

The background of the slide features a large, light blue watermark of the Coat of Arms of the City of Edinburgh. The crest includes a crown at the top with four thistles, a shield divided into four quarters (top-left: a saltire, top-right: a stag's head, bottom-left: a ship, bottom-right: a lion), and a motto scroll at the bottom with the text 'A'NE FOR A'.

AGENDA ITEM

8

Capital Programme Update 2016/17

Falkirk Council

Title: Capital Programmes Update 2016/17
Meeting: Executive
Date: 21 February 2017
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 as at 31 March 2017 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 (£31.8m) and Housing Capital Programmes (£29.8m) 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 The approved 2016/17 budget has been revised to £34.6m. The movement in the forecast spend against the revised budget of £34.6m is detailed below:

	£'m
Revised Budget 2016/17	34.622
Forecast	31.783
Forecast Variance	(2.839)
November Variance	(0.683)
Movement in Variance	(2.156)

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 November.

4.1.3 **Children's Services (£13.6m)**

Work continues on the building of the ASN School (£10.5m), which will 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 has been spent on the Bonnybridge campus. In addition, work is underway to improve the school estate, meet health and safety requirements and expand capacity. This equates to £2.3m and includes £0.5m for the school hall at Carron Primary School. Work on the Camelon Education Centre site has been suspended pending the outcome of the Strategic Property Review (SPR).

4.1.4 **Roads & Transport (£6.2m)**

The Falkirk High Station Car Park project is expected to be completed before the end of March (£0.9m). 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 now complete and is wholly funded by a contribution from Avant Homes, who have built a roundabout and access road into a new housing development.

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 mainly Sustrans grants, 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 (£4.5m)**

The Denny Town Centre Regeneration project is forecast to spend £2.6m 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 Townscape Heritage Initiative (FTHI) project is expected to be £0.9m, part-funded by external grants of £0.5m.

4.1.7 **Operational Services (£1.9m)**

Vehicle replacement spend is expected to be £0.4m. The spend on the Crematorium upgrade is expected to be £0.8m and £0.1m is 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. Spend of £0.05m will be incurred in relation to the rolling programme of replacement MECS equipment with minor property related spend across Adult Services which is fully funded from Repairs and Renewals.

4.1.9 Corporate & Housing (£1.3m)

The spend on corporate IT is forecast to be £1.2m, of which £0.2m is for the implementation of a new Information Management System, £0.2m for software licences, £0.3m for the replacement of various servers and £0.1m for the continuation of Mobile and Flexible working. Within the Central Support heading, £0.08m is set aside for condition surveys within the Municipal Buildings.

4.1.10 Community Trust (£1.5m)

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 refurbishment (£0.1m), Mariner Sports Centre (£0.1m), Denny Library fit out costs (£0.1m) and works across a variety of buildings (£0.3m).

4.1.11 Helix (£0.2m)

Work on the public realm – canal works, mostly funded from Contributions from Current Revenue (CFCR).

4.2 Resources

4.2.1 The forecast for Resources is £31.8m which is £2.6m less than the November forecast. The £2.6m reduction in Resources includes a decrease in borrowing of £5.4m offset by an increase of £2.0m in specific government grants, an increase of £0.6m in external funding and an increase of £0.2m for CFCR. Resources match the projected level of investment.

4.2.2 The additional government grant of £2.0m is in relation to the new ASN (see paragraph 4.3.3). The £0.6m increase in external funding is mainly from the Heritage Lottery Fund and Historic Scotland for their contribution towards the Falkirk Steeple within the Falkirk THI project. The increase in CFCR of £0.2m is to cover the spend in the Helix.

4.3 Forecast Variance 2016/17

- 4.3.1 The forecast variance for the General Fund Services Capital Programme as detailed in paragraph 4.1.1 is c£2.8m less than the revised budget. The forecast variance reported to the November Executive was c£0.7m less than the revised budget. The movement of c£2.1m is analysed in the following table:

	2016/17 £'m
Increase in Slippage	(3.013)
Projects fully funded from external contributions/CFCR	0.792
Overspend Carron Primary School	0.065
Movement in Forecast Variance (see paragraph 4.1.1)	(2.156)

- 4.3.2 The main reasons for the £3.0m slippage shown in the table at paragraph 4.3.1 are as follows:

	£'m	Comments
Children's Services:		
ASN School	(2.422)	Spend re-profiled as advised by Hubco (see paragraph 4.3.3)
All Schools Fund	0.428	Additional spend accelerated for capacity, school hall upgrades and early years projects.
Development Services:		
Denny Town Centre	(0.338)	Defective slabs had to be replaced at no cost to the Council which led to delays.
Falkirk Crematorium	0.076	Re-profile of spend following receipt of tender for works.
Adult Services:		
Old People's Homes	(0.071)	Fees were expected for feasibility studies/ground investigation work, works on hold pending a review by Adult Services and the IJB.
Corporate & Housing:		
Implementation of SWIS	(0.500)	Project will be tendered in 2017/18.
Accommodation Investment	(0.120)	Expected costs on the Municipal Buildings have not materialised.
Community Trust:		
Various projects	(0.066)	Grangemouth Sports Complex projects anticipated to be accelerated could not be completed this year because of insufficient time. This is offset in part by other accelerated spend on various projects.
Increase in Slippage	(3.013)	

- 4.3.3 Hubco have advised that spend on the ASN School has been re-profiled with c£2.4m just falling into the early part of 2017/18. This will have no detrimental impact on the completion date and the project is still scheduled to complete in August 2017. Hubco have also re-profiled their grant funding for the project to the extent that all the grant will now be paid in 2016/17 rather than split over 2016/17 and 2017/18. Falkirk Council will benefit from this accelerated grant payment in that the approved borrowing for the project will now be deferred from 2016/17 to 2017/18.
- 4.3.4 The slippage in the Accommodation Investment budget will be carried forward to fund any further survey work that is undertaken in the Municipal Buildings.
- 4.3.5 Slippage in Capital Programmes is not unique to Falkirk and is common across other Scottish Councils. The Accounts Commission publication “Local Government in Scotland – Financial Overview 2015/16” which was considered by Executive in January stated that 28 out of 32 Scottish Councils, underspent in their Capital Programmes for 2014/15.
- 4.3.6 The £0.8m of fully funded projects are detailed in paragraph 4.2.2, £0.2m of which is to be funded from CFCR.
- 4.3.7 The forecast for Children’s Services includes £0.5m for the Carron Primary School Hall extension. In line with Contract Standing Orders (15.2) Members should note that the current estimated construction cost of this project is £0.065m above the accepted tender of £0.436m. The increased cost arose due mainly to adverse ground conditions which resulted in higher foundation and steel structure costs. The Service will fund this increased cost from within the currently approved three year capital programme.

4.4 Major Standalone Projects

- 4.4.1 Members were advised that there are a number of projects which span several financial years. 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 Members were advised that the approved 2016/17 budget has been revised to £31.3m. The forecast spend for the year is £29.8m (see Appendix 3) which is slightly more than the figure of £28.3m reported to the November Executive. 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 be spent on external fabric improvements, £2.0m on kitchen and bathroom replacements and £2.3m on electrical works.

4.5.3 Energy Efficiency (£2.3m)

The Council's replacement heating scheme is forecast to spend £2.3m. This has increased by £0.1m from the November Executive Report due to additional heating systems being installed.

4.5.4 New Build Housing (£4.0m)

New build housing is now expected to spend £4.0m which is an increase of £1.9m on November's Executive Report. The main reason for this relates to an earlier than anticipated start at Haugh Street, Falkirk (£0.3m) and the purchase of land at Falkirk High School (£1.0m), Abbots Road Nursery (£0.1m) and Duke Street (£0.1m) sites before the end of the financial year. Scottish Government grant (see paragraph 4.6.2) will be claimed in respect of the land acquisition costs. These projects will facilitate the build of a further 80 new Council homes, additional to the 356 homes completed to date.

4.5.5 Buy Backs (£6.0m)

The purchase of ex-Local Authority houses continues and is expected to cost £6.0m. This is funded in part by Scottish Government grant of £2.0m (see paragraph 4.6.3). Approximately 75-80 additional homes are anticipated to be purchased this year. To date a total of 314 additional homes have been purchased under the buy-back scheme.

4.5.6 Estates & Other Expenditure (£0.7m)

Estates and Other Expenditure is now expected to spend £0.7m compared with £1.1m in November's report. The reduction in expected spend mainly relates to Health & Safety (£0.3m) due to delays in progressing the next phase of the Dawson water mains replacement, partly due to owner-occupiers involvement.

4.5.7 Mortgage to Rent Expenditure (£0.2m)

The mortgage to rent forecast has increased from nil to £0.2m due to the purchase of three properties in 2016/17. This is offset in part by government grant of £0.1m.

4.5.8 LHS Initiatives (£0.4m)

The main reduction in spend for LHS initiatives (£0.3m) relates to delays in completing extension projects.

4.6 Resources

4.6.1 The Right to Buy Scheme ceased on 1 August 2016. There has been a significant increase in applications in the lead up to this date, which could not have been foreseen at the time the 2016/17 Budget was set. Consequently the forecast for sales income has been increased to £5.5m which is £1.5m greater than previously reported to Members in November.

4.6.2 Total Government Grant for New Build is expected to be £2.2m. This figure has increased from the previous Executive Report due in part to additional grant to fund the purchase of land (paragraph 4.5.4).

- 4.6.3 Buy-back grant funding of £1.5m has recently been claimed with an additional £0.5m expected. The funding had not been agreed at the time of the last report.
- 4.6.4 Given the additional sales receipts and grant income, borrowing at the budgeted level is no longer necessary. The £1.5m slippage in the programme also reduces the level of borrowing required. Consequently borrowing is forecast to be £10.1m less than budget.

4.7 Budget and Forecast Variance 2016/17

- 4.7.1 Slippage of £1.5m is currently being forecast which is less than the November figure of £3.1m. The reduction in slippage is mainly due to further expected spend on New Build as explained at paragraph 4.5.4.

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	0.026	0.052
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	2.452	3.549

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. Consequently a further £0.03m can be applied to the 2017/18 Capital Programme.

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 of £1.174m at 31 March 2017 includes £0.451m of earmarked Business Property Re-investment receipts. It also includes £0.02m which can be applied to the 2017/18 Capital Programme.

5. Consultation

- 5.1. There is no requirement to carry out a consultation on this report.

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 £31.8m which is £2.8m less than budget.
- 7.2 The forecast spend for 2016/17 for the Housing Capital Programme is £29.8m, which is £1.5m 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 DECEMBER 2016

EXPENDITURE	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
SERVICE INVESTMENT PLANS	£000	£000	£000
CHILDREN'S SERVICES	15,352	13,643	(1,709)
DEV - ROADS & TRANSPORT	6,051	6,209	158
DEV - FLOODING & ENVIRONMENT	980	2,449	1,469
DEV - ECONOMIC DEVELOPMENT	5,041	4,452	(589)
DEV - OPERATIONAL SERVICES	4,214	1,935	(2,279)
ADULT SERVICES (SOCIAL WORK)	125	67	(58)
CORPORATE & HOUSING	1,749	1,312	(437)
COMMUNITY TRUST	1,042	1,492	450
HELIX	68	224	156
TOTAL EXPENDITURE 2016/17	34,622	31,783	(2,839)

RESOURCES	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
FALKIRK COUNCIL BORROWING	12,580	2,383	(10,197)
SCOTTISH GOVERNMENT BLOCK GRANTS	10,187	13,887	3,700
SCOTTISH GOVERNMENT SPECIFIC GRANTS	6,631	8,697	2,066
CONTRIBUTION FROM CAPITAL RECEIPTS	2,054	1,151	(903)
CONTRIBUTION FROM CAPITAL GRANTS	1,447	1,704	257
EXTERNAL FUNDING	1,035	3,426	2,391
CONTRIBUTION FROM REVENUES (DMR, CFCR and R&R)	200	535	335
TOTAL RESOURCES 2016/17	34,134	31,783	(2,351)
SLIPPAGE ALLOWANCE	488	0	(488)
TOTAL RESOURCES 2016/17	34,622	31,783	(2,839)

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	1,148	10,493	6,093	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	2,562	2,499	9,039
CEMETERIES UPGRADE	2,695	561	100	2,034	2,695
FALKIRK CREMATORIUM	3,408	360	805	2,243	3,408
MOBILE & FLEXIBLE WORKING	1,850	1,610	40	200	1,850
TOTAL	143,716	8,830	15,668	119,218	143,716

2016/17 CAPITAL PROGRAMME**HOUSING INVESTMENT PROGRAMME - SUMMARY****APRIL 2016 TO DECEMBER 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	2,350	150
NEW BUILD HOUSING	7,029	4,023	(3,006)
ESTATES & OTHER EXPENDITURE	1,050	660	(390)
PROPERTY BUY BACKS	6,000	6,000	0
MORTGAGE TO RENT	0	231	231
LHS INITIATIVES & OTHERS	700	411	(289)
WINDOW LEASE BUY OUT	469	469	0
TOTAL EXPENDITURE 2016/17	31,326	29,822	(1,504)

RESOURCES	2016/17 REVISED BUDGET	2016/17 FORECAST	2016/17 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	23,172	13,007	(10,165)
COUNCIL HOUSE SALES	800	5,500	4,700
ENERGY SECTION INCOME	0	0	0
CFCR	5,365	6,365	1,000
SCOTTISH GOVERNMENT - NEW BUILD	1,520	2,215	695
SCOTTISH GOVERNMENT - BUY BACK	0	2,000	2,000
PLANNING OBLIGATIONS	0	35	35
SCOTTISH GOVERNMENT MORTGAGE TO RENT GRANT	0	129	129
MORTGAGE TO RENT BORROWING	0	102	102
WINDOW LEASE BUY OUT	469	469	0
TOTAL RESOURCES 2016/17	31,326	29,822	(1,504)

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	NIL	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". The reduction reflects that a number of projects have been re-scheduled to 2017/18 as previously advised to Members.
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 248.90 <u>109.8</u> 358.7 283.80 <u>115.3</u> 399.1	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 34.6 <u>5.1</u> 39.7	£'m 31.8 <u>1.1</u> 32.9	Simply the revised budget and projected capital expenditure for the General Fund and TIF.
5.	Capital Financing Requirement (GF & TIF)	£'m 282.4	£'m 267.8	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 and Scottish Government Grant which have reduced the amount of borrowing required to fund the capital programme.
3.	Capital Expenditure	£'m 31.3	£'m 29.8	Simply the revised budget and projected capital expenditure.
4.	Capital Financing Requirement	£'m 141.2	£'m 131.3	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment.