

**FALKIRK COUNCIL**

**Subject: CAPITAL PROGRAMMES UPDATE REPORT**  
**Meeting: EXECUTIVE**  
**Date: 23 February 2016**  
**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 report to the Executive on 1 December 2015 advised Members that the projected outturn for the Housing Capital Programme was £29.3m, an underspend of £1.1m. The forecast outturn has now been updated to £26.9m thereby increasing the projected underspend from £1.1m to £3.5m. Appendix 1 details the spend across the various areas of the programme and the movement in forecast from that previously reported is as detailed below:

<b>Project</b>	<b>December Executive £m</b>	<b>February Executive £m</b>	<b>Movement £m</b>
Elemental Improvements	3.1	0.5	(2.6)
Energy Efficiency	0.1	0.3	0.2
New Build Housing	(3.4)	(3.4)	-
Estates & Other Expenditure	0.2	0.2	-
Mortgage to Rent	(1.0)	(1.0)	-
LHS Initiatives	(0.1)	(0.1)	-
<b>Total</b>	<b>(1.1)</b>	<b>(3.5)</b>	<b>(2.4)</b>

- 2.2 In the last report to Executive it had been anticipated that c£3.1m of Elemental Improvements work could be accelerated and brought forward this financial year. However, due to adverse weather conditions over the last two months and more complex technical assessments and design work, it is not possible to bring forward the previously anticipated level of accelerated expenditure. An overspend of £0.5m is now projected.

- 2.3 The Energy Efficiency programme of works is forecast to spend £2.5m, a small overspend of £0.3m. This is mainly due to an increase in the number of replacement heating systems installed.
- 2.4 As previously reported, the New Build Housing projects at Stenhousemuir and Denny have both been delayed, due to design consultations and planning considerations. Both projects are expected to commence in 2016/17, thereby reducing the projected new build spend for 2015/16 to £1.4m, with slippage of £3.4m carried forward to 2016/17.
- 2.5 There is no change in the projected underspend relating to the Mortgage to Rent Scheme. This projection reflects the current positive trend in that less people are requiring to transfer from ownership to rent.

### 3. 2015/16 GENERAL CAPITAL PROGRAMME

- 3.1 The following paragraphs focus on the main areas of anticipated spend for 2015/16 (see Appendix 2).
- 3.2 **Children's Services (£5.649m)** – Work continues on the extensions to St Joseph's Primary School (£1.1m) and Antonine Primary School (£0.7m). Within the overall forecast for Antonine Primary School, an overspend of £0.16m is included. This overspend will be fully funded from the Expansion of Early Years budget and there is no detrimental impact on the overall 15/16 capital programme. The overspend has occurred as a consequence of the Government's extension of free school meals which required a temporary dining cabin to be procured and installed while the school hall was out of commission due to the extension works. Also, alterations and extension to the new nursery outdoor play area had to be completed in order to secure formal registration with the Care Commission/Inspectorate. Initial design work has started on the new ASN school which is expected to finish in 2017 (£1.0m). The Scottish Government funded initiative Expansion of Early Years, is progressing with spend of £1.0m forecast including additional modular units and nursery alterations at various sites. Within the Expansion of Early Years budget, £1.4m has been re-scheduled to 2017/18 to part fund an extension at Kinnaird Primary school. In addition £1.6m is forecast to be spent across a number of schools for health and safety, capacity issues, general upgrades and will also be used to fund the purchase of the Focus school.
- 3.3 **Development - Roads & Transport (£6.620m)** – The rolling programme of works for bridge strengthening, structural roads works, road safety and street lighting is forecast to spend £5.1m over the year which includes an extra £0.5m for the Salix Street Lighting project.

The Salix Street Lighting project is a government backed scheme whereby the Council have obtained an interest free loan, payable over 7 years (chargeable to revenue budget), for the replacement of 2,500 lanterns with new efficient LED equipment. In addition to the approved budget of £0.2m for cycling, walking, safer streets projects, external funding of £0.4m has been secured bringing the total forecast spend for these projects to £0.6m.

- 3.4 **Development – Planning & Transportation (£1.501m)** – The Grangemouth Flood Assessment scheme will continue with a spend of £0.4m anticipated this year. Within Countryside Access, external funding has been secured which will allow investment of £0.9m to take place this year. Work on the restoration of Kinneil Kerse Landfill site (£0.09m) has started this year following planning permission being granted in February 2015.
- 3.5 **Development - Economic Dev't & Environmental Services (£2.620m)** – Following the contract award, Phase 1 construction in relation to Denny Town Centre is now underway with spend of £2.2m 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 £0.3m.
- 3.6 **Development – Operational Services (£3.699m)** - £3.1m is forecast to be spent on vehicle replacement this year which includes £1.1m accelerated from 2016/17 budget. The spend on the Crematorium upgrade is likely to be £0.2m with a further £0.2m anticipated for additional interment space. The rolling programme for investment in parks assumes a spend of £0.1m during the year.
- 3.7 **Social Work (£0.241m)** – The Older Peoples Accommodation budget has been carried forward to 2016/17. Spend of £0.2m will be incurred in relation to capital works at various Social Work buildings and the rolling programme of replacement MECS equipment.
- 3.8 **Corporate & Housing Services (£1.780m)** –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 (£0.7m). The forecast for all I.T. projects includes £0.3m accelerated from the 2016/17 budget.
- 3.9 **Community Trust (£1.194m)** – The main areas of spend include the refurbishment of Stenhousemuir Gym (£0.92m), interactive water features (including new wave machine) at the Mariner Centre which is due to complete in June 2016 (£0.09m) and a contribution towards the upgrade of the tennis courts at Dollar Park (£0.05m).
- 3.10 **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.

#### 4. BUDGET AND FORECAST VARIANCE 2015/16

- 4.1 The report to the Executive on 1 December advised Members that the approved 15/16 budget had been revised to £29.15m. The budget has been further revised to £28.02m. This budget adjustment takes account of the Early Years budget of £1.4m which has been re-scheduled to 2017/18 to part fund an extension at Kinnaird Primary School. In addition the revised budget has increased by £0.27m in respect of the purchase of an Aquawhale vehicle which is fully funded from Repairs & Renewals.
- 4.2 The December Executive report advised Members that the General Fund projection was £0.008m less than budget, almost breakeven. The variance now being projected is £1.68m less than budget. Within this movement there is a saving of £0.1m in relation to a number of minor flood prevention schemes which have been redesigned resulting in cost reductions. In addition a saving of £0.08m is forecast in respect of the refurbishment works being carried out at Stenhousemuir Gym. The remaining movement of £1.50m is slippage across a number of Services areas as detailed below:

Service	Forecast Variance (£'m)
Children's Services	0.094
Development Services	0.945
Community Trust	0.461
<b>Total Movement in Slippage</b>	<b>1.500</b>

- **Children's Services** – Antonine Primary School forecast spend increased by £0.086m as explained at para 3.2. The increase in spend is fully funded from within the overall Children's Services Capital budget. The Expansion of Early Years forecast has reduced by £0.15m due to tender delays. The works at Dobbie Hall have slipped by £0.03m and will now take place in 2016/17.
- **Development Services** – Grangemouth Flood Prevention Scheme is forecast to slip by £0.08m due to access delays on sites occupied by Ineos. In addition Denny Town Centre project has slipped by £0.35m due to prolonged wet weather and the new units at Abbotsford Business Park have also slipped by £0.44m, due to protracted legal deliberations in respect of land acquisitions. Spend on the Crematorium project has slipped by £0.07m due to tender delays.

- **Community Trust** – Slippage of £0.071m in respect of Mariner Centre Wave Machine and £0.110m for the flume at Grangemouth Sports Complex. No interest was received from initial invitations to tender for both these projects therefore contracts were retendered and work is now scheduled to be completed in June 2016. The slippage for the Community Trust also includes ICT Development of £0.280m. Spend will take place once an outline specification has been prepared in conjunction with Council IT staff, for a customer friendly online booking system.

## 5. PRUDENTIAL INDICATORS

- 5.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. Appendix 3 details these indicators for 2015/16.

## 6. CONCLUSIONS

- 6.1 The General Fund Capital Programme is forecast to be under budget by £1.68m, £0.18m of which is a genuine budget saving.
- 6.2 The Housing Capital Programme is forecast to be under budget by £3.5m.

## 7. RECOMMENDATIONS

**Members are invited to:**

- 7.1 **Note the budget and forecast position for the General Fund & Housing Capital Programmes for 2015/16.**
- 7.2 **Note the Prudential Indicators per Appendix 3.**

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**DIRECTOR OF CORPORATE & HOUSING SERVICES**  
**Date: 29 January 2016**  
**Ref: AAB230216 – Capital Programmes Update Report**  
**Contact: Carole McGhee**

## LIST OF BACKGROUND PAPERS

NIL

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

<b>EXPENDITURE</b>	<b>2015/06 REVISED BUDGET</b>	<b>2015/16 FORECAST</b>	<b>2015/16 FORECAST VARIANCE</b>
<b>HOUSING INVESTMENT PLANS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
ELEMENTAL IMPROVEMENTS	13,900	14,394	494
ENERGY EFFICIENCY	2,200	2,490	290
NEW BUILD HOUSING	4,824	1,443	(3,381)
ESTATES & OTHER EXPENDITURE	1,050	1,173	123
PROPERTY BUY BACKS	6,223	6,223	0
MORTGAGE TO RENT	1,000	40	(960)
LHS INITIATIVES	700	600	(100)
WINDOW LEASE BUY OUT	497	497	0
<b>TOTAL EXPENDITURE 2015/16</b>	<b>30,394</b>	<b>26,860</b>	<b>(3,534)</b>

<b>RESOURCES</b>	<b>2015/06 REVISED BUDGET</b>	<b>2015/16 FORECAST</b>	<b>2015/16 FORECAST VARIANCE</b>
BUDGETED PRUDENTIAL BORROWING	20,709	16,011	(4,698)
COUNCIL HOUSE SALES	1,600	3,200	1,600
ENERGY SECTION INCOME	300	300	0
CFCR	4,264	4,264	0
SCOTTISH GOVERNMENT - NEW BUILD	966	250	(716)
SCOTTISH GOVERNMENT - BUY BACK	0	1,800	1,800
SECOND HOMES COUNCIL TAX	558	0	(558)
PLANNING OBLIGATION - AFFORDABLE HOUSING	500	500	0
SCOTTISH GOVERNMENT MORTGAGE TO RENT GRANT	200	8	(192)
MORTGAGE TO RENT BORROWING	800	30	(770)
WINDOW LEASE BUY OUT	497	497	0
<b>TOTAL RESOURCES 2015/16</b>	<b>30,394</b>	<b>26,860</b>	<b>(3,534)</b>

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

<b>EXPENDITURE</b>	<b>2015/06 REVISED BUDGET</b>	<b>2015/16 FORECAST</b>	<b>2015/16 FORECAST VARIANCE</b>
<b>SERVICE INVESTMENT PLANS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CHILDREN'S SERVICES	5,934	5,649	(285)
DEV - ROADS & TRANSPORT	6,670	6,620	(50)
DEV - PLANNING & TRANSPORTATION	1,681	1,501	(180)
DEV - ECONOMIC DEV'T & ENVIRONMENTAL SERVICES	4,205	2,620	(1,585)
DEV - OPERATIONAL SERVICES	2,853	3,699	846
SOCIAL WORK	241	241	0
CORPORATE & HOUSING	1,643	1,780	137
COMMUNITY TRUST	1,757	1,194	(563)
HELIX	3,037	3,037	0
<b>TOTAL EXPENDITURE 2015/16</b>	<b>28,021</b>	<b>26,341</b>	<b>(1,680)</b>

<b>RESOURCES</b>	<b>2015/06 REVISED BUDGET</b>	<b>2015/16 FORECAST</b>	<b>2015/16 FORECAST VARIANCE</b>
FALKIRK COUNCIL BORROWING	3,005	1,325	(1,680)
SCOTTISH GOVERNMENT BLOCK GRANTS	13,458	13,458	0
SCOTTISH GOVERNMENT BLOCK GRANTS	4,071	4,071	0
CAPITAL RECEIPTS - SALES	649	649	0
EXTERNAL FUNDING	5,825	5,825	0
RESERVES (DMR, CFCR and R&R)	1,013	1,013	0
<b>TOTAL RESOURCES 2015/16</b>	<b>28,021</b>	<b>26,341</b>	<b>(1,680)</b>

**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 Accounting Adjustment – Finance Lease Liabilities  Capital Financing Requirement (includes HRA) Accounting Adjustment – Finance Lease Liabilities	£'m 254.9 <u>115.4</u> 370.3  315.4  <u>120.5</u> 435.9	£'m 244.1 <u>115.4</u> 359.5  287.8  <u>120.5</u> 408.3	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).
4.	Capital Expenditure (GF & TIF)	£'m 28.3	£'m 28.2	Simply the approved and projected capital expenditure including TIF.
5.	Capital Financing Requirement (GF only)	£'m 299.2	£'m 280.4	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%	15%	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 26.9	Simply the approved and projected capital expenditure.
4.	Capital Financing Requirement	£'m 136.7	£'m 127.9	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment