

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 thistles, a shield divided into four quarters (top-left: a saltire, top-right: a stag's head, bottom-left: a ship, bottom-right: a bird), and a motto scroll at the bottom.

## **Agenda Item 11**

# **2020-21 Capital Programme Outturn**

**Falkirk Council**

**Title:** 2020-21 Capital Programme Outturn  
**Meeting:** Executive  
**Date:** 15 June 2021  
**Submitted By:** Director of Corporate & Housing Services

**1. Purpose of Report**

- 1.1** The purpose of this report is to provide Members with the provisional Capital Programme outturn for 2020/21. The information included in this report is subject to the annual audit process.

**2. Recommendations**

**2.1 The Executive is asked to note:-**

- (1) the projected year end outturn for 2020/21 for both General Fund and Housing Capital Programmes**
- (2) the Prudential Indicators and the external borrowing requirement for 2020/21**

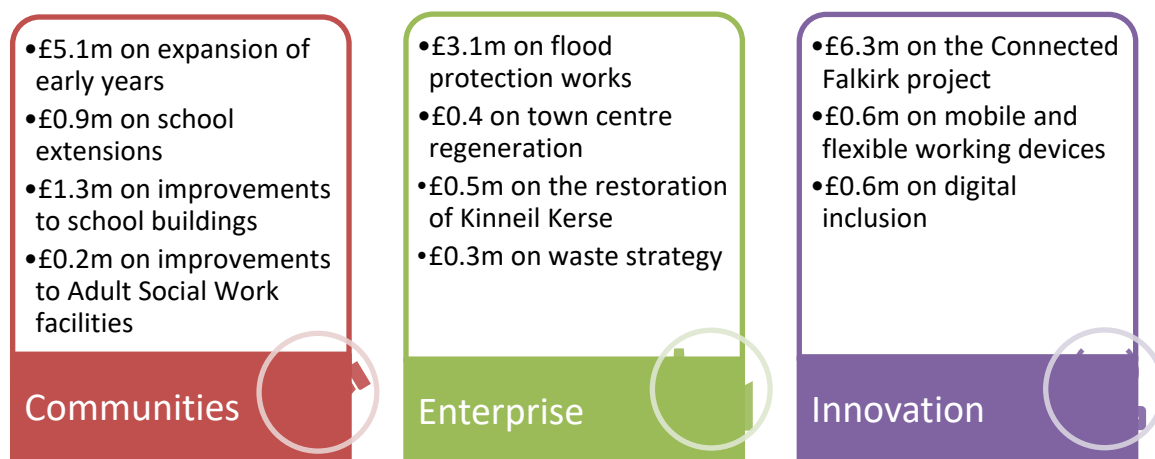
**3. Background**

- 3.1** Members approved the Capital Programmes for the Housing and General Fund on 22 January 2020 and 26 February 2020 respectively, prior to the first Covid-19 lockdown. Subsequent reports to Members have noted that the Covid-19 pandemic is likely to have a significant impact on delivery of the Capital Programme. The impact is a result of restrictions in activity across the economy as well as disruption to supply chains.
- 3.2** The impact of Covid-19 is evident in the provisional outturn position for 2020/21. The extent to which the investment programmes for 2021/22 will also be impacted is, as yet, unknown. Members will be updated in future capital reports.

## 4. 2020/21 Outturn

### 4.1 General Fund Services Capital Programme

- 4.1.1 The approved 2020/21 budget was revised to c£54m (c£49m after deduction of the £5m slippage allowance). Total General Fund capital investment in 2020/21 was c£35m. This excludes the TIF project which is reported separately to Members. The diagram below highlights some of the biggest areas of investment in 2020/21, grouped by Council priority:



- 4.1.2 The movement in the final spend against the revised budget is detailed below:

	£'m
<b>Revised Budget 2020/21</b>	<b>53.966</b>
Outturn	35.011
<b>Variance 2020/21</b>	<b>(18.955)</b>
January Variance	(0.164)
<b>Movement in Variance</b>	<b>(18.791)</b>

- 4.1.3 The outturn variance for the General Fund Services Capital Programme as shown in paragraph 4.1.2 is c£19m less than the revised budget. A summary of the 2020/21 outturn position is shown in Appendix 1. The forecast variance reported to the January Executive was £0.2m less than the revised budget. The movement of £18.8m is analysed in the following table and subsequent paragraphs:

	£'m
Projects fully funded from External Sources	(2.764)
Slippage	(16.027)
<b>Movement in Forecast Variance 2020/21</b>	<b>(18.791)</b>

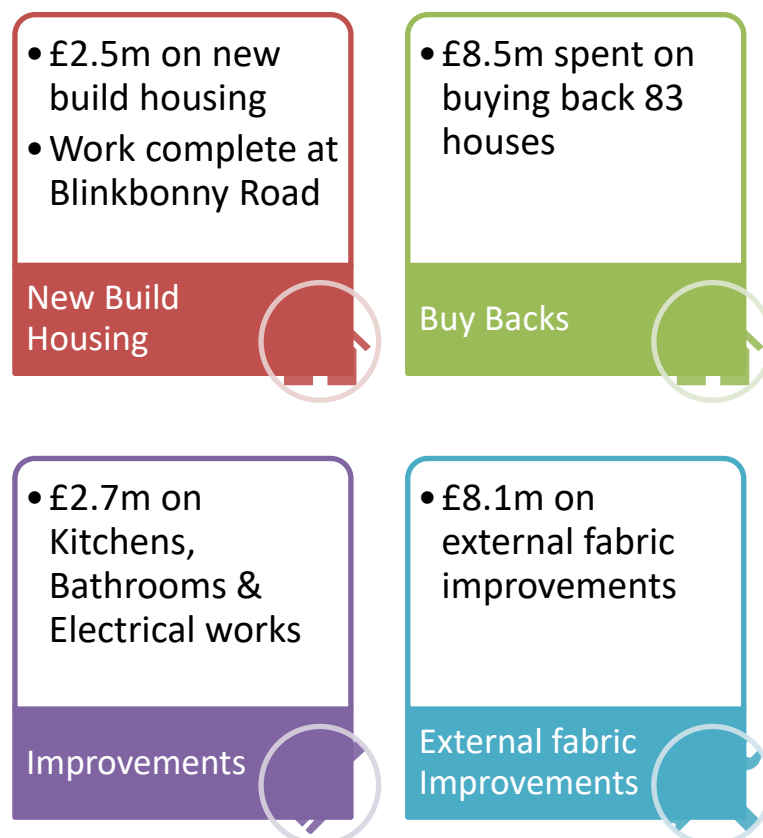
- 4.1.4 There was a net reduction in externally funded projects of £2.764m. This was mainly due to lower than anticipated spend of £1.4m against the Expansion of Early Years grant. The grant has been carried forward for use in future years. Decreases in other externally funded projects have also added to the reduction and include projects such as Town Centre Regeneration, Zetland Park and Countryside Access.
- 4.1.5 The revised 2020/21 budget assumed a £5m allowance for slippage. The total slippage figure in January was c£3.5m and a further c£16m is now reported (see Appendix 2), taking the total slippage figure for 2020/21 to £19.5m - £14.5m over the budgeted allowance.
- 4.1.6 Members will recognise a significant movement between the January projection and the provisional outturn. The risk of significant underspends has been raised in previous reports to Members and discussed regularly at meetings of the Capital Planning and Review Working Group. The overall view is that there has been a huge level of uncertainty over the timescales of projects in part due to supply of materials and delivery of assets. This uncertainty has made estimates of spend increasingly difficult.
- 4.1.7 Previous concerns about the level of slippage resulted in a revised reporting process being developed, as reported to Members in December 2019. This process requires services to attend and report to CMT where variances reach a specified level. However, due to the uncertainties arising from Covid-19, and the impact on capital projects across all services, the escalation process was suspended for 2020/21. Consideration will be given as to whether it is appropriate to resume this reporting process for 2020/21. The reporting arrangements will also be considered as part of the wider Capital Review currently underway.

## **4.2 Resources – General Fund Services**

- 4.2.1 The overall forecast for Resources is c£18.2m less than those reported to the Executive in January. This is essentially the reduced borrowing of £13.8m mainly due to slippage, a reduction in external grants to be applied of £2.4m, reduced Capital Receipts of £0.5m and less external funding of £1.5m.

## **4.3 Housing Capital Programme**

- 4.3.1 The approved 2020/21 budget was £77.2m, with total capital investment in Housing of £29.0m at the year end. The diagram below highlights some of the main areas of housing investment in 2020/21:



4.3.2 The investment of £29.0m represents an underspend of £48.2m and a net decrease in spend of £0.2m compared to the forecast reported to the January Executive.

	£'m
<b>Revised Budget 2020/21</b>	<b>77.250</b>
Provisional Outturn	28.969
<b>Variance 2020/21</b>	<b>(48.281)</b>
January Variance	(48.101)
<b>Movement in Variance</b>	<b>(0.180)</b>

4.3.3 There were a number of notable movements in the outturn position, including an increase of £1.7m for external fabric improvement, a decrease of £2.3m for Estate Improvements, a decrease of £1.5m for the Air Source Heat Pump project and a decrease in spend of £1.1m for Health & Safety projects. More New Build spend was incurred of £0.6m and additional spend of £2.5m on the purchase of Buy Back properties was completed which helps to mitigate against the reductions above (see Appendix 3).

#### **4.4 Resources – Housing**

- 4.4.1 The Housing Investment Programme spend (£29.0m) was funded from £4.1m of grants and other contributions, including £3m of Buy Back grants and £0.9m of new build housing grant, and £24.9m of borrowing (see Appendix 3).

#### **4.5 Prudential Indicators**

- 4.5.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. They are approved by Members each year as part of the Budget process. There are eight indicators for the Council as a whole and three for Housing only. Appendix 4 sets out the indicators for 2020/21.

#### **4.6 Capital Investment Plans & Treasury Management**

- 4.6.1 Capital Investment plans and Treasury Management are intrinsically linked. The 2020/21 Treasury Strategy Report to Council in September 2020 detailed the estimated long term borrowing requirement for 2020/21. However, as the capital outturn projections change, these in turn impact on the borrowing requirement.
- 4.6.2 The update report to the January Executive projected that the long term borrowing requirement for 2020/21 would be £75.5m. The outturn was £56.8m, a decrease of £18.7m on the January Executive figure. Details of this movement are as follows:

	<b>Forecast January £'m</b>	<b>Outturn £'m</b>	<b>Variance £'m</b>
Capital Programmes Net of Capital Receipts	51.7	37.7	(14.0)
Service Repayments of Debt	(20.2)	(21.9)	(1.7)
Replacement of Long Term Borrowing	4.0	-	(4.0)
Replacement of Short Term Borrowing	40.0	41.0	1.0
<b>Total Long Term Borrowing Requirement</b>	<b>75.5</b>	<b>56.8</b>	<b>(18.7)</b>

- 4.6.3 The reduction in borrowing for the capital programme is primarily due to the increase in slippage in the general fund. The requirement to borrow to finance the capital programmes reduced by £14m. In addition, the increase in funding to the Council for Covid-19 etc, improved the cashflow position and as a result, £4m of replacement long term borrowing was not required.

## 5. Capital Reserves

### 5.1 Capital Receipts

This Reserve comprises proceeds from the sale of Council Assets. The movement on this Reserve is details in the following table.

	General Fund £'m	HRA £'m	Total £'m
<b>Balance at 1 April 2020</b>	<b>3.929</b>	-	<b>3.929</b>
Received in Year	0.837	0.010	0.847
Set Aside for Fiscal Flexibilities	(0.837)	-	(0.837)
Applied to Capital Expenditure	(0.152)	-	(0.152)
Applied to Pay off Debt 2020/21	(0.731)	-	(0.731)
<b>Balance at 31 March 2021</b>	<b>3.046</b>	<b>0.010</b>	<b>3.056</b>

5.2 During 2020/21, the Scottish Government approved the use of certain 'fiscal flexibilities' to help local authorities deal with the financial impact of Covid-19. Under these flexibilities, capital receipts from the sale of assets, received by the local authority in 2020/21 and 2021/22, could be applied to fund revenue pressures resulting from Covid-19. In 2020/21, there was no need to apply capital receipts to revenue but £0.8m was received. The flexibilities allowed local authorities to transfer this sum into the Capital Grants and Receipts Unapplied Account for use in 2021/22. In 2020/21, Falkirk Council transferred £0.8m to this account.

5.3 £0.7m of capital receipts were applied to repay debt. These receipts were received in previous years and therefore not eligible to be used as part of the fiscal flexibilities.

5.4 The balance on the General Fund Capital Receipts Reserve includes £0.61m for Northfield Quarry, which can only be applied at £0.07m per annum.

### 5.5 Capital Grants and Receipts Unapplied Accounts

5.6 This reserve comprises Section 75 contributions from developers as well as capital grants/contributions for which conditions often apply. Additionally, as explained in paragraph 5.2 above, this reserve also includes capital receipts set aside to help fund the financial impact of Covid-19. The movement on this reserve is as detailed in the following table.

	General Fund £'m	HRA £'m	Total £'m
<b>Balance at 1 April 2020</b>	<b>0.240</b>	-	<b>0.240</b>
Receipts in Year	0.001	-	0.001
Applied to Capital Programme	(0.017)	-	(0.017)
<b>Grants Balance at 31 March 2021</b>	<b>0.224</b>	-	<b>0.224</b>
Set Aside for Fiscal Flexibilities	0.837	-	0.837
<b>Balance at 31 March 2021</b>	<b>1.061</b>	-	<b>1.061</b>

## **6. Consultation**

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

## **7. Implications**

### **Financial**

- 7.1 The provisional outturn of the 2020/21 capital programme is subject to External Audit review. The 2021/22 capital programme will be adjusted to reflect projects which have slipped or been rescheduled for the General Fund Services and Housing Capital Programmes. The estimated long term borrowing requirement for 2021/22 will be updated. Finally, the impact on the loan charges within the revenue budget for 2021/22 will be updated.
- 7.2 The impact of Covid-19 on the 2021/22 capital programmes is unknown and, in the main, outwith the Council's control. Services will continue to push to deliver the planned investment but there is a high degree of uncertainty around delivery.

### **Resources**

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

### **Legal**

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

### **Risk**

- 7.5 The impact of Covid-19 on the capital programme for 2020/21 was significant and the impact on 2021/22 is not yet fully understood. Services provide updates on their programme to the Capital Planning and Review Working Group. The next meeting of this group will require all Services to provide their best estimates on delivery of investment and this information will be reported to Members. The risk that investment is further delayed remains.
- 7.6 There is a risk that the cost of those projects which have slipped or been rescheduled beyond 2020/21 may increase because of construction inflation and associated Covid-19 costs. This will be discussed at the Capital Planning and Review Working Group and reported to Members.

### **Equalities**

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



## **Sustainability/Environmental Impact**

- 7.8 A sustainability assessment is not required on the basis of the recommendations contained in this report. However, it is important to recognise that the projects contained within the Capital Programme may have a significant impact on the Council's emissions. Work is ongoing to improve how this information is gathered and reported to Members as part of the Capital Programme development process.

## **8. Conclusions**

- 8.1 The outturn for the 2020/21 general fund capital programme is £35m (excluding TIF) which is £19m lower than budget. The outturn for the 2020/21 housing capital programme is £29m, which is £48m less than budget.
- 8.2 As anticipated, the 2020/21 capital programmes for general fund and housing have been seriously impacted by the Covid-19 pandemic. It is unclear the extent to which this impact will be experienced in 2021/22.

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Date: 1 June 2021

## **Appendices**

**Appendix 1 - General Fund Outturn 2020/21**

**Appendix 2 - General Fund Movement in Slippage 2020/21**

**Appendix 3 - Housing Outturn 2020/21**

**Appendix 4 - Prudential Indicators 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:

None

**2020/21 CAPITAL PROGRAMME**

**GENERAL PROGRAMME - SUMMARY**

**APRIL 2020 TO MARCH 2021**

EXPENDITURE	2020/21 REVISED BUDGET	2020/21 OUTTURN	2020/21 OUTTURN VARIANCE
<b>SERVICE INVESTMENT PLANS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CHILDREN'S SERVICES	12,143	8,234	(3,909)
DEV - DESIGN, ROADS & TRANSPORT	17,024	12,518	(4,506)
DEV - PLANNING & ECONOMIC DEVELOPMENT	4,803	2,636	(2,167)
DEV - ENVIRONMENTAL SERVICES	3,080	2,723	(357)
ADULT SERVICES (SOCIAL WORK)	903	196	(707)
CORPORATE & HOUSING SERVICES	15,847	8,636	(7,211)
COMMUNITY TRUST	166	68	(98)
<b>TOTAL EXPENDITURE 2020/21</b>	<b>53,966</b>	<b>35,011</b>	<b>(18,955)</b>

RESOURCES	2020/21 REVISED BUDGET	2020/21 OUTTURN	2020/21 OUTTURN VARIANCE
FALKIRK COUNCIL BORROWING	24,165	12,433	(11,732)
SCOTTISH GOVERNMENT BLOCK GRANTS	13,029	12,702	(327)
SCOTTISH GOVERNMENT SPECIFIC GRANTS	7,477	6,089	(1,388)
CAPITAL RECEIPTS - SALES	1,000	152	(848)
EXTERNAL FUNDING	2,975	3,258	283
RESERVES (DMR, CFCR and R&R)	320	377	57
SLIPPAGE ALLOWANCE	5,000	0	(5,000)
<b>TOTAL RESOURCES 2020/21</b>	<b>53,966</b>	<b>35,011</b>	<b>(18,955)</b>

**GENERAL PROGRAMME - SUMMARY****MOVEMENT IN SLIPPAGE FROM JANUARY EXECUTIVE**

PROJECT SLIPPAGE	£'m	COMMENTS
<b>Children's Services:</b>		
Primary School Extensions	(0.872)	Delay due to Covid-19.
School Extension projects	(0.153)	Delay due to Covid-19.
<b>Development Services:</b>		
Structural Roads Works	(3.594)	Excessive wet/windy weather in Jan-Mar plus capacity issues with Covid-19.
Rolling Programmes (Bridges, Road Safety, Street Lighting & Minor Flooding)	(0.546)	Projects stopped due to Covid-19 restrictions.
Grangemouth Flood Protection	(0.065)	Increased spend to mitigate against previous reported slippage.
DEAR	(0.230)	Delay due to legal processes
Other Roads / Infrastructure projects	(0.365)	Delay due to Covid-19.
Energy Efficiency Street Lighting	(0.345)	Delay due to Covid-19.
Crematorium & Cemeteries	(0.796)	Delays in negotiations with contractor and impact of Covid-19.
Other Planning & Economic Development projects	(0.373)	Delays in negotiations with contractor and impact of Covid-19.
Roughmote Junction Upgrade	(0.187)	Delays in the agreement of a programme with Scottish Water.
Vehicle Replacement Programme	0.230	Accelerated spend from 2021/22 approved programme
Other Environmental Services projects	(0.204)	Delay due to Covid-19.
<b>Social Work:</b>		
Changing Places Toilets	(0.213)	Delay due to Covid-19.
MECS (Analogue to Digital)	(0.175)	Delay due to Covid-19.
Other Social Work projects	(0.232)	Delay due to Covid-19.
<b>Corporate &amp; Housing:</b>		
Various I.T. projects	(0.646)	Delay due to Covid-19 and worldwide shortage of I.T. components & equipment
Reclassification of Licences to Revenue	(1.389)	Costs do not meet the classification of Intangible assets
Connected Falkirk	(2.084)	Delays to the completion of W-Fi and delays due to lockdown limitations in schools
Participatory Budgeting (Community Choices)	(1.000)	Covid-19 delayed progress but applications are being assessed with awards to be announced in the next few months
Council HQ/Arts Centre	(0.980)	Delays due to re-assessments of the projects.
Accommodation Investment / SPR / Hubs	(0.518)	Projects being re-assessed to fit in with accommodation strategy.
Front Facing Office	(0.849)	Grangemouth SWO delayed plus waiting on IJB space requirements.
CCTV Analogue to Digital	(0.292)	Order delayed, expected in May 2021
<b>Trust:</b>		
Various Trust projects	(0.107)	Delay due to Covid-19.
<b>Miscellaneous</b>	(0.042)	Across all Services.
<b>Net Increase in Slippage</b>	<b>(16.027)</b>	

**2020/21 CAPITAL PROGRAMME****HOUSING INVESTMENT PROGRAMME - SUMMARY****OUTTURN 2020/21****APRIL 2020 TO MARCH 2021**

EXPENDITURE	2020/21 REVISED BUDGET	2020/21 OUTTURN	2020/21 OUTTURN VARIANCE
<b>HOUSING INVESTMENT PLANS</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
ELEMENTAL IMPROVEMENTS	29,400	10,748	(18,652)
ENERGY EFFICIENCY	11,300	2,061	(9,239)
ESTATE IMPROVEMENTS	3,500	2,152	(1,348)
OTHER PRIORITY AREAS	4,400	775	(3,625)
HEALTH & SAFETY	3,850	1,708	(2,142)
NEW BUILD HOUSING	18,300	2,500	(15,800)
PROPERTY BUY BACKS	6,000	8,521	2,521
LHS INITIATIVES & OTHER WORKS	500	504	4
<b>TOTAL EXPENDITURE 2020/21</b>	<b>77,250</b>	<b>28,969</b>	<b>(48,281)</b>

RESOURCES	2020/21 REVISED BUDGET	2020/21 OUTTURN	2020/21 OUTTURN VARIANCE
BUDGETED PRUDENTIAL BORROWING	62,825	24,864	(37,961)
SCOTTISH GOVERNMENT - NEW BUILD	12,425	936	(11,489)
SCOTTISH GOVERNMENT - BUY BACK	2,000	3,080	1,080
OTHER / MISC.	0	89	89
<b>TOTAL RESOURCES 2020/21</b>	<b>77,250</b>	<b>28,969</b>	<b>(48,281)</b>

**FALKIRK COUNCIL**  
**PRUDENTIAL CODE INDICATORS (including TIF)**

PRUDENTIAL INDICATOR		BUDGET 2020/21	OUTTURN 2020/21	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	3.4%	3.4%	Shows how much of the Council's income is committed to repaying debt arising from Capital investment.
2.	Gross Borrowing	<b>£'m</b>	<b>£'m</b>	This is a key Prudence Indicator which shows that over the medium term external borrowing will only be for a capital purpose.
	Gross External Borrowing	339.8	279.3	
	Accounting Adjustment – Finance Lease Liabilities	<u>83.6</u>	<u>82.9</u>	
		<b><u>423.4</u></b>	<b><u>362.2</u></b>	
2.	Capital Financing Requirement (includes Housing)	368.3	323.7	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 requirement of International Financial Reporting Standards (IFRS).
	Accounting Adjustment – Finance Lease Liabilities	<u>90.6</u>	<u>90.7</u>	
		<b><u>458.9</u></b>	<b><u>414.4</u></b>	
3.	Capital Expenditure	<b>£'m</b>	<b>£'m</b>	Simply the approved 2019/20 Capital Programme and the 2019/20 outturn spend. Note that the General Fund forecast takes account of prior year slippage, projects rescheduled beyond 2019/20 and added projects which are fully funded from additional contributions.
	GF	25.0	35.0	
	TIF	<u>4.9</u>	<u>2.0</u>	
		<b><u>29.9</u></b>	<b><u>37.0</u></b>	
				Note: the original budget figure excluded the additional £24m of capital expenditure financed through council tax increase.

PRUDENTIAL INDICATOR		BUDGET 2020/21	OUTTURN 2020/21	COMMENTS
4.	Capital Financing Requirement (excludes Housing)	£'m  244.4	£'m  227.5	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment for the General Fund and TIF.
5.	Authorised Limit (AL) for External Debt:-  Borrowing Accounting Adjustment - Finance Lease Liabilities	£'m  386.4  <u>83.6</u> <b><u>470.0</u></b>	£'m  386.4  <u>83.6</u> <b><u>470.0</u></b>	This sets the maximum level of External Debt, based on capital investment plans and allowing some headroom over the Operational Boundary (see 6) for exceptional circumstances.
6.	Operational Boundary (OB) for External Debt:-  Borrowing Accounting Adjustment – Finance Lease Liabilities	£'m  381.4  <u>83.6</u> <b><u>465.0</u></b>	£'m  381.4  <u>83.6</u> <b><u>465.0</u></b>	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 and Treasury Management activities.
7.	Actual External Debt  External Borrowing Other Long Term Liabilities	£'m  N/A	£'m  279.3 <u>82.9</u> <b><u>362.2</u></b>	This is an actual rather than estimated Indicator and will be reported when outturns become available.
8.	CIPFA Code of Practice for Treasury Management in the Public Services	The Treasury Management Code is designed to ensure prudence in treasury operations.		

**FALKIRK COUNCIL**  
**HOUSING PRUDENTIAL CODE INDICATORS**

PRUDENTIAL INDICATOR		BUDGET 2020/21	OUTTURN 2020/21	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	33%	31%	Shows how much of the Council's HRA income is committed to repaying debt arising from capital investment.
2.	Capital Expenditure	£77.25m	£29.0m	Simply the approved and forecast capital expenditure.
3.	Capital Financing Requirement	£214.57m	£186.9m	The Capital Financing Requirement reflects the underlying need to borrow for Housing Capital Investment.