) the forecast spend for both the General Fund Services (£34.4m) and Housing Capital Programmes (£28.3m) and
 (2) the 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 As previously advised to Members, the approved 2016/17 budget has been revised to £35.1m. The movement in the forecast spend against the revised budget is detailed below:

	£'m
Revised Budget 2016/17	35.057
Forecast	34.374
Forecast Variance	0.683
September Variance	1.313
Movement in Variance	(0.630)

4.1.2 The following paragraphs focus on the main areas of anticipated spend for 2016/17 (see Appendix 1), whilst paragraph 4.3 will examine the movement in the forecast variance since the last report to the Executive in September.

4.1.3 **Children's Services (£15.5m)**

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 (£1.8m). Within the capacity spend, modular units have been installed in Kinnaird Primary School and Maddiston Primary School. Work on the Camelon Education Centre site has been suspended pending the results of the Strategic Property Review (SPR).

4.1.4 **Roads & Transport (£6.3m)**

Work on the Falkirk High Station Car Park is due to commence in November 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 (£0.3m). 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 earmarked Capital Receipts. The spend on the Falkirk THI project is expected to be £0.3m.

4.1.7 **Operational Services (£1.8m)**

Vehicle replacement spend is expected to be £0.4m. The spend on the Crematorium upgrade is still expected to be £0.7m with a further £0.1m 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), the storage shed at Roughmute (£0.1m) and Waste Collection Bins (£0.2m).

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 (£2.4m)**

The spend on corporate IT is forecast to be £1.7m, of which £0.5m is for the replacement of the Social Work Information System (SWIS) and £0.2m for software licences. Within the Central Support heading, £0.6m is set aside for Accommodation Investment, with an anticipated £0.4m ring-fenced for fees in relation to the Council HQ/Arts Centre projects. The balance (£0.2m) is for condition survey fees in relation to the Municipal Buildings.

4.1.10 **Community Trust (£1.6m)**

The main areas of spend include the refurbishment of the Dollar Park tennis courts (£0.3m) and the refurbishment of the Grangemouth Athletic Stadium (£0.4m), both of which are mainly funded from external sources. Other projects include the Grangemouth Sports Complex (£0.2m), Grangemouth Flume replacement (£0.1m), Mariner Sports Centre (£0.1m), Denny Library fit out costs (£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 forecast for Resources is £34.4m which is £0.6m greater than the September forecast. The £0.6m increase in Resources includes external funding of £0.4m for works at Grangemouth Stadium and £0.2m of Capital Financed from Current Revenue (CFCR) to fund software licences.

4.2.2 The borrowing forecast has been reduced by £0.3m. There is a general reduction in borrowing of £0.5m which has been offset in part by additional borrowing of £0.2m for the purchase of Waste Collection Bins which are now being funded from Capital rather than Revenue.

4.3 **Forecast Variance 2016/17**

4.3.1 The forecast spend for the General Fund Services Capital Programme as detailed in paragraph 4.1.1 is £34.4m which is £0.6m greater than reported to the September Executive. This movement is further analysed below:

	2016/17 £'m
Projects fully funded from external contributions/CFCR	0.550
Waste bins transferred from Revenue	0.224
Increase in Slippage	(0.144)
Increase in Forecast	0.630

- 4.3.2 The £0.6m of fully funded projects are detailed in paragraph 4.2.1, £0.2m of which is to be funded from Reserves.
- 4.3.3 The main reasons for the £0.14m slippage shown in the table at paragraph 4.3.1 are as follows:

	£'m	Comments
Children's Services:		
Camelon Education Centre	0.193	Suspended awaiting findings of S.P.R.
All Schools Improvements	(0.388)	Acceleration of 2017/18 spend
Development Services:		
Vehicle Replacement	0.200	Vehicle purchases delayed to extend operational life of vehicles.
Cemeteries	0.300	Grandsable project delayed due to ongoing land and SEPA consent constraints
Community Trust:		
Various projects	(0.161)	Museum Store & Dollar Park Tennis Park mitigated by accelerated spend on various projects
Increase in Slippage	0.144	

4.4 Major Standalone Projects

- 4.4.1 Audit Scotland's follow up report "Major Capital Investment in Councils" published in January 2016, was considered by the Scrutiny Committee in June 2016. It was agreed that future Capital Update reports would include information on major projects that span several financial years. Consequently details of these projects are provided in Appendix 2 and include such projects as Denny Town Centre Regeneration and the construction of the new ASN School.

4.5 Housing Capital Programme

- 4.5.1 As previously advised to Members, the approved 2016/17 budget has been revised to £31.3m. The forecast spend for the year is £28.3m which is slightly less than the figure of £28.4m reported to the September Executive (see Appendix 3). The following paragraphs focus on the main areas of anticipated spend.
- 4.5.2 **Elemental Improvements (£15.7m)**
Work continues to progress with £11.4m forecast to spend on external fabric improvements, £2.0m 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 there is a backlog of properties still to be processed by the District Valuer. Consequently the forecast for sales income has been increased to £4m which is £1.9m greater than previously reported to Members, however this could increase further. 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 £3.1m slippage in the programme also reduces the level of borrowing required. Consequently borrowing is forecast to be £7.3m less than budget.

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

Slippage of £3.1m is currently being forecast which is marginally more than the September figure of £2.9m. The increase is due to lower than anticipated levels of Kitchen/Bathroom renewals following surveys.

4.8 **Prudential Indicators**

- 4.8.1 The Prudential Code requires that Capital Investment plans are prudent, sustainable and affordable. To that end the Council is required to approve a set of indicators and monitor progress against these. Appendix 4 provides details of these Indicators.

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
Cash Received in 16/17	0.026	0.017	0.043
Less:			
Earmarked for Employee Liabilities	(1.903)	-	(1.903)
To be Applied to 2016/17 Capital Programmes	(1.098)	-	(1.098)
Projected Balance at 31 March 2017	1.097	2.443	3.540

It should be noted that within the General Fund balance of £1.097m, £0.904m is included for Northfield Quarry which can only be applied at £0.03m per annum.

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	(1.370)	-	(1.370)
Projected Balance at 31 March 2017	1.174	1.082	2.256

It should be noted that the projected General Fund Balance at 31 March 2017 includes £0.451m of earmarked Business Property Re-investment receipts.

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 There is a risk that the cost of those projects which have slipped 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 £34.4m which is £0.7m less than budget.

7.2 The forecast spend for 2016/17 for the Housing Capital Programme is £28.3m, which is £3.0m less than budget.

Director of Corporate & Housing Services

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Appendices

Appendix 1 - General Fund Forecast 2016/17

Appendix 2 - General Fund Major Standalone Projects

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

2016/17 CAPITAL PROGRAMME

GENERAL PROGRAMME - SUMMARY

APRIL 2016 TO SEPTEMBER 2016

EXPENDITURE	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
SERVICE INVESTMENT PLANS	£000	£000	£000
CHILDREN'S SERVICES	15,352	15,505	153
DEV - ROADS & TRANSPORT	6,051	6,276	225
DEV - FLOODING & ENVIRONMENT	979	2,412	1,433
DEV - ECONOMIC DEVELOPMENT	5,042	4,210	(832)
DEV - OPERATIONAL SERVICES	4,214	1,840	(2,374)
ADULT SERVICES (SOCIAL WORK)	125	138	13
CORPORATE & HOUSING	2,184	2,367	183
COMMUNITY TRUST	1,042	1,558	516
HELIX	68	68	0
TOTAL EXPENDITURE 2016/17	35,057	34,374	(683)

RESOURCES	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
FALKIRK COUNCIL BORROWING	13,015	7,812	(5,203)
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	1,151	(903)
CONTRIBUTION FROM CAPITAL GRANTS	1,447	1,704	257
EXTERNAL FUNDING	1,035	2,824	1,789
CONTRIBUTION FROM REVENUES (DMR, CFCR and R&R)	200	365	165
TOTAL RESOURCES 2016/17	34,569	34,374	(195)
SLIPPAGE ALLOWANCE	488	0	(488)
TOTAL RESOURCES 2016/17	35,057	34,374	(683)

2016/17 CAPITAL PROGRAMME**GENERAL PROGRAMME - SUMMARY****MAJOR STANDALONE PROJECTS**

PROJECT NAME	TOTAL PROJECT BUDGET	PREVIOUS YEARS SPEND	2016/17 FORECAST SPEND	FUTURE YEARS FORECAST	TOTAL FORECAST SPEND
	£000	£000	£000	£000	£000
NEW ASN SCHOOL (PREV. CARRONGRANGE)	17,734	982	12,915	3,837	17,734
FALKIRK HIGH STATION CAR PARK	990	15	962	13	990
GRANGEMOUTH FLOODING	108,000	1,158	706	106,136	108,000
DENNY TOWN CENTRE REGENERATION	9,039	3,978	2,900	2,161	9,039
KINNEIL KERSE RESTORATION	1,500	45	155	1,300	1,500
CEMETERIES UPGRADE	2,695	561	100	2,034	2,695
FALKIRK CREMATORIUM	3,408	360	729	2,319	3,408
MOBILE & FLEXIBLE WORKING	1,850	1,610	40	200	1,850
TOTAL	145,216	8,709	18,507	118,000	145,216

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

EXPENDITURE	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
HOUSING INVESTMENT PLANS	£000	£000	£000
ELEMENTAL IMPROVEMENTS	13,878	15,678	1,800
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	519	50
TOTAL EXPENDITURE 2016/17	31,326	28,255	(3,071)

RESOURCES	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	23,172	15,851	(7,321)
COUNCIL HOUSE SALES	800	4,000	3,200
ENERGY SECTION INCOME	0	0	0
CFCR	5,365	6,365	1,000
SCOTTISH GOVERNMENT - NEW BUILD	1,520	1,520	0
PLANNING OBLIGATIONS	0	50	50
WINDOW LEASE BUY OUT	469	469	0
TOTAL RESOURCES 2016/17	31,326	28,255	(3,071)

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	£7.06	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
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 257.3 <u>109.8</u> 367.1 292.3 <u>115.3</u> 407.6	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 Financial Reporting Standards (IFRS).

PRUDENTIAL INDICATOR		REVISED BUDGET 2016/17	FORECAST 2016/17	COMMENTS
4.	Capital Expenditure GF TIF Total	£'m 35.1 <u>5.1</u> 40.2	£'m 34.4 <u>1.0</u> 35.4	Simply the revised budget and projected capital expenditure for the General Fund and TIF.
5.	Capital Financing Requirement (GF & TIF)	£'m 282.4	£'m 273.5	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	NIL	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". Decrease is due to additional Council House Sales receipts which has reduced the amount of borrowing required to fund the capital programme.
3.	Capital Expenditure	£'m 31.3	£'m 28.3	Simply the revised budget and projected capital expenditure.
4.	Capital Financing Requirement	£'m 141.2	£'m 134.1	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment.