

FALKIRK COUNCIL

Subject: CAPITAL PROGRAMMES UPDATE REPORT
Meeting : EXECUTIVE
Date : 29 September 2015
Author : DIRECTOR OF CORPORATE & HOUSING SERVICES

1. INTRODUCTION

- 1.1 The purpose of this report is to provide an update on the 2015/16 Housing and General Services Capital Programmes which both sit within a 3 year rolling timeframe.

2. 2015/16 HOUSING CAPITAL PROGRAMME

- 2.1 The Housing Capital investment programme was approved by the Council on the 11 February 2015. As with the General programme the 2015/16 budget is an integral part of a three year plan and as such there will be movement in spend across the years. The 2015/16 approved budget has been revised to include the carry forward from 2014/15. Appendix 1 details the revised budget of £30.4m with a current forecast spend of £28.3m.
- 2.2 The New Build Housing projects at Stenhousemuir and Denny have both been delayed. In relation to Stenhousemuir, a change in the treatment of the front façade of the building necessitated a second round of local consultation which has put the start date back by a few months. The change in the façade will provide a better, longer term solution and represents best value for the Council. The Denny project has been affected by ongoing discussions in relation to developer contributions and outstanding planning approval. Consequently, the start date has been pushed back from 2015/16 to 2016/17. As a result of the delays in both of these projects, slippage of £3.3m is being forecast.
- 2.3 The replacement heating budget will not be fully spent in 2015/16. Work is on hold pending a consultant's report on the viability of extending the current combined heating and power systems within the High Rise flats, and consequently slippage of £0.7m is forecast.
- 2.4 The Service has considered future approved budgets to determine to what extent spend could be accelerated to offset the anticipated slippage per paragraphs 2.2 and 2.3. With this in mind they have been able to accelerate £1.8m from the Elemental Improvements budget and £0.3m from the Estates budget. As a result the overall slippage has been revised to £1.9m
- 2.5 There is an underspend of £0.2m in relation to the Mortgage to Rent Scheme. This projection reflects the current positive trend in individual's financial circumstances in that less people are requiring to transfer from ownership to rent.
- 2.6 The Housing capital investment plans continue to ensure that the Council's housing stock is maintained to the Scottish Housing Quality Standard (SHQS). The programme also includes a budget of £6.2m for properties bought by the Council via the Buy Back Scheme, thereby increasing the housing portfolio. In overall terms the projected spend is forecast to be £2.1m less than budget.

3. 2015/16 GENERAL CAPITAL PROGRAMME

- 3.1 The General Services Capital Programme was approved by Members on 11 February 2015. It is a three year programme and as such there will inevitably be movement in spend between years. The budget for 2015/16 was based on estimates made in late 2014. The approved budget has since been revised to take into account slippage from 2014/15, budgets for projects that have been rescheduled and any additional projects which will be fully funded from additional external sources, capital receipts or reserves.
- 3.2 Due to the complexities and the uniqueness of TIF, Development Services will be reporting separately on this project to the Executive. Consequently the figures in this report and future Capital Update reports to the Executive will exclude both budgets and forecasts for TIF.
- 3.3 The revised budget for the General Services Capital Programme is as detailed below:

	£'000
Approved Budget February 2015	28,295
Less TIF Approved 15/16 Budget	(6,189)
Add Slippage 2014/15	1,952
Add Projects Rescheduled from 14/15 to 15/16	2,188
Less Projects Rescheduled from 15/16 to 16/17	(2,480)
Add Projects funded from additional resources	5,097
Revised 2015/16 Budget	28,863

- 3.4 As previously advised to Members, it has been necessary to remove and reschedule some projects because there are clear reasons for delays in their delivery e.g. strategic decisions still to be made, delivery of the project dependant on external funding being sourced etc. Following engagement with Services, projects have therefore been allocated to the appropriate year. Appendix 2 lists all the rescheduled projects.
- 3.5 Services have been asked to provide robust forecasts for their projects in line with the budgetary control timetable provided by Finance. Appendix 3 details the latest forecast as provided by Services, against the revised budget. The forecast for the 2015/16 Capital programme is as follows:

	£'000
Revised 2015/16 Budget	28,863
Projected Spend	27,441
Variance	1,422
Analysed as:	
Underspend	46
Slippage	1,376
Variance	1,422

4. ACCELERATION OF CAPITAL PROJECTS

- 4.1 As part of the budgetary control process, in addition to providing robust project forecasts, Services were asked to provide details of any projects which could be accelerated from future approved budgets in order to mitigate slippage in 2015/16. The table below details potential projects which could be considered for acceleration:

Development Services	£'000
Vehicle Replacement – acceleration of scheduled vehicle replacement	908
Core Parks	11
Corporate & Housing Services	
Disaster Recovery & Potential License Costs	100
IT Servers	121
Mobile & Flexible Working	72
Total Acceleration	1,212

- 4.2 If these projects were approved for acceleration, the projected slippage for 2015/16 would be revised as follows:

	£'000
Slippage per paragraph 3.5	£1,376
Less accelerated projects	<u>(£1,212)</u>
Revised underspend	£ 164

- 4.3 The Director of Children's Services has submitted a report to the Education Executive on 8 September 2015. This report seeks authorization from Members to purchase the Focus School located in the Bog Road Industrial Estate at Laurieston. The purchase price is estimated at £0.35m and if approved, £0.15m would be funded from an existing capital budget that would no longer be required for the Mariner Support Services and £0.20m from the 2015/16 slippage. Consequently the revised slippage of £0.164m per paragraph 4.2 would be eliminated.

5. DELIVERY OF INVESTMENT

- 5.1 The following paragraphs focus on the main areas of anticipated spend for 2015/16 whilst section 6.1 will examine the projected slippage/underspend.
- 5.2 **Children's Services (£6.180m)** – Work continues on the extensions to Antonine Primary School (£0.5m) and St Joseph's Primary School (£1.2m) both of which are scheduled to complete during this year. The Scottish Government funded initiative Expansion of Early Years, is progressing with spend of £2.6m forecast including additional modular units and nursery alterations at various sites. In addition £1.4m is forecast to be spent across a number of schools for health and safety, capacity issues and general upgrades.

- 5.3 **Development - Roads & Transport (£6.823m)** – Now that additional funding has been sourced, the Falkirk High Station Car Park project can commence (£0.5m), albeit the additional funding element will not be utilised until 2016/17 when the remainder of the project is due for completion. The rolling programme of works for bridge strengthening, structural roads works, road safety and street lighting is forecast to spend £4.6m over the year. External funding of £0.6m has been secured for cycling, walking, and safer streets projects, bringing the total forecast spend to £0.8m.
- 5.4 **Development – Planning & Transportation (£1.441m)** – The Grangemouth Flood Assessment scheme will continue with a spend of £0.5m anticipated this year. Within Countryside Access, external funding has been secured which will allow investment of £0.7m to take place this year. Work on the restoration of Kinneil Kerse Landfill site (£0.09m) will start this year following planning permission being granted in February 2015.
- 5.5 **Development - Economic Dev't & Environmental Services (£3.403m)** – Following the contract award, Phase 1 construction in relation to Denny Town Centre is now underway with spend of £2.6m included in the forecast. As part of the Business Property Reinvestment initiative, new units at Abbotsford Business Park will be built at a cost of £0.7m.
- 5.6 **Development – Operational Services (£2.581m)** - £1.7m is forecast to be spent on vehicle replacement this year. The spend on the Crematorium upgrade is likely to be £0.3m with a further £0.4m anticipated for additional interment space. The rolling programme for investment in parks assumes a spend of £0.1m during the year.
- 5.7 **Social Work (£0.626m)** – The main element of the Older Peoples Accommodation budget has been carried forward to 2016/17. However a balance of £0.5m has been retained this year to fund any design fees that may be incurred. Spend of £0.1m will be incurred in relation to capital works at various Social Work buildings and the rolling programme of replacement MECS equipment.
- 5.8 **Corporate & Housing Services (£1.625m)** –The Mobile & Flexible Working project is well underway with further spend of £0.5m anticipated this year. Other IT projects include the replacement email system (£0.2m) and server replacements (£0.6m). In addition £0.3m has been allocated for various minor capital works across Council wards.
- 5.9 **Community Trust (£1.725m)** – The main areas of spend include the refurbishment of Stenhousemuir Gym (£1.0m), boiler replacement, a new wave machine at the Mariner Centre (£0.2m) and the flume replacement at Grangemouth Complex (£0.1m).
- 5.10 **Helix (£3.037m)** – The Council contribution for Helix is £0.15m, however external funding of £2.9m has been secured from Big Lottery, Scottish Canals and grant monies which will allow the Visitor Centre and the remainder of the Park and facilities to be completed this year.

6. FORECAST VARIANCE 2015/16

6.1 Slippage of £1.376m is forecast for 2015/16. A breakdown of this slippage together with reasons, is presented in the following table:

Service	Forecast Variance (£000's)	Reasons for Variance
<u>Children's Services</u> Expansion of Early Years	388	As the eligibility criteria for 2 year olds changed again from August service demand will need to be re-assessed in order that the Service can consider any necessary infrastructure changes. This will mean that this budget is unlikely to fully spend as associated work is likely to be undertaken during the 2016 Easter/Summer holidays.
	388	
<u>Development</u> Vehicle Safety Barrier	50	Budget insufficient to complete project.
Falkirk THI	324	Procurement delays in relation to Public Realm contract.
Arnotdale	469	Work delayed until April 2016 to develop a design solution which matches budget and allows a marketable proposal to be offered.
	843	
<u>Corporate & Housing Services</u> Implementation of Information Mgt System	145	Project will not complete this year given staff resources required for Mobile & Flexible working project.
	145	
Total Projected Slippage	1,376	

6.2 The underspend of £0.046m, as shown in the table within paragraph 3.5, is mainly due to the Community Trust (£0.032m) where projects at a number of locations have been completed under budget e.g. Bo'ness Town Hall, Polmonthill Golf Club, Grangemouth Circuit Club. In addition there have been savings of £0.014m for the demand led Adaptations for Disabled budget.

7. PRUDENTIAL INDICATORS

7.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. Appendix 4 details these indicators for 2015/16.

8. CONCLUSIONS

- 8.1 After allowing for the rescheduled projects, the General programme is forecast to be on budget.
- 8.2 The Housing Capital Programme is forecast to be under budget by £2.1m, £1.9m of which is due to slippage and the remaining £0.2m an underspend on budget.

9. RECOMMENDATIONS

Members are invited to :-

- 9.1 **Note the budget and forecast position for the General Fund & Housing Capital Programmes for 2015/16.**
- 9.2 **Approve the acceleration of projects per paragraph 4.1. and note the potential for further acceleration per paragraph 4.3.**
- 9.3 **Note the Prudential Indicators per Appendix 4.**

Director of Corporate & Housing Services
Date: 24 August 2015
Ref: AAP290915 – Capital Programmes Update
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LIST OF BACKGROUND PAPERS

NIL

2015/16 CAPITAL PROGRAMME**HOUSING INVESTMENT PROGRAMME - SUMMARY****APRIL 2015 to JULY 2015**

EXPENDITURE	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
HOUSING INVESTMENT PLANS	£000	£000	£000
ELEMENTAL IMPROVEMENTS	13,900	15,700	1,800
ENERGY EFFICIENCY	2,200	1,500	(700)
NEW BUILD HOUSING	4,824	1,524	(3,300)
ESTATES & OTHER EXPENDITURE	1,050	1,350	300
PROPERTY BUY BACKS	6,223	6,223	0
MORTGAGE TO RENT	1,000	800	(200)
LHS INITIATIVES	700	700	0
WINDOW LEASE BUY OUT	497	497	0
TOTAL EXPENDITURE 2015/16	30,394	28,294	(2,100)
RESOURCES	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	20,709	18,809	(1,900)
COUNCIL HOUSE SALES	1,600	1,600	0
ENERGY SECTION INCOME	300	300	0
CFCR	4,264	4,264	0
SCOTTISH GOVERNMENT NEW BUILD GRANT	2,024	2,024	0
SCOTTISH GOVERNMENT MORTGAGE TO RENT GRANT	200	160	(40)
MORTGAGE TO RENT BORROWING	800	640	(160)
WINDOW LEASE BUY OUT	497	497	0
TOTAL RESOURCES 2015/16	30,394	28,294	(2,100)

Appendix 2

Projects Rescheduled from 2014/15 to 2015/16	£'000	Comments
Camelon Education Centre	63	Main element of project now in 2016/17 programme with some urgent works progressing in 2015/16.
Falkirk High Station Car Park	396	Rescheduled pending outcome of external funding application – now granted.
Denny Town Centre	439	Rescheduled pending outcome of external funding application (Regeneration Capital Grant) – now granted
Falkirk Crematorium	148	Rescheduled due to re-appraisal of options.
Kinneil Kerse Restoration	90	Works undertaken 2015 following planning permission being granted in February 2015.
Community Trust – Stenhousemuir Gym	1,000	Refurbishment work approved December 2015.
Community Trust – Muiravonside Visitor Centre	52	Pending match funding, now secured.
Total Rescheduled from 2014/15	2,188	

Projects Rescheduled from 2015/16 to 2016/17	£'000	Comments
ASN School	(1,147)	Rescheduled by Hubco due to design development to meet available budget
Countryside Access	40	2016/17 budget accelerated to 2014/15 to mitigate slippage
Mobile & Flexible Working	313	2016/17 budget accelerated to 2014/15 to mitigate slippage.
Bainsford Day Centre Upgrade	(1,686)	Project delayed pending review of Day Care Services.
Total Rescheduled to 2016/17	(2,480)	

Projects Rescheduled from 2014/15 to 2016/17	£'000	Comments
Camelon Education Centre	239	Awaiting decision on the future use.
Glenbervie Slip Road	182	Awaiting legal decision.
Denny Town Centre	909	Rescheduled pending outcome of external funding application (Regeneration Capital Grant) – now granted
Older Peoples Accommodation	2,884	Pending Hubco review.
Falkirk Crematorium	1,269	Rescheduled to coincide with a quieter time period.
Kinneil Kerse	210	Statutory consent required. Restricted seasonal works
Synthetic Pitches	740	Awaiting decisions on various club bids.
Accommodation Investment	853	Carried forward pending decision on the Council HQ.
Community Trust – Victoria Buildings	60	Pending application of match funding.
Total Rescheduled to 2016/17	7,346	

2015/16 CAPITAL PROGRAMME**GENERAL PROGRAMME - SUMMARY****APRIL 2015 TO JULY 2015**

EXPENDITURE	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
SERVICE INVESTMENT PLANS	£000	£000	£000
CHILDREN'S SERVICES	6,568	6,180	(388)
DEV - ROADS & TRANSPORT	6,873	6,823	(50)
DEV - PLANNING & TRANSPORTATION	1,441	1,441	0
DEV - ECONOMIC DEV'T & ENVIRONMENTAL SERVICES	4,196	3,403	(793)
DEV - OPERATIONAL SERVICES	2,583	2,581	(2)
SOCIAL WORK	626	626	0
CORPORATE & HOUSING	1,782	1,625	(157)
COMMUNITY TRUST	1,757	1,725	(32)
HELIX	3,037	3,037	0
TOTAL EXPENDITURE 2015/16	28,863	27,441	(1,422)
RESOURCES	2015/06 REVISED BUDGET	2015/16 FORECAST	2015/16 FORECAST VARIANCE
FALKIRK COUNCIL BORROWING	4,417	2,995	(1,422)
SCOTTISH GOVERNMENT BLOCK GRANTS	13,458	13,458	0
SCOTTISH GOVERNMENT BLOCK GRANTS	3,730	3,730	0
CAPITAL RECEIPTS - SALES	1,080	1,080	0
EXTERNAL FUNDING	5,204	5,204	0
RESERVES (DMR, CFCR and R&R)	974	974	0
TOTAL RESOURCES 2015/16	28,863	27,441	(1,422)

FALKIRK COUNCIL
PRUDENTIAL CODE INDICATORS
[Excluding HRA]

PRUDENTIAL INDICATOR		BUDGET 2015/16	PROJECTED 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	NIL	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	External Borrowing	£'m 254.9	£'m 249.4	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).
	Accounting Adjustment – Finance Lease Liabilities	<u>115.4</u> 370.3	<u>115.4</u> 364.8	
	Capital Financing Requirement (includes HRA)	315.4	300.0	
	Accounting Adjustment – Finance Lease Liabilities	<u>120.5</u> 435.9	<u>120.5</u> 420.5	
4.	Capital Expenditure	£'m 28.3	£'m 27.4	Simply the approved and projected capital expenditure.
5.	Capital Financing Requirement (GF only)	£'m 299.2	£'m 289.0	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 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 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.

PRUDENTIAL INDICATOR		BUDGET 2015/16	PROJECTED 2015/16	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 2015/16	PROJECTED 2015/16	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	17%	16%	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	£0.33	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	Capital Expenditure	£'m 29.3	£'m 28.3	Simply the approved and projected capital expenditure.
4.	Capital Financing Requirement	£'m 136.7	£'m 131.5	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment