

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 shows a stag's head with large antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant shows 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 15

Capital Programmes Update Report

Falkirk Council

Title: Capital Programmes Update Report

Meeting: Executive

Date: 17 October 2023

Submitted By: Director of Transformation, Communities & Corporate Services

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update to Members on the 2023/24 Capital Programmes for the General Fund and Housing.
- 1.2 Effective management and monitoring of the Capital Programme supports the Council Plan enabler of Financial Sustainability.

2. Recommendations

2.1 The Executive is asked to:

- (1) **note the proposed revised budget for the General Fund Services (£51.7m) and forecast position for Housing Capital Programme (£71.4m).**
- (2) **note the appendices including Prudential Indicators.**

3. Background

- 3.1 The Capital Programmes for Housing and General Fund were approved in February 2023 and March 2023 respectively. The General Fund capital budgets have been adjusted for the year end outturn as at 31 March 2023 with further adjustments being reported in this report. The cumulative effect of these adjustments are detailed by Service in Appendix 1.
- 3.2 The 2023/24 budgets for both programmes are part of a five year plan and as such there will be movement in spend across the years. Previous reports have flagged up ongoing concerns on the impact of Brexit, inflation and interest rate rises on delivery and affordability of the capital programme.

4. Considerations

4.1 Risks and Uncertainties

- 4.1.1 Previous reports have highlighted risks to the delivery of projects, in terms of cost and timescales, for both the General Fund and Housing capital programmes. These risks arise from a number of issues including Brexit and the conflict in the Ukraine. These issues have seen sharp increases in costs across the board.
- 4.1.2 Latest reported inflation of 6.7% in August 2023, represents a further reduction in the rate published in July 2023 where inflation had reduced to 6.8%. Although inflation is continuing to reduce, this is at a much slower pace than predicted and remains high compared to the target rate of 2%.
- 4.1.3 Whilst inflation has continued to reduce, bank rate continued to increase by 0.25% to 5.25% in August. The Bank of England's Monetary Policy Committee (MPC) which sets monetary policy to meet the 2% inflation target, at its meeting ending on 20 September 2023, voted by a majority of 5-4 to maintain Bank Rate at 5.25%. The MPC will continue to monitor closely indications of persistent inflationary pressures. Monetary policy will need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term. Further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures.

In summary, there is a continued risk of uncertainty that covers both the General Fund Services and the Housing Investment Programmes. The situation will be closely monitored with updates provided regularly.

5. General Fund Services Capital Programme Budget

- 5.1.1 The approved 2023/24 budget was set at £36.2m in March 2023. As a result of the 2022/23 outturn, £8.1m of spend was carried forward to 2023/24. The Services then revised their approved budgets due to rescheduling to future years, accelerating future years approved budgets to the current year and adjusting for any new external funding, this led to a Current Budget, as reported to the August Executive, of c£45.4m.
- 5.1.2 Appendix 1 contains details of budget movements in this reporting period and the 2023/24 impact is summarised in the following table:

2023/24 Budget movement analysis	£
Net budget reprofiling across 5-year capital programme	3,909,360
Additional budget	2,394,100
Budget released	(11,000)
	6,292,460

- 5.1.3 The increased 2023/24 expenditure relates to a number of projects across the capital programme, which are detailed below:

Project	Comments	£
Sports and pavilions	Reprofiled from future years	949,680
School meals expansion	Budget correction – 22/23 carry forward	373,000
DEAR	Reprofiled from future years	3,727,310
Regeneration Fund	Approved by members to support smaller settlements in the Falkirk area	1,000,000
Vehicle replacement programme	Contribution from revenue following a purchase appraisal	93,620
Various	Other miscellaneous	148,850
		6,292,460

- 5.1.4 A shortfall of c£0.2m relating to Sports and Pavilions project has been identified and officers within Places have authorised a contribution from revenue to be allocated in the next reporting period to bridge this gap.
- 5.1.5 Across the 5 year capital programme, there is a net budget increase of c£2.4m budget movement. The 2023/24 impact of this overall increase detailed in 5.1.2 above will result in the following 2023/24 revised budget position:

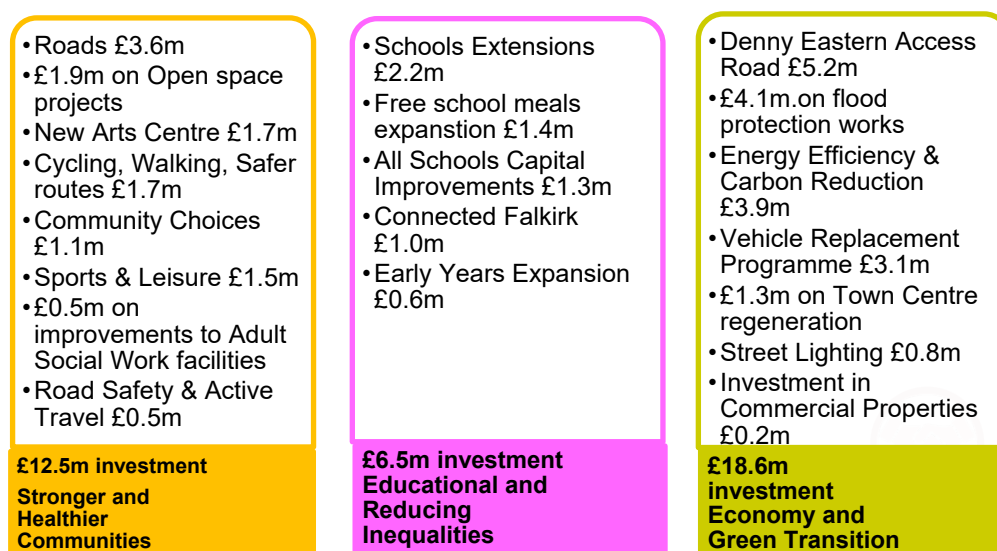
EXPENDITURE	2023/24 Current Budget £	2023/24 Movement £	2023/24 Revised Budget £
Childrens' Services	6,076,380	1,352,930	7,429,310
Place Services – Invest Falkirk	13,331,570	3,849,960	17,181,530
Place Services – Environment & Operations	11,029,380	798,680	11,828,060
Place Services – Growth, Planning & Climate	7,468,950	965,780	8,434,730
Adult Services (Social Work)	1,506,110	(717,520)	788,590
Transformation, Community & Corporate	5,953,480	42,630	5,996,110
	45,365,870	6,292,460	51,658,330

- 5.1.6 The figures above exclude the TIF project which is reported separately to Members.

Projection

- 5.1.7 The current economic climate makes resource projections particularly difficult. Goods (for example IT equipment and vehicles) can be ordered but supply chain issues mean that the goods may not be delivered in this financial year.
- 5.1.8 Additionally, inflationary pressures mean that project tenders can be issued and received on time, but work may be needed to revisit the project designs and specifications to mitigate rising costs, adding delays to the process.

- 5.1.9 As the revised reporting embeds and as the capital programme is delivered throughout the current reporting year, it is hoped that the 5-year focus of the Services will help minimise any slippage to the capital programme by accelerating and deferring projects as appropriate. Where such projects are identified, this will be reflected in reports to Members.
- 5.1.10 The revised budget for the General Fund Capital Programme of £51.7m represents the projected outturn position. This will be monitored, and any amendments brought to the next Executive update.
- 5.1.11 The diagram below highlights some of the areas where spend is planned during 2023/24. Projects are aligned to the Council's three priorities.



5.2 Resources – General Fund

- 5.2.1 The revised level of expenditure detailed in 5.1.2 will be funded by contributions from revenue (£1.1m), external funding/ring fenced grant (£0.5m) and borrowings (£4.7m) and is summarised below:

	2023/24 Current Budget £	2023/24 Revised Budget £
INCOME		
Borrowing	30,275,860	34,972,660
Scottish Government Block Grant	6,061,000	6,061,000
Scottish Government Ring Fenced Grant	7,795,790	7,795,790
Capital Receipts – Property Sales	530,000	530,000
External Funding	703,220	1,205,260
CFCR and other contributions	-	1,093,620
	45,365,870	51,658,330

- 5.2.2 Additional in year borrowings detailed above represent re-profile of previously approved borrowings.

- 5.2.3 As outlined in section 4.1, there are risks with delivery of the programme and this may reduce the amount of borrowing required in 2023/24.

5.3 Housing Capital Programme

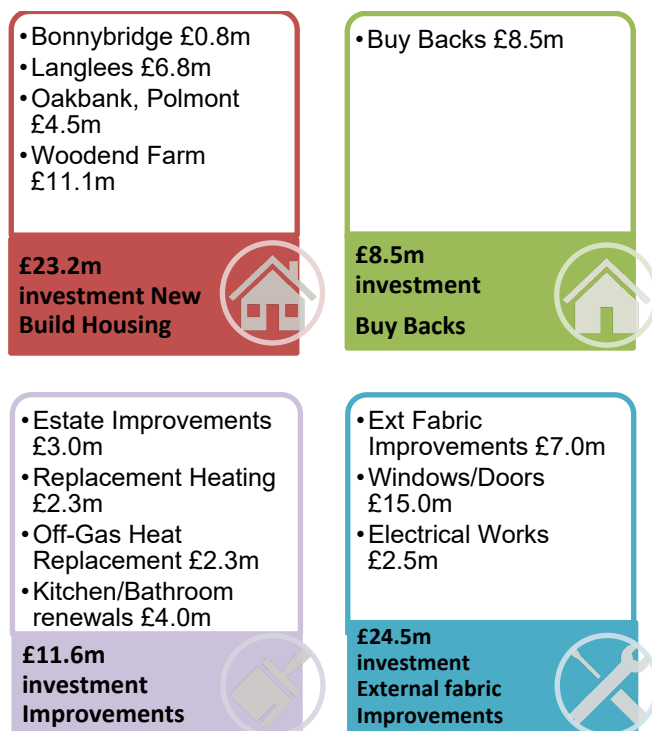
- 5.3.1 The current approved budget for 2023/24 is £76.4m, against a forecast of £71.4m. This represents a potential underspend of £5.0m with the main movements shown below:

EXPENDITURE	2023/24 Approved Budget £	2023/24 Forecast £
External Fabric	7,000,000	7,000,000
Window and Door Replacement	15,000,000	15,000,000
Kitchen/Bathroom Replacement	4,025,000	4,025,000
Electrical Works	2,500,000	2,500,000
Replacement Heating	2,300,000	2,300,000
Off-Gas Heating Replacement Programme	2,250,000	2,250,000
Air Source Heat Pump	2,000,00	2,000,000
Glenfuir Court Cladding	1,500,000	50,000
Estate Improvements Landscaping Work	3,000,000	3,000,000
Other Priority Areas Investments	-	28,281
Health & Safety	350,000	350,000
New Build Housing	26,945,000	23,412,021
Property Buy Back	8,500,000	8,500,000
LHS Initiatives & Misc.	1,000,000	1,003,092
	76,370,000	71,418,394

A summary of the Housing Investment programme is included in Appendix 3.

- 5.3.2 The largest area of slippage is New Build Housing (£3.5m). There have been delays in the tender processes and starting construction works on site, but the programme is now progressing well. Two new build sites have recently been handed over at Torwood and Persia Court, Bainsford and four sites are under construction. Main Street, Bonnybridge is due to be completed and handed over in October 2023 and a first phase handover at Woodend Farm is expected before the end of this financial year. Work is progressing well at Oakbank, Polmont and Haugh Gardens, Falkirk. Scottish Government funding to support the new build programme was estimated to be £6.1m, however, due to the progress of the sites currently under construction it's now anticipated to be £9.17m of funding draw down in 2023/24.
- 5.3.3 There have been difficulties in completing the construction information for recladding Glenfuir Court and this work is significantly behind programme; the original programme includes a £1.5m spend for this year and it is estimated that spend will be around £0.05m, as a site start is anticipated in February 2024. The delay has been caused by finding design solutions for the cladding and mechanical design solutions for the revised arrangements for ventilation.

5.3.4 The main areas of anticipated spend are set out in the diagram below:



5.4 Resources – Housing

5.4.1 The proposed revised level of expenditure detailed in 5.3.1 based on the following funding assumptions:

	2023/24 Approved Budget £	2023/24 Revised Forecast £
INCOME		
Prudential Borrowing	65,675,000	57,669,302
Energy Efficient Gas Grant	976,000	976,000
Scottish Government New Build Grant	6,119,000	9,170,000
Scottish Government Buy Back Grant	3,600,000	3,600,000
Traveller Grant	-	3,092
	76,370,000	71,418,394

5.5 Prudential Indicators

5.5.1 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 2023/24.

5.6 Capital Investment Plans & Treasury Management

- 5.6.1 Capital Investment plans and Treasury Management are intrinsically linked. The 2023/24 Treasury Strategy Report to Council in May 2023 detailed the estimated long-term borrowing requirement for 2023/24. However, as the capital outturn projections change, these in turn impact on the borrowing requirement. The projection for the long-term borrowing requirement is £168.9m, an increase of £26.7m against the current budget. The details are set out in the table below.

	Approved Budget £m	Updated £'m	Variance £'m
Capital Programmes Net of Capital Receipts	91.0	95.7	4.7
Service Repayments of Debt	(9.3)	(9.3)	-
Replacement of Long-Term Borrowing	12.5	12.5	-
Replacement of Short-Term Borrowing	48.0	46.0	(2.0)
Total Long-Term Borrowing Requirement	142.2	144.9	2.7

- 5.6.2 The cumulative change in borrowing requirement for the capital programmes is due to the movement in budget and forecast borrowing requirement detailed in sections 5.2.1 and 5.4.1 of this report.
- 5.6.3 It is assumed that borrowing repaid in 2023/24 will be replaced by further borrowing. However, the Council does not borrow before it needs to. The Council balances previously were carrying large cash balances, however borrowing will now be required in advance of November 2023 and the above update incorporates short term requirements which has been secured and which will increase loan charges which have to date been deferred.

6. Consultation

- 6.1 All Services have been consulted on this report. There is no requirement to carry out further consultation on this report. The Strategic Asset Modernisation Board meet monthly to review progress across the programme. However, Services must advise Finance of any budget amendments as soon as it is identified. The projections for spend are provided directly by Services. Services may be required to provide detailed explanations for slippage against these projections, in line with the processes previously agreed.

7. Implications

Financial

- 7.1 The projected outturn of the 2023/24 capital programme will be closely monitored and the impact on the revenue budget estimated as part of the revenue financial updates to Executive. Services are asked to ensure that Finance are regularly informed of any material changes to their projects and projections to ensure all information reported to Members is as accurate as possible. However, there will doubtless be further slippage, in large part due to the risks and uncertainties set out in section 4.1 of this report.
- 7.2 It is crucial that there are robust projections of capital spend in the year. Not only does this indicate whether investment will be delivered, but it will impact on the Council's borrowing in any given year and the subsequent projections for loan charges.
- 7.3 Future capital programme budgets will be adjusted to reflect projects which have slipped or rescheduled for the General Fund and Housing Capital Programmes. There is a risk that rising prices will require a recalibration of the Capital Programmes going forward. This will be kept under review and reported to Members if necessary.

Resources

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

Legal

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

Risk

- 7.6 The most significant risks and uncertainties are set out in section 4.1 of this report. Services are asked to provide regular updates on the status of their projects to the Strategic Asset Modernisation Board. However, there are difficulties in obtaining robust updates across all projects largely due to the uncertainties in the wider economy.
- 7.7 There is a risk that the cost of those projects which have slipped or been rescheduled may increase due to inflationary pressures, increasing interest rates, and demand for wage increases. Affordability in terms of both construction cost as well as borrowing costs will be an area that will be subject to continual review during the financial year. This will continue to be monitored and reported to Members.

Equalities

- 7.8 The recommendations in this report do not require an equality and poverty impact assessment to be carried out. However, such assessments should be carried out for each project within the capital programme.

Sustainability/Environmental Impact

- 7.9 The recommendations in this report do not require a sustainability assessment. However, many of the projects within the capital programme will no doubt have an impact on sustainability and/or the environment and will have impact assessments.
- 7.10 Moving forward, it is important that the Council continues to develop clear linkages between sustainability and capital investment, ensuring that sustainability is embedded in decision making. The capital bid process to incorporate the profile of sustainability and environmental impacts within project bids has been raised to help inform decision making. Moving forward, projects will be required to demonstrate how carbon reduction can be achieved or carbon emissions offset in line with the Council's declared climate emergency and its work to achieve net zero emissions by 2030.

8. Conclusions

- 8.1 The projected outturn by Services for the 2023/24 for the General Fund is £51.7m which is equal to the revised budget. The outturn for the 2023/24 Housing capital programme is £71.5m, which is £5.0m less than budget.
- 8.2 There is a high level of risk around deliverability and affordability of the capital programme for 2023/24, as set out in section 4.1 of this report. Further consideration will be given to how best to assess and report on these risks at individual project level.

Director of Transformation, Communities & Corporate Services

Date: 4 October 2023

Authors:

Amanda Templeman, Chief Finance Officer, 01324 506300,
amanda.templeman@falkirk.gov.uk

Caroline McGill, Accountancy Services Manager–Capital & Treasury, 01324 590776,
caroline.mcgill@falkirk.gov.uk

Appendices

Appendix 1 – General Fund Budget Adjustments – 2023 to 2028

Appendix 2 – General Fund Capital Programme – 2023 to 2028

Appendix 3 - Housing Revenue Capital Programme – 2023 to 2028

Appendix 4 - Prudential Indicators 2023/24

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 2023/24 to 2027/28 – Council 01 March 2023

Housing Investment Programme 2023/24 to 2027/28 – Council 23 February 2023

Budget Revisions - October Executive		Revised 2023/24 Budget	Revised 2024/25 Budget	Revised 2025/26 Budget	Revised 2026/27 Budget	Revised 2027/28 Budget	Total 5 year Capital Budget
Capital Budget Reported to 22nd August Executive		£45,365,870	£32,781,810	£38,058,080	£29,287,400	£47,959,030	£193,452,190
1	Children's Services Bainsford PS (Modular unit) Grange PS (Fit out) St. Mungo's High School (3G Pitch replacement) School Meals Expansion (Grant funded 22/23) - 22/23 cfwd adj Sports Pavilions	4,150 5,000 21,100 373,000 949,680		(165,680)	(784,000)		4,150 5,000 21,100 373,000 -
2	Place Services - Invest Falkirk Falkirk Stadium wired from 820052 for Stadium toilet. Abbotsford House Brockville FFO Callendar Square (Acquisition/Compensation) Callendar Square (Demolition/Assembly) DEAR Energy Efficiency & Carbon Footprint Falkirk Town Hall HQ/Arts Centre - New Build Office Modernisation Fund Municipal Buildings Demolition Upgrade A80/M80 Slip Road	73,720 (450,000) 1,200,000 300,000 3,727,310 (1,050,000) 41,650 200,000 (200,000) 7,280	0 100,000 450,000 300,000 1,200,000 262,690 1,050,000 (3,000,000) 750,000 200,000 50,000	0 0 500,000 (3,290,000) (6,970,000) 14,000,000	0 0 (700,000) (15,567,000) 24,000,000	0 (21,000,000) 4,595,350	73,720 100,000 - 2,000,000 1,500,000 - - (46,495,350) 43,545,350 - 50,000 7,280
3	Place Services - Environmental and Operational Kinniel Kerse Landfill Restoration - to support the current restoration phase which is in its final stages of Road Safety Roads - Structural Works accelerated £250k 26/27 £250k 27/28 Street Lighting VRP - Vehicles funded by the Services	274,000 (70,000) 500,000 1,060 93,620	70,000	(138,000)	(136,000) (250,000)	(250,000)	- - - 1,060 93,620
4	Place Services - Growth, Planning and Climate Bruce Obelisk Place Based Investment Grant - virement re Municipal Buildings Demolition cost Callendar Park - Cycle Path Countryside Access Core Parks Improvements - future year reprofiling across 23/24 to 27/28 Herbertshire Castle Park - External funding & PG's Play Park Renewal Fund - EB Scotland grant Playparks Upgrades - Community Choices & others Playparks Upgrades - future year reprofiling across 24/25 to 27/28 Polmont Urban Wood Management Regeneration Fund per 1/3/23 council - infrastructure projects to be established	172,000 (700,000) 158,000 (9,910) (113,200) 75,440 40,000 183,900 - 159,550 1,000,000	9,910 (32,000) (26,000) 16,750	(83,000) (77,000)	114,100 53,000	114,100 50,000	172,000 (700,000) 158,000 - - 75,440 40,000 183,900 - 176,300 1,000,000
5	Adult Services (Social Work) Changing Places Toilets & Adult Changing Facilities - wired to 825033 - Stadium toilet. Changing Places - Toilets Day Care Review MECS - Alarm Installations - 22/23 Cfwd adjustment	(73,720) (632,680) (120) (11,000)	0 632,680 120	0	0	0	(73,720) - - (11,000)
6	Transformation, Community and Corporate Corporate ICT PC/Laptop Refresh Refresh PC Estate in Education - error in cfwd correction	(57,370) 100,000				57,370	- 100,000
TOTAL ADJUSTMENTS		6,292,460	2,034,150	3,776,320	6,730,100	(16,433,180)	2,399,850
TOTAL REVISED BUDGET OCTOBER EXECUTIVE		£51,658,330	£34,815,960	£41,834,400	£36,017,500	£31,525,850	£195,852,040

FALKIRK COUNCIL
GENERAL CAPITAL PROGRAMME - TOTAL SUMMARY 2023/24
1 Apr 2023 - 12 Sep 2023

GENERAL CAPITAL PROGRAMME - TOTAL SUMMARY 2024 to 2028

2023/24 Base Budget	Current 2023/24 Budget	Revised 2023/24 Budget	2023/24 Spend to date
£	£	£	£

Revised 2024/25 Budget	Revised 2025/26 Budget	Revised 2026/27 Budget	Revised 2027/28 Budget
£	£	£	£

EXPENDITURE

CHILDRENS' SERVICES
PLACE SERVICES - INVEST FALKIRK
PLACE SERVICES - ENVIRONMENT & OPERATIONAL SERVICES PROGRAMME
PLACE SERVICES - GROWTH, PLANNING & CLIMATE PROGRAMME
ADULT SERVICES (SOCIAL WORK)
TRANSFORMATION, COMMUNITY & CORPORATE
TOTAL EXPENDITURE 2023/24

6,725,000	6,076,380	7,429,310	2,773,925	6,069,200	6,955,000	2,138,000	16,593,000
8,336,000	13,331,570	17,181,530	3,159,078	12,243,690	17,350,000	24,504,000	4,937,350
11,300,250	11,029,380	11,828,060	4,415,350	9,238,400	8,386,400	8,403,400	8,699,400
2,274,470	7,468,950	8,434,730	1,981,755	3,235,660	5,871,000	641,100	638,100
1,077,580	1,506,110	788,590	99,982	2,011,010	226,000	246,000	246,000
6,464,440	5,953,480	5,996,110	1,065,697	2,018,000	3,046,000	85,000	412,000
36,177,740	45,365,870	51,658,330	13,495,788	34,815,960	41,834,400	36,017,500	31,525,850

RESOURCES

FALKIRK COUNCIL BORROWING
SCOTTISH GOV BLOCK GRANT
SCOTTISH GOV RING-FENCED GRANTS
CAPITAL RECEIPTS - PROPERTY SALES
EXTERNAL FUNDING
CFCR's & OTHER CONTRIBUTIONS
TOTAL RESOURCES 2023/24

26,448,740	30,275,860	34,972,660	25,380,210	17,679,400	25,436,500	16,494,850
5,563,000	6,061,000	6,061,000	5,708,000	10,511,000	9,788,000	9,788,000
3,086,000	7,795,790	7,795,790	1,174,000	7,104,000	263,000	263,000
530,000	530,000	530,000	30,000	2,530,000	30,000	2,600,000
550,000	703,220	1,205,260	2,523,750	4,010,000	500,000	2,380,000
0	0	1,093,620	0	0	0	0
36,177,740	45,365,870	51,658,330	34,815,960	41,834,400	36,017,500	31,525,850

FALKIRK COUNCIL
HOUSING CAPITAL PROGRAMME - TOTAL SUMMARY 2023/24
1 Apr 2023 - 11 Sep 2023

	2023/24 Approved Budget £	2023/24 Revised Budget £	Latest Forecast £	2023/24 Forecast with Fees Split out £	2023/24 Spend to Date £	Outturn Variance £
EXPENDITURE						
External Fabric Improvements	7,000,000	7,000,000	7,000,000	6,435,900	2,002,365	0
Windows & Door Replacement	15,000,000	15,000,000	15,000,000	15,000,000	7,043,311	0
Kitchen Renewals	3,200,000	3,200,000	3,200,000	3,200,000	384,119	0
Bathroom Renewals	825,000	825,000	825,000	825,000	0	0
Electrical Works	2,500,000	2,500,000	2,500,000	2,500,000	1,488,026	0
Replacement Heating	2,300,000	2,300,000	2,300,000	2,114,650	1,032,092	0
Replacement Gas Heating (Off Gas)	750,000	750,000	750,000	750,000	0	0
Replacement ASHP Heating (Off Gas)	1,500,000	1,500,000	1,500,000	1,500,000	1,373,706	0
Air Source Heat Pump for 3 Flats	2,000,000	2,000,000	2,000,000	2,000,000	0	0
Combined Heat & Power Extention	0	0	0	0	(5,000)	0
Glenfuir Court Cladding	1,500,000	1,500,000	50,000	50,000	14,908	(1,450,000)
Estate Improvements Landscaping Work	3,000,000	3,000,000	3,000,000	2,758,240	193,606	0
Other Priority Areas Investments	0	0	28,281	28,281	28,281	28,281
Health & Safety	350,000	350,000	350,000	321,790	23,662	0
New Build Housing	26,945,000	26,945,000	23,412,021	22,212,021	6,083,639	(3,532,979)
Property Buybacks	8,500,000	8,500,000	8,500,000	8,500,000	2,939,147	0
Gypsy / Travellers Site	0	0	3,092	3,092	3,092	3,092
LHS Initiatives	1,000,000	1,000,000	1,000,000	919,410	6,854	0
Internal Fees				2,300,010		
TOTAL EXPENDITURE 2023/24	76,370,000	76,370,000	71,418,394	71,418,394	22,611,809	(4,951,606)
RESOURCES						
Prudential Borrowing	65,675,000	65,675,000	57,669,302			
Energy Efficiency Grants (Off Gas)	976,000	976,000	976,000			
New Builds (SG Grant)	6,119,000	6,119,000	9,170,000			
Buy Backs (SG Grant)	3,600,000	3,600,000	3,600,000			
Travellers Grant	0	0	3,092			
TOTAL RESOURCES 2023/24	76,370,000	76,370,000	71,418,394			

PRUDENTIAL CODE INDICATORS FALKIRK COUNCIL [including TIF]

Prudential Indicators		Base Budget 2023/24	Revised Budget 2023/24	Comments
1.	Ratio of Financing Costs to Net Revenue Stream	3.95%	3.32%	Shows how much of the Council's income is committed to repaying debt arising from Capital investment.
2.	Gross Borrowing	£m	£m	This is a key Prudential Indicator which shows that over the medium-term external borrowing will only be for a capital purpose. These figures are based on the projections of capital expenditure provided by Services.
	Gross External Borrowing	432.5	367.4	
	Accounting Adjustment – Finance Lease Liabilities	<u>58.8</u>	<u>58.8</u>	
		<u>491.3</u>	<u>426.2</u>	
	Capital Financing Requirement (includes Housing)	478.3	473.0	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>67.9</u>	<u>67.9</u>	
		<u>546.2</u>	<u>540.9</u>	
3.	Capital Expenditure	£'m	£'m	Simply the approved 2023/24 Capital Programme and the 2023/24 proposed approved budget.
	GF	36.2	51.7	
	TIF	<u>0.00</u>	<u>15.8</u>	
		<u>36.2</u>	<u>67.5</u>	
				Note: the original budget figure excluded any slippage from 2022/23.

APPENDIX 4

Prudential Indicators		Approved Budget 2023/24	Proposed Revised Budget 2023/24	Comments
4.	Capital Financing Requirement (excludes Housing)	£m 247.6	£m 252.0	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 591.2 <u>58.8</u> <u>650.0</u>	£'m 591.2 <u>58.8</u> <u>650.0</u>	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 586.1 <u>58.8</u> <u>645.0</u>	£'m 586.2 <u>58.8</u> <u>645.0</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 and Treasury Management activities.
7.	Actual External Debt	£'m <u>N/A</u>		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.		

PRUDENTIAL CODE INDICATORS
HOUSING ONLY

Prudential Indicators		Budget 2023/24	Forecast 2023/24	Comments
1.	Ratio of Financing Costs to Net Revenue Stream	32.0%	28.9%	Shows how much of the Council's HRA income is committed to repaying debt arising from capital investment.
2.	Capital Expenditure	£76.4m	£71.5m	Simply the approved and forecast capital expenditure.
3.	Capital Financing Requirement	£298.6m	£288.9m	The Capital Financing Requirement reflects the underlying need to borrow for Housing Capital Investment.