

**FALKIRK COUNCIL**

Subject : **CAPITAL PROGRAMMES UPDATE REPORT**  
 Meeting : **EXECUTIVE**  
 Date : **14 January 2014**  
 Author : **CHIEF FINANCE OFFICER**

**1. INTRODUCTION**

- 1.1 The purpose of this report is to provide an update on the progress of the General Services and Housing Capital Programmes for 2013/2014.

**2. GENERAL SERVICES CAPITAL PROGRAMME 2013/2014**

- 2.1 The General Services Capital Programme was approved by Policy & Resources Committee on 13 February 2013. Capital projects often span several years and variations in spend in one year inevitably have an impact on subsequent years. The budget for 2013/14 was set within the context of a three year investment programme based on estimates taken in late 2012. The latest forecast takes into account the carry forward from 2012/13 and the additional capital funding received from the Scottish Government of £1.168m which was reported to Council in June 2013.
- 2.2 Appendix 1 provides the latest forecast against budget for the 2013/14 capital programme. These figures take into account spend to 30 November 2013. At this time the programme is expected to spend £28.9m, resulting in slippage of approximately £8.9m broken down as follows and explained in the subsequent paragraphs.

<b>Service</b>	<b>Forecast Variance (£000's)</b>
Education	(1,257)
Dev Services – Roads & Transport	(125)
Dev Services – Flooding & Environment	(515)
Dev Services – Economic Development	(2,448)
Social Work	(2,333)
Corporate & Neighbourhood	(1,184)
Community Trust	(1,041)
<b>Total Over/(Under)spend =</b>	<b><u>(8,903)</u></b>

- 2.3 The Education slippage is mainly due to the Antonine Primary School Phase 2 and 3 work being delayed pending acceptance of the tender in January 2014. Spend on the Camelon Education Centre is on hold until the results of a stakeholder consultation exercise is known on the future improvement plan options. Several significant projects have been completed across various Primary Schools including the Antonine Phase 1 extension work, St Andrews gym hall extension and Beancross kitchen refurbishment.

- 2.4 The Development Services slippage is due primarily to the Business Property Reinvestment project (£1m) which is dependent upon receipts. Both income and spend will be carried forward. There is some slippage in the Denny Town Centre project (£0.5m) although demolitions are scheduled for March. The Falkirk Town Centre project will commence in April/May of 2014 following approval of phase 2 funding from the Townscape Heritage Initiative Fund.
- 2.5 For Social Work, the Older Peoples Homes work has been put on hold until the findings from an options appraisal exercise on service provision are reported. This exercise will be reported to Members separately.
- 2.6 The Corporate and Neighbourhood underspend is due to the reprofiling of the work to replace our cremators and savings in the vehicle replacement programme from the non replacement of some vehicles.
- 2.7 The Community Trust slippage is due to the delay in the completion of the synthetic pitch. Spend on the replacement boiler project in the Mariner Centre has been staggered to avoid an impact on service delivery and will therefore continue into 2014/15.
- 2.8 Services advise that the remaining projects will be delivered as per the approved budget.
- 2.9 In terms of resources a reduction in capital receipts of c£1.0m is forecast which offsets the decrease in the Economic Development spend mentioned at para 2.4 above. With the reduction in the forecast spend comes a reduction in the need to borrow for this year of c£7.5m, however this will mean a need to increase borrowing in 2014/15. A further £0.4m of CFCR from Social Work is linked to the Older Peoples Homes project and will be carried forward.
- 2.10 The impact on borrowing is shown in the table below:-

<b>Movement in Borrowing</b>	<b>£'000</b>
Budget at April 2013	18,633
Less Slippage per paragraph 2.2	(8,903)
Add back Business Property Reinvestment Slippage	1,000
Add back Social Work CFCR	<u>446</u>
Revised Borrowing Projection	<u>11,176</u>

### **3. ADDITIONAL CAPITAL GRANT 2013/2014**

- 3.1 On the 23 June 2013 the Council approved the spend of an additional capital grant of £1.168m which was spread over Council Services. The grant was for “shovel ready” projects and came from the Scottish Government with the proviso that it must be spent in 2013/14. Appendix 2 lists the various projects with the latest forecasts.

3.2 The original Dundas Day Centre project was swapped with two other Social Work projects (Brockville and Rossvail) as approved by the Executive on 8<sup>th</sup> October 2013. Additional grant monies had originally been allocated to the Falkirk High car park. Development Services have now submitted a bid to the Scottish Government's Rail Infrastructure Fund which should cover this expenditure. The outcome of this bid is not currently known. It is therefore proposed to transfer the funding to the Redding Road Railway bridge project. The Council is due to pay Network Rail approximately £1-£1.5m contribution towards renewal of this bridge.

3.3 Services have advised that all other projects will be delivered as per the approved budget.

#### **4. HOUSING CAPITAL PROGRAMME 2013/14**

4.1 The HRA capital investment programme was approved by Policy & Resources Committee on 13<sup>th</sup> February 2013. As with the General programme the 2013/14 budget is an integral part of a three year plan. Appendix 3 outlines the programme at the time of the budget and the latest forecast includes resources carried from previous years.

4.2 The current forecast for the Housing Capital programme is £47.02m against a revised budget of £47.42m. This could be adversely impacted if we experience severe weather this winter. The net underspend forecast of £0.4m is made up of a number of movements across the programme as outlined in the following paras.

4.3 Within elemental improvements there is external fabric works slippage of £1.9m which has been offset with a forecast overspend in electrical works of £0.6m, leaving a net £1.3m underspend. There has also been slippage of £0.9m within energy efficiency works.

4.4 As noted in our October update report, the forecast now includes the Mortgage to Rent Scheme (MTR). This additional expenditure of £1.5m offsets the underspends noted above. To date 12 houses have been purchased via MTR scheme.

4.5 The New Build forecast spend is higher than previously reported and is now showing a £1.0m potential overspend, however additional and re-profiled Scottish Government grant of £1.7m is now anticipated this year and consequently there is a net underspend of £0.7m.

4.6 There is a possibility that anticipated savings in the Housing revenue budget may be utilised to increase the CFCR contribution. The figure could be c£1.5m but this has not been included in the HRA capital investment programme for the moment and will be adjusted at a later date when the position becomes clearer.

4.7 Movements in expenditure are summarised below:-

<b>HRA Movements</b>	<b>£'000</b>
Budget at April 2013	47,419
Add Mortgage to Rent	<u>1,500</u>
Revised Budget at November 2013	48,919
Elemental Improvements Slippage	(1,262)
Energy Efficiency Slippage	(913)
High Rise Flats, Estates and Other Expenditure Slippage	(161)
LHS Initiatives	<u>(568)</u>
	46,015
New Build Additional Spend	<u>1,007</u>
	<u>47,022</u>

4.8 The impact on borrowing is shown in the table below:-

<b>Movement in Borrowing</b>	<b>£'000</b>
Budget at April 2013	42,011
Add Mortgage to Rent	<u>1,500</u>
	43,511
Less Additional Council House Sales	(300)
Less Additional Energy Efficiency Income	(600)
Less Additional New Build Grant	(1,673)
Less Slippage (ex MTR)	(1,897)
Less Mortgage to Rent Grant	<u>(450)</u>
Revised Borrowing Projection	<u>38,591</u>

## 5. PRUDENTIAL INDICATORS

5.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. The attached schedule (Appendix 4) details these indicators.

## 6. CONCLUSIONS

6.1 The latest forecast for the General Capital Programme for 2013/2014 has now been amended to expenditure of £28.9m as per Appendix 1.

6.2 The latest forecast for the Housing Capital Programme for 2013/2014 has now been amended to expenditure of £47.0m as per Appendix 3, following end of year adjustments.

## **7. RECOMMENDATIONS**

**Members are invited to :-**

- 7.1 Note the status of the General Services and Housing Capital Investment Programmes for 2013/2014.**
- 7.2 Approve the revisions to the Capital Programme as noted at paragraph 2.6 and 3.2.**

**Chief Finance Officer**

**Date: 13 December 2013**

### **LIST OF BACKGROUND PAPERS**

- 1. Budget Report to Policy & Resource Committee, 13 February 2013
- 2. Additional Capital Grant Funding Report to Falkirk Council, 26 June 2013
- 3. Capital Programmes Update Report to Executive, 8 October 2013

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