

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant features a grizzly bear. Above the shield is a crown with four maple leaves. A banner at the bottom of the shield contains the motto "A NE FOR A".

Agenda Item 8

Capital Programmes Update 2018/19

Falkirk Council

Title: Capital Programmes Update 2018/19
Meeting: Executive
Date: 27 November 2018
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 This report provides details of the forecast position for the General Fund Services and Housing Capital Programmes. It also presents the Prudential Indicators for information.

2. Recommendations

The Executive is asked to:

- (1) Note the forecast spend for both the General Fund Services (£36.9m) and Housing Capital Programmes (£35.1m).
- (2) Note the reduction in the external borrowing requirement for Capital Programme purposes.
- (3) Note the Prudential Indicators.

3. Background

- 3.1 The General Fund Services and Housing Capital Programmes were approved by Council on the 7 March 2018. The 2018/19 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 2018/19 budget has been revised to £39.3m. The movement in the forecast spend against the revised budget of £39.3m is detailed below:

	£'m
Revised Budget 2018/19	39.263
Forecast	36.861
Forecast Variance	(2.402)
September Variance	(5.653)
Movement in Variance	3.251

4.1.2 The following paragraphs focus on the main areas of anticipated spend for 2018/19 (see Appendix 1), whilst section 4.2 will examine the movement in the forecast variance since the last report to the Executive in September.

4.1.3 **Children's Services (£8.5m)**

Phase I (Early Years Campus) of the expansion work at Kinnaird Primary School is planned to complete this year (£2.0m) along with part of the phase II works (£0.2m). Internal upgrade works have been undertaken during the summer at Larbert High School (£0.3m) with the main element being carried out in 2019/20. The Scottish Government funded Early Years project is forecast to spend £3.1m. Further improvement works to the value of £2.1m is expected to be carried out on the school estate, health and safety requirements and capacity expansion during the year. Children's Services have accelerated £0.3m from their approved 2019/20 All Schools Fund budget to install CCTV and carry out toilet/roof upgrades in various schools. The current forecast also includes £0.1m for works at the Dobbie Hall and £0.4m for Community Halls/Centres

4.1.4 **Design, Roads & Transport (£11.9m)**

Final spend on the Falkirk High Station Car Park is expected at £0.2m. The rolling programme of works for bridge strengthening, structural roads works, road safety and street lighting is forecast to spend £7.1m including £0.3m of accelerated Street Lighting spend. LED Lighting replacement scheme is forecasted to spend £1.1m and is fully funded by £0.9m from the Energy Efficiency Loans Fund (EELF) and £0.2m from Salex Finance Ltd; (an independent publicly funded company who provide interest free loans to the public sector for energy efficiency projects). The forecast for Cycling, Walking, Safer Streets (CWSS) projects equates to £0.9m, including spend on the Abbotshaugh Bridge of £0.5m. All CWSS projects are fully funded from grants from Scottish Government, Sustrans, Transport Scotland and Falkirk Enterprise Trust (FET). Land negotiations are underway as part of the DEAR project. The budget of £1.1m is forecast at the moment but it should be noted that the timing of these negotiations may impact on 2018/19 spend. Members will be advised in due course. The Grangemouth Flood Prevention Scheme is expected to spend £1.3m, with £0.2m forecast for the minor Flood Prevention Schemes.

4.1.5 **Planning & Economic Development (£5.7m)**

Refurbishment work at Arnotdale House is expected to complete within the next month with spend of £1.6m forecast, £1.1m of which is funded by Scottish Government Grant. Spend on the Falkirk Townscape Heritage Initiative (FTHI) project is expected to be £0.6m. The final spend on Denny Town Centre Regeneration is forecast to be £0.5m. The anticipated spend on the external works at the Crematorium is £0.3m and Cemeteries development work is forecast to come in at £0.5m. The rolling programme for investment in Parks assumes a spend of £0.2m during the year, £0.09m of which is funded by external grants. Work at Bo'ness Harbour is expected to cost £0.1m and spend on Countryside Access projects is likely to be c£1.1m which is funded from external grants, mainly Sustrans. Upgrade works at the Citizen's Advice Bureau are anticipated to cost £0.2m and

£0.62m is included for a Synthetic Pitch at Westfield Park, Denny, £0.25m of which is funded by a Sports Scotland grant.

4.1.6 Environmental Services (£3.0m)

Vehicle replacement spend is expected to be £2.2m, including £0.4m for the purchase of vehicles for the Council of the Future project “Smart Working, Smart Travel”. The forecast also includes spend on the restoration of Kinneil Kerse Landfill Site (£0.3m), the purchase of Waste Collection and Street Bins (£0.2m) and £0.3m for junction improvements at Roughmute Recycling Centre.

4.1.7 Adult Services (Social Work) (£0.2m)

Spend of £0.13m will be incurred in the programme of replacement MECS equipment and the transfer of analogue boxes to digital, £0.79m of which is funded from a contribution from Revenue. The forecast also includes £0.1m for Changing Places Toilets, a scheme which provides fully accessible public toilet and changing facilities for people with complex disabilities.

4.1.8 Corporate & Housing (£5.4m)

The spend on corporate IT is forecast to be £2.9m, and includes £0.4m for the implementation of the Social Work Information System (SWIS); £0.4m for server replacement; £0.3m for software licences and £0.4m for the refresh of PCs across the school estate. The IT forecast also includes the spend for a number of business transformation enabling projects such as Mobile and Flexible Working Solutions across the Council (£0.6m) and delivery of the Digital Strategy (£0.2m). In addition to the IT spend the projection includes £1.7m for the upgrades to the West and Central Advice Hubs which reflects the decision made by the August Executive in relation to front facing offices. Spend of £0.4m is forecast for the Council’s Central Accommodation budget and £0.5m for capital investment required as a result of the Strategic Property Review.

4.1.9 Community Trust (£2.0m)

The largest area of spend is in relation to the new Soft Play Area at the Mariner Centre (£0.9m). The cost of the Soft Play Area will initially be funded by the Council and thereafter the borrowing costs associated with this funding, will be recharged to the Trust via a deduction in the Council’s Service payment to the Trust. New seating at Falkirk Town Hall is now in place at a cost of £0.2m. Various works at Grangemouth Sports Complex will be undertaken including the remaining spend on the replacement of pool plant and sauna fixtures, plus new seating at an overall cost of £0.2m. Upgrade works at Grangemouth Athletic Stadium will be completed this year at a cost of £0.1m. The forecast also includes £0.6m for minor works across a variety of other Trust operated buildings.

4.2 Forecast Variance 2018/19

- 4.2.1 The forecast variance for the General Fund Services Capital Programme as detailed in paragraph 4.1.1 is £2.402m less than the revised budget. The forecast variance reported to the September Executive was £5.653m less

than the revised budget. The favourable movement of £3.251m is analysed in the following table:

	2018/19 £'m
Projects fully funded from External Sources/Revenue Contributions	2.994
Reduction in Slippage (see paragraph 4.2.3)	0.257
Movement in Forecast Variance 2018/19	3.251

4.2.2 As shown in the table above there are projects (c£3.0m) which have been included in the forecast which are fully funded from external sources and Revenue Contributions. The main projects included are additional spend of £0.7m on the LED Lighting replacement scheme funded from grants; Cycling, Walking, Safer Streets projects funded by £0.8m of grants from Sustrans, FET and Transport Scotland. Funding from Sport Scotland of £0.25m towards the Westfield Park Synthetic Pitch. Additional grants has enabled the Countryside Access team to increase their spend by £1.02m. Revenue Contributions are included for the MECS equipment (£0.08m) and £0.15m for the Trust in respect of works at the Mariner Centre and Falkirk Town Hall seating.

4.2.3 The main reasons for the reduction in slippage of £0.257m are as follows:

	£'m	Comments
Children's Services		
School improvement works – CCTV, Toilets & Roofs	0.300	Accelerated from 2019/20 approved budget
Development Services:		
Street Lighting	0.300	Acceleration from 2019/20 rolling programme
Bo'ness Harbour	(0.042)	Capacity issues within Design Team
Kinneil Walled Garden	(0.153)	Delay due to complex planning issues & work needing to be completed in warmer temperature.
Community Trust:		
Sports Pavilions	(0.172)	Increased budget approved in November 2017, insufficient time to complete works in 2018/19
Miscellaneous	0.024	Minor variances across Services
Total	0.257	

- 4.2.4 Members were advised in the September Executive report that slippage of £2.723m was being projected. As detailed in the table at paragraph 4.2.3, a net increase in spend of £0.257m is forecast because Services have been able to accelerate spend in other areas. Essentially this means that the overall slippage forecast has been reduced from £2.723m to £2.466m, which is c£0.9m less than the budgeted provision of £3.4m. As previously advised to Members in the September Executive report, there are genuine reasons for project slippage e.g. timing of works to coincide with school holidays and delays due to operational issues with external parties (Grangemouth Flood Prevention Scheme).

4.3 Resources – General Fund Services

- 4.3.1 The forecast for Resources is £3.3m more than those reported to the Executive in September. The increase in resources is due to the £3.0m of additional projects that are fully funded from grants and Revenue Contribution (see paragraph 4.2.2) and the £0.3m increase in forecast spend (see paragraph 4.2.3).

4.4 Major Standalone Projects

- 4.4.1 Members were previously 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 the Grangemouth Flood Prevention Scheme and DEAR.

4.5 Internal Audit Review

- 4.5.1 As previously advised to Members, Internal Audit carried out a review of the General Fund Capital Programme.
- 4.5.2 The focus was on reviewing mechanisms for recording, reporting and monitoring expenditure, including arrangements for dealing with slippage. The key findings and recommendations of the review are as follows:
- The roles and responsibilities of Lead Project Officers within Services were not clearly defined. These should be formalised by the Capital Planning & Review Working Group to ensure that expectations and obligations are clear in order to enhance the level of accountability of Lead Project Officers.
 - The Capital Bid process does not require Services to state at the outset that there are sufficient resources (both internal to the Service, across the Council in terms of IT/Procurement/Design and externally provided services) to complete the project within timescales indicated. Failure to complete projects in a timely manner results in slippage. The Capital Bid Sheets should therefore be amended to capture confirmation of resources required to ensure that only those projects that are suitably resourced are included in the approved programme, thereby reducing the potential for slippage.

- The monthly capital monitoring reports issued by the Capital Section, were not always issued to Lead Project Officers by Senior Service Management. This should be a key requirement of the capital monitoring process to ensure that project slippage is identified early to allow for acceleration of spend from future approved budgets.
- Where the project variance is greater than 25% of the budget (subject to a de minimis value of £0.1m), Lead Project Officers should be asked to attend CMT to fully explain the reasons for the variance. However given that the Trust and the IT section have a large volume of small value projects, the totals for all projects in these areas should be consolidated when calculating whether the de minimis value has been breached.

4.6 Housing Capital Programme

- 4.6.1 As previously advised to Members, the approved 2018/19 budget has been revised to £38.5m to reflect accelerated spend in 2017/18. The forecast spend for the year is £35.1m which is £2.3m less than that reported to September Executive (see Appendix 3). The reduction in spend is analysed in the following table:

	Movement Forecast Variance £'m	Paragraph Reference
Elemental Improvements	1.237	4.6.3
Energy Efficiency	(3.040)	4.6.4
New Build Housing	(0.898)	4.6.5
Estates Improvements	1.661	4.6.7
LHS Initiatives & Others	(1.211)	4.6.8
Total Movement	(2.251)	

- 4.6.2 The following paragraphs focus on the main areas of anticipated spend and movements from the previously reported position.
- 4.6.3 **Elemental Improvements (£14.8m)**
Work continues to progress with £9.9m forecast to be spent on external fabric improvements e.g. re-roofing and roughcasting, £2.7m on kitchen and bathroom replacements and £2.1m on electrical works. The forecast reflects an accelerated spend of £1.2m, compared to the position reported in September.
- 4.6.4 **Energy Efficiency (£1.1m)**
The Council's replacement heating scheme which will improve the energy efficiency of homes, is forecast to spend £1.1m. The project to extend the Combined Heat & Power (CHP) system and provide electricity from the CHP system to communal areas within high rise properties and other adjacent properties has had to be rescheduled to 2019/20. Rescheduling is necessary as the tender exercise has not proved to be value for money and

will therefore allow the tendering process to be rerun based on different delivery timescales. This accounts for the £3.0m reduction in the forecast spend that was reported in September.

4.6.5 New Build Housing (£6.4m)

New build housing is expected to spend £6.4m this year, which is £2.1m less than budget and £0.9m less than the forecast in the September Executive report. The variance is primarily due to a later than expected start date for works at Seabegs Road, Bonnybridge. There are three main projects currently ongoing at Abbots Road, Grangemouth; Duke Street, Denny and Blinkbonny Road, Falkirk. These projects will deliver a total of 76 new homes.

4.6.6 Buy Backs (£6.0m)

The purchase of ex-Local Authority houses which will help to meet housing demand continues and is expected to cost £6.0m.

4.6.7 Estates Improvements (£5.8m)

Estates Improvement is expected to spend £5.8m, which is c£4.3m over the approved budget of £1.5m and £1.7m more than the position reported in September. The additional spend is primarily in relation to environmental improvements e.g. walls and path upgrades being undertaken as part of the fabric improvement programme.

4.6.8 LHS Initiatives & Other Priority Areas (£1.1m)

The Local Housing Strategy (LHS) identified the need to review our housing stock to better meet housing demand and improve communities, in particular low demand 3 bedroom flatted accommodation. As part of that review, a report on the redevelopment of Haugh Gardens, Bainsford was considered by Executive in October 2018. In order to allow time to implement the required works following Members consideration, spend is now anticipated in future financial years. An underspend of £3.5m is therefore projected this financial year, which is £1.4m more than the position in September. The forecast of £1.1m includes £0.2m for the purchase of ex-Council houses purchased through the Mortgage to Rent Scheme, which is part-funded through Government grant. This is demand led and therefore not included in the budget or the forecast at September.

4.7 Resources – Housing

4.7.1 The Housing Revenue Account has increased its Capital Funded from Revenue Contributions (CFCR). The approved budget is £8.3m and the current forecast is £10.5m, which is £2.2m higher than budget. The current forecast is the same as that reported to the September Executive.

4.7.2 Total Government Grant for New Build is expected to be £2.2m and is in relation to projects at Abbots Road, Grangemouth (£0.7m) and Blinkbonny Road, Falkirk (£1.5m). This is consistent with the position reported in September.

- 4.7.3 Buy-back grant funding of £2.25m is forecast to part fund the £6m spend detailed in paragraph 4.6.6.
- 4.7.4 Government grant of £0.1m is to be received to part fund the Mortgage to Rent Scheme purchases as mentioned in paragraph 4.6.8.
- 4.7.5 Prudential borrowing is c£2.3m less than reported to the September Executive due to the overall reduction in capital spend.

4.8 Prudential Indicators

- 4.8.1 A series of Prudential Indicators are used to demonstrate that capital spending plans are affordable, prudent and sustainable. They are approved by Members in each year as part of the Budget process. There are 9 Indicators for the Council as a whole and 4 for Housing only. Appendix 4 details the budgeted and forecast Indicators for 2018/19.

4.9 Capital Investment Plans & Treasury Management

- 4.9.1 Capital Investment plans and Treasury Management are intrinsically linked and indeed the “Treasury Management – Interim Review 2018/19” a separate agenda item at this meeting, also makes clear these links. The 2018/19 Treasury Strategy Report to Council in April 2018 detailed the estimated long term borrowing requirement for 2018/19. It is calculated in January 2018 and takes into account the estimated borrowing for capital programme purposes (including the likely slippage for 2017/18), service repayment of debt, borrowing for TIF and the replacement of any short term or long term loans that are due to mature in 2018/19. As such it will inevitably change as the year progresses. The budgeted long term borrowing requirement and the updated forecast are as follows:

	Forecast Sept' 2018	Forecast Nov'2018	Variance
	£'m	£'m	£'m
Capital Programmes Net of Capital Receipts	34.8	33.7	(1.1)
Service Repayments of Debt	(15.0)	(15.0)	-
Replacement of Long Term Borrowing	1.0	1.0	-
Replacement of Short Term Borrowing	28.5	28.5	-
Total Long Term Borrowing Requirement	49.3	48.2	(1.1)

- 4.9.2 Borrowing for capital programme purposes only i.e. Capital Programmes Net of Capital Receipts as detailed in the table at paragraph 4.9.1, is forecast to be £1.1m less than reported to the September Executive. This is due in the main to the reduction in forecast spend for the Housing Capital Programme, offset by an increase in spend in the General Fund Capital Programme.

4.10 Capital Reserves

4.10.1 Capital Receipts Reserves

This Reserve comprises proceeds from the sale of Council Assets. The movement on this Reserve is as detailed below:

	General Fund £'m	HRA £'m	Total £'m
Balance at 1 April 2018	4.837	2.632	7.469
Add:			
Anticipated Receipts 2018/19	0.660		0.660
Less:			
To be Applied to 2018/19 Capital Programmes	(0.807)	-	(0.807)
Projected Balance at 31 March 2019	4.690	2.632	7.322

It should be noted that within the General Fund balance of £4.69m, £0.874m is included for Northfield Quarry which can only be applied at £0.03m per annum. The balance also includes £0.214m of Business Property Reinvestment (BPR) receipts.

As part of the 2019/20 to 2023/24 General Fund Capital Programme process, the Capital Receipts reserves will be examined to determine to what extent it can be applied to fund projects.

4.10.2 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 2018	0.705	1.082	1.787
Less:			
To be Applied to 2018/19 Capital Programmes	(0.200)	-	(0.200)
Projected Balance at 31 March 2019	0.505	1.082	1.587

Further review of the balances will be undertaken with Services as part of the 2019/20 – 2023/24 Capital Programme process, to determine to what extent they can be applied to fund projects.

5. Consultation

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

6. Implications

Financial

- 6.1. Future budgets for both capital programmes will be adjusted to reflect the anticipated slippage for the General Fund Services and the Housing Capital Programmes.

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 which have slipped in 2018/19 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 2018/19 for the General Fund is £36.9m which is £2.4m less than budget.
- 7.2. The forecast spend for 2018/19 for the Housing Capital Programme is £35.1m, which is £3.4m less than budget.

Director of Corporate & Housing Services

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Appendices

Appendix 1 - General Fund Forecast 2018/19

Appendix 2 - General Fund Major Standalone Projects

Appendix 3 - Housing Forecast 2018/19

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:

Three Year Capital Programme 2018/19 – 2020/21 – Council 7 March 2018

2018/19 CAPITAL PROGRAMME**GENERAL PROGRAMME - SUMMARY****APRIL 2018 TO SEPTEMBER 2018**

EXPENDITURE	2018/19 REVISED BUDGET	2018/19 FORECAST	2018/19 FORECAST VARIANCE
SERVICE INVESTMENT PLANS	£000	£000	£000
CHILDREN'S SERVICES	12,454	8,528	(3,926)
DEV - DESIGN, ROADS & TRANSPORT	10,423	11,868	1,445
DEV - PLANNING & ECONOMIC DEVELOPMENT	4,966	5,752	786
DEV - ENVIRONMENTAL SERVICES	3,009	3,009	0
ADULT SERVICES (SOCIAL WORK)	148	227	79
CORPORATE & HOUSING SERVICES	6,229	5,438	(791)
COMMUNITY TRUST	2,034	2,039	5
TOTAL EXPENDITURE 2018/19	39,263	36,861	(2,402)

RESOURCES	2018/19 REVISED BUDGET	2018/19 FORECAST	2018/19 FORECAST VARIANCE
FALKIRK COUNCIL BORROWING	10,931	12,785	1,854
SCOTTISH GOVERNMENT BLOCK GRANTS	13,053	13,053	0
SCOTTISH GOVERNMENT SPECIFIC GRANTS	8,621	5,595	(3,026)
CAPITAL RECEIPTS - SALES	2,360	807	(1,553)
EXTERNAL FUNDING	515	2,819	2,304
RESERVES (DMR, CFCR and R&R)	383	1,802	1,419
SLIPPAGE ALLOWANCE	3,400	0	(3,400)
TOTAL RESOURCES 2018/19	39,263	36,861	(2,402)

2018/19 CAPITAL PROGRAMME**GENERAL PROGRAMME - SUMMARY****MAJOR STANDALONE PROJECTS**

PROJECT NAME	TOTAL PROJECT BUDGET	PREVIOUS YEARS SPEND	2018/19 PROJECTED SPEND	FUTURE YEARS FORECAST	TOTAL FORECAST SPEND
	£000	£000	£000	£000	£000
KINNAIRD PRIMARY SCHOOL EXTENSION PHASE I	2,820	293	2,000	527	2,820
KINNAIRD PRIMARY SCHOOL EXTENSION PHASE II	640	0	240	400	640
LARBERT HIGH SCHOOL PHASE III - V	1,972	180	302	1,490	1,972
DEAR	7,400	1,750	1,090	4,560	7,400
GRANGEMOUTH FLOODING	152,000	3,009	1,263	147,728	152,000
TOTAL	164,832	5,232	4,895	154,705	164,832

2018/19 CAPITAL PROGRAMME**HOUSING INVESTMENT PROGRAMME - SUMMARY****APRIL 2018 TO SEPTEMBER 2018**

EXPENDITURE	2018/19 REVISED BUDGET	2018/19 FORECAST	2018/19 FORECAST VARIANCE
HOUSING INVESTMENT PLANS	£000	£000	£000
ELEMENTAL IMPROVEMENTS	13,550	14,787	1,237
ENERGY EFFICIENCY	4,173	1,133	(3,040)
NEW BUILD HOUSING	8,707	6,364	(2,343)
PROPERTY BUY BACKS	6,000	6,000	0
ESTATES IMPROVEMENTS	1,500	5,757	4,257
LHS INITIATIVES & OTHERS	4,550	1,080	(3,470)
TOTAL EXPENDITURE 2017/18	38,480	35,121	(3,359)

RESOURCES	2018/19 REVISED BUDGET	2018/19 FORECAST	2018/19 FORECAST VARIANCE
BUDGETED PRUDENTIAL BORROWING	22,602	20,011	(2,591)
CFCR	8,288	10,518	2,230
SCOTTISH GOVERNMENT - NEW BUILD	5,340	2,223	(3,117)
SCOTTISH GOVERNMENT - BUY BACK	2,250	2,250	0
SCOTTISH GOVERNMENT MORTGAGE TO RENT GRANT	0	119	119
TOTAL RESOURCES 2017/18	38,480	35,121	(3,359)

FALKIRK COUNCIL
PRUDENTIAL CODE INDICATORS
[Excluding HRA]

PRUDENTIAL INDICATOR		BUDGET 2018/19	FORECAST 2018/19	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	4%	4%	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	£12.53	£45.71	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line". Increase is primarily due to additional Revenue Contributions to capital which have been fully accounted for in the revenue forecast figures. This indicator will not be reported on beyond 2018/19 as the revised CIPFA Prudential Code does not consider it an effective tool in assessing whether Capital Investment plans are affordable, prudent or sustainable.
3.	Gross Borrowing: Gross External Borrowing Accounting Adjustment – Finance Lease Liabilities Capital Financing Requirement (includes HRA) Accounting Adjustment – Finance Lease Liabilities	£'m 277.7 <u>97.5</u> 375.2 315.7 <u>104.2</u> 419.9	£'m 271.3 <u>97.5</u> 368.8 304.1 <u>104.2</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).

PRUDENTIAL INDICATOR		BUDGET 2018/19	FORECAST 2018/19	COMMENTS
4.	Capital Expenditure GF Slippage Allowance TIF	£'m 21.2 (3.4) <u>6.4</u> 24.2	£'m 36.9 - <u>2.1</u> 39.0	Simply the approved 2018/19 Capital Programme and the 2018/19 Forecast spend. Note that the General Fund forecast takes account of both prior year and current year slippage and also added projects which are fully funded from additional contributions.
5.	Capital Financing Requirement (GF & TIF)	£'m 265.3	£'m 257.2	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 327.5 <u>97.5</u> <u>425.0</u>	£'m 327.5 <u>97.5</u> <u>425.0</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 322.5 <u>97.5</u> <u>420.0</u>	£'m 322.5 <u>97.5</u> <u>420.0</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		BUDGET 2018/19	FORECAST 2018/19	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 outturns 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		BUDGET 2018/19	FORECAST 2018/19	COMMENTS
1.	Ratio of Financing Costs to Net Revenue Stream	19%	19%	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	(£0.34)	£(0.21)	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line".
3.	Capital Expenditure	£'m 40.1	£'m 35.1	Simply the approved and forecast capital expenditure.
4.	Capital Financing Requirement	£'m 154.5	£'m 151.1	The Capital Financing Requirement reflects the underlying need to borrow for HRA Capital Investment