

FALKIRK COUNCIL

**Subject :** CAPITAL PROGRAMMES UPDATE REPORT  
**Meeting :** EXECUTIVE  
**Date :** 13 January 2015  
**Author :** CHIEF FINANCE OFFICER

## 1. INTRODUCTION

- 1.1 The purpose of this report is to provide an update on the 2014/15 General Services and Housing Capital Programmes which both sit within a 3 year rolling timeframe.

## 2. 2014/15 GENERAL CAPITAL PROGRAMME

- 2.1 The Report to the Executive on 30 September 2014 highlighted that the projected underspend for the 2014/15 General Capital Programme was £9.243m. Also highlighted was the fact that £7.3m of the underspend related to projects with clear reasons for delays with delivery being dependant on strategic decisions yet to be taken. The term “slippage” is usually associated with projects that have started but due to unforeseen circumstances e.g. weather, procurement requirements etc, they are unable to be completed within the budgeted financial year and as such an element of the project slips into the following year. However in the case of the projects detailed in the table below, most of these will not start until 2015/16, if not 2016/17. As a result of this, it is appropriate to remove these projects from the 2014/15 revised programme and reschedule into the 2015/16 and 2016/17 programmes. A list of these rescheduled projects is as follows:

<b>Project</b>	<b>£000's</b>
Denny Town Centre	1,699
Older People Homes	2,884
Falkirk Crematorium	1,269
Synthetic Pitches	740
Accommodation Investment	671
<b>Total</b>	<b>7,263</b>

- 2.2 Removing the re-scheduled projects has the following effect on the current year's budget:

	<u><b>£'000</b></u>
2014/15 Approved Budget	21,170
Slippage b/f from 2013/14	<u>13,016</u>
	34,186
Less: Rescheduled Projects	(7,263)
Add: changes due to External Funding	<u>1,351</u>
<b>Revised 2014/15 Budget</b>	<u><b>28,274</b></u>

- 2.3 The Executive report of 30 September made reference to approved programmes accelerated from 2015/16 to 2014/15. Services have been asked to identify any projects which could be brought forward from future approved budgets in order to reduce the projected underspend for 2014/15. Some of the accelerated projects will be subject to weather conditions and procurement rules. These figures have been revised and are shown below:

<b>Project</b>	<b>£000's</b>
Education – School Improvements Across Schools	443
Development – Countryside Access	80
Corporate & Neighbourhood – IT	400
Corporate & Neighbourhood – Parks	22
Corporate & Neighbourhood – Vehicle Replacement	860
Community Trust – Grangemouth SC Flume	112
<b>Total Accelerated</b>	<b>1,917</b>

- 2.4 Services have been asked to provide monthly updated forecasts for their projects per the timetable circulated at the Capital Planning & Review Working Group. Appendix 1 shows the latest forecast against the revised budget. The forecast for the 2014/15 Capital Programme is as follows:

	<b><u>£'000</u></b>
Revised 2014/15 Budget	28,274
Projected Spend	<u>26,982</u>
Projected Underspend	<u>(1,292)</u>

- 2.5 The major movements since the September Executive report are as follows:

<b><u>Project</u></b>	<b><u>Variance Movements (£000's)</u></b>	<b><u>Reason for Movement</u></b>
Antonine Primary School	(337)	Knock on effect of delayed start
Expansion of Early Years	181	Final project spend confirmed
Capital Improvements – All Schools	(154)	Tender prices coming in lower
Denny Town Centre	(504)	Construction aligned with grant
Mariner Centre Boilers	(40)	Final costs expected to be lower
Denny Town House (Toilets)	(46)	Work delayed to March 2015
Vehicle Replacement Programme	106	Accelerated purchases coming in at higher costs
Kinneil Kerse Restoration	(275)	Delays in planning consent
Accommodation Investment	(150)	HQ costs lower than expected
Adaptations for the Disabled	(50)	Low expenditure so far
Minor Works	40	
	<b>(1,229)</b>	

- 2.6 Within the 2014/15 General programme there are several Scottish Government grants and other externally matched funding grants (e.g. Sustrans). Scottish Government has confirmed funding for the Expansion of Early Years & Childcare provision of £2.07m which is forecasted to be spent before March 2015. Also, a regeneration grant of £1.4m was confirmed for the construction element of the Denny Town Centre project which will not be applied until 2015/16.

### **3. 2014/15 HOUSING CAPITAL PROGRAMME**

- 3.1 As with the General programme the HRA programme is an integral part of a three year plan. Appendix 2 shows the budget of £36.53m and the current forecast of £36.50m.
- 3.2 The improvement and upgrading works to the high-rise flats continues with works now complete to Leishman and Marshall Towers. The final tower, Symon Tower, was completed in October 2014 ahead of schedule.
- 3.3 The programme of new builds continues with properties now being occupied at Tinto Drive, Grangemouth on a phased basis, with full completion expected in December 2014. The remaining projects at Merchiston Road (Phase 2), Glenfair Nursery and Broad Street, Denny are expected to be completed by March 2015. The variance on budget is attributable to the timing of payments across financial years.”
- 3.4 Following further detailed appraisal, the conversion of vacant hostel accommodation at Seaview Place, Bo’ness into 3 new affordable homes has now been removed from the programme due to the high unit costs resulting in the project no longer being economically viable. As a result of this and other slippage, an extra £0.8m is being diverted to the electrical budget to increase the speed at which the carbon monoxide detectors are fitted. The replacement heating budget is also being increased as a result of slippage elsewhere in the programme.

### **4. PRUDENTIAL INDICATORS**

- 4.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. Appendix 3 details these indicators for 2014/15.

### **5. CONCLUSIONS**

- 5.1 The HRA Capital Programme is forecasting to be spent, with just a slight underspend of £0.03m.
- 5.2 After allowing for the rescheduled projects and accelerated projects, the forecast slippage in the General programme is £1.29m, which equates to 4.6% of the revised budget.

## **6. RECOMMENDATIONS**

**Members are invited to :-**

- 6.1 Note the Budget and forecast position for the General & HRA Programmes for 2014/15.**
- 6.2 Note the Prudential Indicators per Appendix 3.**

**Chief Finance Officer  
Date: 17 December 2014**

### **LIST OF BACKGROUND PAPERS**

- 1. 3 Year Capital Programme submitted to Falkirk Council 12 February 2014
- 2. Capital Programme Updates Report submitted to Executive 30 September 2014

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

**2014/15 CAPITAL PROGRAMME****GENERAL PROGRAMME - SUMMARY****APRIL 2014 TO NOVEMBER 2014****EXPENDITURE****2014/15  
REVISED  
BUDGET****2014/15  
FORECAST****2014/15  
FORECAST  
VARIANCE****SERVICE INVESTMENT PLANS****£000****£000****£000**

EDUCATION SERVICES	7,682	6,660	-1,022
ROADS & TRANSPORT	6,191	5,762	-429
FLOODING & ENVIRONMENTAL	1,213	1,292	79
ECONOMIC DEVELOPMENT	1,704	792	-912
SOCIAL WORK	718	673	-45
CORPORATE & NEIGHBOURHOOD	5,901	7,026	1,125
CENTRAL SUPPORT	440	240	-200
COMMUNITY TRUST	1,198	1,310	112
HELIX	364	364	0
TIF	2,863	2,863	0

**TOTAL EXPENDITURE 2014/15****28,274****26,982****-1,292****RESOURCES****2014/15  
REVISED  
BUDGET****2014/15  
FORECAST****2014/15  
FORECAST  
VARIANCE**

FALKIRK COUNCIL BORROWING	9,917	8,638	-1,279
SCOTTISH GOVERNMENT BLOCK GRANTS	14,698	14,698	0
CAPITAL RECEIPTS - SALES	325	325	0
EXTERNAL FUNDING	1,755	1,742	-13
RESERVES (DMR, CFCR and R&R)	1,579	1,579	0

**TOTAL RESOURCES 2014/15****28,274****26,982****-1,292**

**2014/15 CAPITAL PROGRAMME****HOUSING INVESTMENT PROGRAMME - SUMMARY****APRIL 2014 to NOVEMBER 2014**

EXPENDITURE	BUDGET	2014/15 FORECAST	2014/15 FORECAST VARIANCE
<b>HOUSING INVESTMENT PLANS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
ELEMENTAL IMPROVEMENTS	11,400	12,200	800
ENERGY EFFICIENCY	4,900	5,900	1,000
HIGH RISE FLATS	2,500	2,240	-260
NEW BUILD HOUSING	9,024	7,960	-1,064
ESTATES & OTHER EXPENDITURE	1,050	988	-62
PROPERTY BUY BACKS	5,000	5,000	0
MORTGAGE TO RENT	1,500	1,500	0
LHS INITIATIVES	700	254	-446
WINDOW LEASE BUY OUT	459	459	0
<b>TOTAL EXPENDITURE 2014/15</b>	<b>36,533</b>	<b>36,501</b>	<b>-32</b>

RESOURCES	BUDGET	2014/15 FORECAST	2014/15 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	25,703	25,671	-32
COUNCIL HOUSE SALES	1,600	1,600	0
ENERGY SECTION INCOME	300	300	0
CFCR	4,855	4,855	0
SCOTTISH GOVERNMENT NEW BUILD GRANT	2,116	2,116	0
SCOTTISH GOVERNMENT MORTGAGE TO RENT GRANT	450	450	0
MORTGAGE TO RENT BORROWING	1,050	1,050	0
WINDOW LEASE BUY OUT	459	459	0
<b>TOTAL RESOURCES 2014/15</b>	<b>36,533</b>	<b>36,501</b>	<b>-32</b>

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

PRUDENTIAL INDICATOR		BUDGET 2014/15	PROJECTED 2014/15	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	£4.63	£4.63	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	Net External Borrowing Accounting Adjustment – Finance Lease Liabilities  Capital Financing Requirement (includes HRA) Accounting Adjustment – Finance Lease Liabilities	£'m 258.7 <u>120.6</u> 379.3  306.3  <u>125.1</u> 431.4	£'m 235.9 <u>120.6</u> 356.5  291.5  <u>125.1</u> 416.6	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 Reporting Standards (IFRS).
4.	Capital Expenditure	£'m 21.2	£'m 27.0	Simply the approved and projected capital expenditure.
5.	Capital Financing Requirement (GF only)	£'m 307.9	£'m 296.6	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  279.4 <u>120.6</u> <u>400.0</u>	£'m  279.4 <u>120.6</u> <u>400.0</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  274.4 <u>120.6</u> <u>395.0</u>	£'m  274.4 <u>120.6</u> <u>395.0</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 2014/15	PROJECTED 2014/15	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 2014/15	PROJECTED 2014/15	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	13%	13%	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	£5.60	£5.60	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	Capital Expenditure	£'m 36.5	£'m 36.5	Simply the approved and projected capital expenditure.
4.	Capital Financing Requirement	£'m 123.5	£'m 119.9	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment