

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 with four thistles, a shield divided into four quarters (a saltire, a stag's head, a ship, and an eagle), and a motto scroll at the bottom.

Agenda Item 7

Capital Programmes Update Report

Falkirk Council

Title: Capital Programmes Update Report
Meeting: Falkirk Council
Date: 30 September 2020
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 The General Fund Services Capital Programme was approved by Falkirk Council on 26 February 2020 and Council noted that a review of the programme would take place during Summer 2020. This report provides an update on the review work undertaken. It also links the programme into some of the major strands of work being undertaken by the Council, some of which are in response to the Covid-19 pandemic. Finally, it provides a brief update on the projected spend for 2020/21.

2. Recommendation(s)

2.1 Council is asked to:-

- (1) Note the projected 2020/21 position for both General Services and the HRA.**
- (2) Agree that £2m of the underspend forecast on the Roads Programme is reallocated to digital investment to facilitate the Covid driven operational imperatives reflected in the digital initiatives.**
- (3) Note that the roll forward of the draft Capital Programme has commenced and reports will be presented to Members in due course.**

3. Background

- 3.1 The Capital Programmes for Housing and General Fund Services were approved in January 2020 and February 2020 respectively. In February 2020, the Council agreed that a report should be presented to the Education, Children and Young People Executive on the Connected Falkirk Project, and a report should be presented to the Executive on what could be achieved with an additional £7m in roads investment. Council also agreed that the programme would be reviewed at a meeting of the Council after the summer when the full extent of capital grant was known and any recommendations from the Executive and Education, Children and Young People Executive were available.
- 3.2 An update report was presented to the August 2020 Emergency Executive. That report provided a projection for 2020/21 expenditure including the impact of rescheduling the purchase of iPads for the Connected Falkirk project. The report also highlighted the potential for further changes to the programmes as a result of Covid-19. The Emergency Executive noted that there would be an

opportunity at the Council meeting in September to take any necessary decisions, when the position would be clearer.

3.3 The Council has recently reviewed and updated its priorities and produced a new Corporate Plan, considered earlier on this agenda. The revised priorities are:

- Communities – Everyone has an equal chance to be healthier, happier, safer and live in sustainable communities;
- Enterprise – Help businesses to thrive and make Falkirk more prosperous; and
- Innovation – Innovative and Entrepreneurial Council that is forward thinking and unafraid of change

3.4 Capital as well as revenue expenditure will need to be aligned with these Priorities.

4. February Budget – Agreed Review

4.1 The review agreed in February was focussed on the capital grant information for years 2 and 3 of the General Services capital programme which was expected to be announced in June 2020. Given the pandemic, it is unsurprising that information on the capital grant for future years has not been provided at this time. No revised timescale for this information has been provided.

4.2 The review required by Council was to include an update on the Connected Falkirk project. This project was accelerated by the Emergency Executive in June 2020 who approved the re-profiling of the capital investment. This was subsequently reflected in the August update report to Emergency Executive. As a result, capital expenditure of £8.4m is included in the 2020/21 capital programme for this project.

4.3 The 2020/21 capital programme included investment of £3.8m for investment in roads. This has been supplemented with £0.4m carried forward from a 2019/20 underspend. A report was presented to the Emergency Executive on 17 September 2020 on the impact of an additional £7m of investment, giving a total potential investment of £11.2m. During the lockdown period of the pandemic, work on the roads infrastructure was restricted. As a result, it is estimated that £2.7m of the £11.2m provisional budget will not be spent in 2020/21. In addition, Members will be aware that investment will also be dependent on availability of external contractors and the weather. Members may wish to allocate £2m of the Roads Programme underspend to the Digital Strategy investment set out in paragraph 4.6.

4.4 The August report noted that the impact of Covid on the construction sector was not yet clear. Unfortunately this remains the case. UK wide industry intelligence suggests that there will be little significant impact on tender prices but that there is risk around uncertainty in the market and increased risks of providers becoming insolvent. In Falkirk the picture has been mixed with some tender prices coming in much higher than anticipated although it is difficult to determine if this is Covid related or not. This was the case for both

Denny Primary School and Maddiston Primary School tenders with the increase being covered by Early Years resources. This will continue to be monitored throughout the year.

- 4.5 The Covid Pandemic has changed the way the Council operates, influenced the Council's priorities and in turn may influence how the resources are directed. Members have recognised the need to focus on the Council's Digital Strategy which was reported to the Executive on 17 September. This strategy aims to ensure that there is digital connectivity for our communities and equity of access to online services. In addition, investment is required to ensure that services and processes are as robust, resilient and efficient as possible. Employees will also need to be supported to work mobile and flexibly in a rapidly changing environment.
- 4.6 The Digital Strategy report highlights two projects where capital investment is required in 2020/21. These are:
- Anytime, Anywhere £1m - This investment is required to roll out laptop devices to all desk-based employees on a one-to-one basis, removing the need for desktop computers. It will also be used to ensure systems can be adapted to work in a mobile and flexible way. In addition, the investment will help ensure that front-line employees have IT equipment, as appropriate, to undertake their role in 'real time' and to ensure such work is done as efficiently as possible. This shift to "anytime anywhere" working is essential to safeguard business continuity and resilience. This project will also be a key enabler for savings to be realised through a reduction in the requirements for office space.
 - AI/Automation – £1m – The aim of this investment is to ensure that back-office processes are as efficient as possible and designed with the Council's customers in mind. This is key to realising savings while continuing to improve service delivery. This investment in automated solutions will reduce the time that employees spend performing manual repetitive tasks, simplify workflow, eliminate data entry errors, and allow employees to focus on high value tasks. The investment will also enable improvements to the on-line service and response that customers receive.
- 4.7 The Digital Strategy also puts down a marker that further significant bids will be submitted to the capital programme for future years. These are likely to include c£13m to improve digital connectivity for communities and employees. In addition, a further bid is expected for the second phase of the Connected Falkirk project. To date £9.6m has been approved and it is likely a further £6.4m will be requested. Members will have an opportunity to consider these bids further as part of the capital programme approval process.

5. Further Significant Projects/Horizon Scanning

- 5.1 Paragraph 4.7 highlights some of the requests that can be expected to take forward the digital strategy. However, there are likely to be a number of significant calls on the limited capital resources as large scale projects are developed across the Council. This section provides a brief summary of some of these projects.

- 5.2 Climate Change matters. The Climate change report to the January Executive captured a range of actions required if the Council were to move towards its stated aim of net zero emissions by 2030. The report highlighted that 40% of emissions related to building energy consumption, 8% on vehicle fuel, 5% on street lighting and 40% related to waste management.
- 5.3 There are strategies in place to improve waste and street lighting emission reductions, however building energy reduction will require delivery of the Strategic Property Review project and investment in building energy efficiency and low carbon technologies. Some modelling has been undertaken of the built estate through a pilot local heat and energy efficiency strategy (LHEES), which has identified a range of scenarios for emission reduction across the Council's highest emitting sites. Depending upon the scenario adopted, these would require ongoing capital investment of between £2.4m and £5.9m per year. The differing amount of investment would be required for 25 years and 10 years respectively and the latter would better support net zero by 2030.
- 5.4 In terms of vehicle fuel emission reductions, the bulk of the Councils fuel requirement is for the heavy vehicles within the fleet (waste collection, roads and grounds vehicles etc), and changing these to low carbon vehicles (electric or possibly hydrogen fuelled at some point in the future) will require significantly increased capital investment, although this has not yet been modelled. Falkirk Council has made a bid to fund a small scale hydrogen transport trial aimed at Small and Medium Sized Enterprises. This project is included in the Business Plan also on this Council agenda.
- 5.5 Investment Zone. A report on the Investment Zone project was presented to Emergency Executive on 20 August 2020. This report confirmed the award of £90m of growth fund monies from the UK and Scottish Government towards delivery of the Falkirk Grangemouth Investment Zone initiative. The report highlighted that projects totalling £235m had been identified and that the Council and its partners would work to deliver on the growth deal while continuing efforts to secure support beyond the £90m award.
- 5.6 Work to finalise the projects to be delivered from the £90m will be undertaken through engagement with partners, including consultation with businesses and community stakeholders. This work will align to the economic recovery plan presented to the Emergency Executive in September. Proposals will need to be integrated into the Capital Programme process and timeline.
- 5.7 Succeed Today; Excel Tomorrow. A series of member workshops were held to look at three workstreams associated with the Strategic Property Review work. One of these considered the learning estate and touched on the Succeed Today; Excel Tomorrow project. This project aims to transform how education services are delivered and has 6 areas for transformation (one of which is Connected Falkirk). The remaining areas for transformation include much of the built estate and will require capital investment to take forward.
- 5.8 The Scottish Government have issued a letter on phase 2 of the Learning Estate Investment Programme and officers are planning to have dialogue with the Scottish Government and the Scottish Futures Trust to discuss this further. Any funding will be available on a match funding basis and therefore significant future capital bids are anticipated. A report will be taken to a future meeting of the Education, Children's and Young People's Executive.

- 5.9 HQ and Arts Centre. Another workstream considered by the Strategic Property Review workshops was the HQ project. A report on this major project is included on this Council agenda.
- 5.10 The Community Trust. The Community Trust also has need for significant investment in its property portfolio which will need to be considered and aligned with the ambition to make schools a focus of community engagement. In terms of the overall property portfolio of the Trust, there is a particular need to refurbish or renew the Grangemouth Sports Complex.
- 5.11 Tax Incremental Finance (TIF). A report has been presented to the Emergency Executive in September 2020, highlighting that the payback period for Falkirk TIF is likely to be extended from 25 years to 26 years to reflect the change in Scottish Government Non Domestic Rates policy. In addition, discussions are underway with the Scottish Government on the increased costs associated with the full project, which have moved from £67m to £95.7m. The Scottish Government have yet to decide if this increase in costs can be met from within the TIF budget which is ringfenced in terms of borrowing costs and Non Domestic Rates income. Were the Scottish Government to decide not to approve an increase in the TIF budget, a decision would have to be taken on whether to fund the projects from the Council's capital programme.
- 5.12 Members will have noted in the Corporate Plan that one of the three Priorities is to ensure "everyone has an equal chance to be healthier, happier, safer and build sustainable communities". This will be done by "working to protect and improve the health and wellbeing of all, and by asking, listening and acting on what communities tell us". One of the key projects which will help deliver on this Priority is Community Choices (Participatory Budgeting). £1m has been set aside in this year's Capital Programme to support the Community Choices programme (£2m in 2021/22) and a report will be submitted to the October Executive with a proposed framework of how Community Choice funding will be allocated across the Council area.

6. 20/21 Projection

- 6.1 For the General Fund Capital programme and the Housing Capital programme there has been very little movement in the variances since the figures reported to the Executive in August 2020. The General Fund budget was revised with £24.3m being rescheduled to 2021/22, leaving a revised budget of £51.5m. The projected spend for the General Services is c£52.9m with an overspend against budget of £1.4m due to external grant funding. Appendix 1 sets out a summary of the General Fund Expenditure and Resources position. The projected spend for the Housing Capital programme is c£31.7m with slippage of £45.6m. Appendix 2 provides a summary of the Housing Capital Expenditure and Resources position. The Services have also indicated that there is no real potential to accelerate approved projects from the 2021/22 programme into 2020/21. Services expect that the slippage in 2020/21 will be spent in early 2021/22 as efforts are made to complete delayed projects.

7. Consultation

- 7.1 All Services have been consulted on this report. There is no requirement to carry out further consultation on this report.

8. Implications

Financial

- 8.1 The projected outturn of the 2020/21 capital programme will be closely monitored and the impact on the revenue budget estimated as part of the revenue financial updates to Executive.
- 8.2 Future capital programme budgets will be adjusted to reflect projects which have slipped or been rescheduled for the General Fund Services and Housing Capital Programmes. The revised bid process has begun with Services expected to submit bids shortly.

Resources

- 8.3 There are no direct resource implications as a result of the recommendations in this report.

Legal

- 8.4 There are no legal implications arising from the report recommendations.

Risk

- 8.5 The impact of Covid-19 on the capital programme for 2020/21 is not yet fully understood. A number of projects have been delayed and Services have been asked to review their programme in light of the pandemic. However, it is unclear whether there could be a 'second wave' of Covid and whether this could require a further period of lockdown. In addition, moving into Autumn and Winter can often result in periods of bad weather impacting on progress with capital projects. Services provide updates on their programme to the Capital Planning and Review Working Group.
- 8.6 There is a risk that the cost of those projects which have slipped or been rescheduled beyond 2019/20 may increase because of construction inflation and associated Covid-19 costs. Also, projects which are moved into future years may incur additional costs.

Equalities

- 8.7 An equality and poverty impact assessment is not required.

Sustainability/Environmental Impact

- 8.8 A sustainable assessment was not required.

9. Conclusions

- 9.1 The 2020/21 Capital Programmes for General Fund and Housing have been seriously impacted by the Covid-19 pandemic. At this time, the forecast spend for 2020/21 for the General Fund is £51.6m and for the Housing Capital Programme it is £31.7m. These figures will undoubtedly change as the year

progresses and the full impact of Covid-19 on the construction industry is better understood. They will also be dependent on the containment of the pandemic and winter weather.

- 9.2 The underspend in the Roads Programme in 2020/21 provides an opportunity to consider that investment in the context of the revised priorities and gives scope to redirect £2m of the underspend to Digital Strategy initiatives.
- 9.3 The Council has an ambitious programme of transformation and recovery with a number of significant, high value projects under development. This will impact on the capital budget which, in respect of borrowing, will flow through to the revenue budget. As more details are known of the various projects underway, the revenue implications will be modelled. These projects will require to be integrated into the Capital Programme process and timeline.

Director of Corporate & Housing Services

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Date: 9 September 2020

Appendices

Appendix 1 - General Fund Forecast 2020/21

Appendix 2 - Housing Forecast 2020/21

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:

Five Year Capital Programme 2020/21 – 2024/25 – Council 26 February 2020

Housing Investment Programme 2020/21 to 2024/25 – Council 27 January 2020

2020/21 CAPITAL PROGRAMME**GENERAL PROGRAMME - SUMMARY****APRIL 2020 TO AUGUST 2020**

EXPENDITURE	2020/21 REVISED BUDGET	2020/21 FORECAST	2020/21 OUTTURN VARIANCE
SERVICE INVESTMENT PLANS	£000	£000	£000
CHILDREN'S SERVICES	10,791	11,288	497
DEV - DESIGN, ROADS & TRANSPORT	17,024	17,555	531
DEV - PLANNING & ECONOMIC DEVELOPMENT	4,793	4,635	(158)
DEV - ENVIRONMENTAL SERVICES	3,080	3,080	0
ADULT SERVICES (SOCIAL WORK)	903	903	0
CORPORATE & HOUSING SERVICES	14,747	15,302	555
COMMUNITY TRUST	120	120	0
TOTAL EXPENDITURE 2020/21	51,458	52,883	1,425

RESOURCES	2020/21 REVISED BUDGET	2020/21 FORECAST	2020/21 OUTTURN
FALKIRK COUNCIL BORROWING	21,061	25,597	4,536
SCOTTISH GOVERNMENT BLOCK GRANTS	13,029	13,029	0
SCOTTISH GOVERNMENT SPECIFIC GRANTS	6,677	6,677	0
CAPITAL RECEIPTS - SALES	1,000	1,179	179
EXTERNAL FUNDING	3,071	4,781	1,710
RESERVES (DMR, CFCR and R&R)	320	320	0
SLIPPAGE ALLOWANCE	5,000	0	(5,000)
TOTAL RESOURCES 2020/21	50,158	51,583	1,425

2020/21 CAPITAL PROGRAMME**HOUSING INVESTMENT PROGRAMME - SUMMARY****FORECAST 2020/21****APRIL 2020 TO AUGUST 2020**

EXPENDITURE	2020/21 REVISED BUDGET	2020/21 FORECAST	2020/21 FORECAST VARIANCE
HOUSING INVESTMENT PLANS	£000	£000	£000
ELEMENTAL IMPROVEMENTS	29,400	12,300	(17,100)
ENERGY EFFICIENCY	11,300	5,075	(6,225)
ESTATE IMPROVEMENTS	3,500	2,650	(850)
OTHER PRIORITY AREAS	4,400	1,100	(3,300)
HEALTH & SAFETY	3,850	2,300	(1,550)
NEW BUILD HOUSING	18,300	2,839	(15,461)
PROPERTY BUY BACKS	6,000	5,000	-1,000
LHS INITIATIVES & OTHER WORKS	500	400	(100)
TOTAL EXPENDITURE 2020/21	77,250	31,664	(45,586)

RESOURCES	2020/21 REVISED BUDGET	2020/21 FORECAST	2020/21 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	62,825	28,164	(34,661)
SCOTTISH GOVERNMENT - NEW BUILD	12,425	1,500	(10,925)
SCOTTISH GOVERNMENT - BUY BACK	2,000	2,000	0
TOTAL RESOURCES 2020/21	77,250	31,664	(45,586)