PROJECTED FINANCIAL POSITION FOR THE YEAR 2023/24

Contents

MANAGEMENT COMMENTARY

This is the third reporting point in the year for the Council's finances, following approval of the budgets in March 2023. The full year budgets reflected in the table below differ from those set by Council in March 2023 for a number of reasons. This is normal practice during the year as virements are identified and budget responsibilities change.

The General Fund, Housing Revenue Account and Common Good are all forecast to deliver in line with budgets set for 2023/24, but this will not be without continued effort and action.

In common with previous years there are pressures on the organisation that emerge during the year and this year the Council continues to be impacted by the longer-term effects of the Covid pandemic, such as customer and citizen behaviours resulting in lower than expected income streams in some services. As reported to the Committee in June 2022, supply chain volatility [RES/22/131] is significant and continues to be present, and inflation remains at high levels.

Last year financial turmoil was experienced as government borrowing costs rose steeply following the mini budget delivered by the Chancellor in September 2022. The financial support and tax-cutting initiatives announced were substantially reversed and the rates since then have continued to reduce, however, it is clear that future borrowing is costing the Council more and this, combined with the challenges inflation and supply chain issues will make future capital investment more expensive.

Demand has continued to rise for our services this year, with attention being drawn to changes in our population, specifically rising school rolls, which are on the back of increased numbers of families in the city, whether through the dispersal and resettlement schemes, welcoming those fleeing harm and seeking sanctuary, and through the University schemes to attract international students to the City, with their families. Increased homelessness presentations are also affecting our finances with significant levels of temporary accommodation being needed.

At best there is a lag between rising population and funding, but with the core grant not increasing to take account of more demand or cost in the system then the redistribution of grant between local authorities means nobody receives what is needed to deliver the current level of services. Without the funding the alternative action, as seen over the last many years, is to reduce the cost of services and it is clear from the decisions made for 2023/24 budget that the savings are reducing services. They are also limiting the service standards that we can deliver and if the pressure described in Appendix 1 for the third quarter continues as expected for the foreseeable future, then this position will only get more difficult.

There is an underlying commitment from Senior Management to pursue options to mitigate cost pressures and to work with the Chief Officer – Finance to ensure the overall agreed budget is adhered to, however this is increasingly difficult.

Appendix 1 provides the Income and Expenditure Statement and Balance Sheet of the Council as at 31 December 2023. The forecast for the year is built on the information that was available at this time.

For the full year, 2023/24, the General Fund is forecast to be on budget however it must be noted that there are continuing actions and processes in place to support managers to continue to reduce, stop or delay expenditure that they can, in the remainder of the financial year.

<u>Payroll / Staff Costs:</u>

As part of our 2023/24 budget it was recognised that our payroll bill needed to reduce. The levers to deliver this was mainly turnover and through our current Voluntary Severance and Early Retirement (VSER) policy. Importantly managers are supported to redesign services with a reduction of resources as well as looking at automation and process improvements to remove work.

To monitor this, an Establishment Control Board (ECB) oversees all recruitment and VSER requests and monitors the level of people leaving the council (turnover) and people newly joining the council (new starts). Through this monitoring it has been evident that the turnover and new starts are almost balancing each other out meaning that we are not experiencing a reduction in our payroll costs. Furthermore, the number of staff seeking VSER, and subsequently being approved is less than was forecast or assumed in the budget.

To improve this position the Establishment Control Board continues to maintain these key controls:

1. Robust Recruitment Freeze. This will mean that only essential posts are recruited to when a vacancy arises.
2. Agency Freeze. The use of agency workers should only be used for a short-term need, on average up to 13 weeks. The ECB has implemented tighter controls where all agency requests must be supported by the relevant Chief Officer and then passed to the ECB for consideration. People and Organisational Development (P&OD) continue to monitor previously approved agency contracts to seek assurance that the council is only using agency for short term essential need.
3. Overtime Freeze. Overtime is currently approved at service manager level. Like 2. above, all future overtime requests now requires the support of Chief Officer. Overtime requests should only be used for emergency-type need where the resource requirement is not planned. Again, P&OD review current overtime usage and work with the business to ensure that it is being used effectively.

These 3 controls will be continually monitored for effectiveness and to ensure the payroll bill is reducing in line with our budget commitment. It is estimated that a net 200 to 250 resources, from a base of almost 8,000 employees, will not be replaced, to achieve the level of saving required.

<u>Essential Spend:</u>

The council has been operating in an environment of restricting discretionary spend for many months, if not years. This has been communicated to ‘requisitioners’ and ‘approvers’ at all levels within the organisation. Due to the continued uncertainty of the fiscal environment and the recognition of new service demand entering our system, further controls have been implemented to effectively manage non-essential spend and control additional spending resulting from unplanned demand.

To enable the Council to work towards achieving delivery of a balanced budget by 31 March 2024 the provisions are essential and necessary, in the face of the significance of the uncertainty arising from current known situational awareness and the continuing financial risks that exist.

General Fund

With reference to the table below, key areas of the budget that the Council is managing are as follows:

The high costs of gas and electric will affect all Council services to some degree. These forecasts are included in the table below.

It should also be noted that Council Services are feeling the impact of the increase in inflation on the costs of goods and services that they are purchasing.

As stated above, across the whole of the Council the planned reduction in the number of posts that are affordable is being managed through voluntary and natural turnover processes. The full value of the staff savings is still forecast to be below budget at this time however actions noted above continue to be implemented to continue to influence the full year position. Other savings are supporting balancing the budget, to counteract the situation.

Based on the forecasts for the year key highlights are as follow.

1. The main areas of pressure within Children's and Family Service are:

   - Higher than budgeted spend on Out of Authority Placements, spend has increased from previous years however this is mainly due to contract uplifts rather than the number of placements. Kinship placements are increasing which is increasing the pressure on this budget. Initial estimates indicated the additional funding awarded for the introduction of a Scottish Recommended Allowance (SRA) for kinship and foster carers will mitigate this however if numbers continue to increase this may not be the case.
   - Looking at demand, the Public Health restrictions of the last few years, downturn in the local economy and increased costs being experienced by families, is impacting on the needs of children and families. There is a notable rise in vulnerability and need and this is increasing demand for more specialist services. As would be anticipated, there is a level of need apparent in those seeking sanctuary in the city.
   - It is exceptionally difficult to predict ongoing demand with any certainty. Hotels can be secured for asylum dispersal schemes at short notice with limited information about the age and stage of those being placed locally. Services continue to be proactive in their response.

   For Education the service is managing a substantial increase in children that have arrived in the city. This continues to be driven by two factors: - the post-Covid increase of international students from other countries to the two Universities, who are bringing their families with them - there is evidence that this is now levelling off, and secondly the number of children (and families) in the city seeking refuge from Ukraine.

   - Also, within Education there are increased costs of the 3R's Schools unitary charge due to the inflationary uplift, also other contracts and long-term absence spend will be over budget for 2023/24, this is being closely monitored.
   - There is a risk that Early Years will not achieve the budgeted income from Cross Boundary Charging as the difference in the number of children between local authority areas is not as significant as anticipated.

- 2. The main areas of pressure within Resources are:
  - Commercial property trading account income has been revised to reflect current conditions, this will continue to be monitored closely and the Council may be affected by bad debt provisions at the year end. This includes the additional costs of energy for corporate facilities and, also the Energy Centre and AD Plant at The Events Complex Aberdeen, and related contracts.
  - Car Parking income was severely affected by the pandemic, and whilst it is now recovering it is not expected the budgeted income from parking permits will be achieved.
  - In Building Services there is a risk that the level of capital works will not increase with the focus being on void properties and response repair and maintenance, then the budgeted surplus may not be achieved this year.
  - Energy from Waste (EfW) gate fees are higher that budget mainly due to the price per tonne being higher than expected and Waste Disposal management fees are higher than budget largely due to annual contract increases.

- Facilities are experiencing significant staff overspend in the areas of cleaning, janitorial and catering costs.
- There is a risk that forecasts may be higher than budget within Fleet as a result of implementation issues of new software, Jaama.

3. The main areas of pressure within Customer are:

- Temporary accommodation (hotels, and bed and breakfast) is experiencing a significant rise in demand due to the cost of living crisis and this is being exacerbated by fewer people moving into permanent accommodation.
- There is a risk that the level of rental income from Homeless Flats will be lower than budget due to the levels of activity to the end of the quarter, this is offset by increased income levels for hostels.
- Digital and Technology are experiencing a cost pressure whilst transitioning to new contracts and increasing digital services.

4. The main areas of pressure within Commissioning are:

- Governance is expecting an under recovery of licencing income.
- For commercial services the Beach Ballroom are forecasting income to be lower than budget. They are now at 90% of their pre-covid trade and business growth continues at the Art Gallery with increasing venue hire activity the primary goal.
- It is expected that there will be an under recovery of income from planning & building applications due to current market conditions.

5. The main areas of pressure within Integrated Joint Board (IJB)/Adult Social Care are:

- An uplift of 6% for 23/24 was agreed for care home providers that run care homes under the national care home contract. This was higher than anticipated when the budget was set at the beginning of the year. There is a risk that care home costs will be overspent unless there is a reduction in client numbers.
- There is a risk that the commissioned services & direct client payment budgets might not be sufficient to cover any agreed contract uplifts.
- There is a risk that income from clients' care packages may not be received in full.
- Scottish Government may claw back unspent covid reserves from IJBs in 2023/24.
- The numbers of direct payments to clients may rise. Capacity is gradually starting to increase however there is a risk that the number of new clients requiring care exceeds the financial capacity.

In recognition of Scottish Government funding being provided to support the 2023/24 pay award an adjustment will require to be made to reflect the additional cost for IJB staff. This adjustment will be agreed between Chief Finance officers in the final quarter and included in the Quarter 4 report.

6. Miscellaneous Services includes capital financing costs, the cost of repaying the borrowing received in the past for General Fund Capital Programme investment. Capital Financing Costs is the most significant budget within Miscellaneous Services and includes the impact of accounting for loans fund repayments on a prudent basis, approved by the Audit Risk and Scrutiny Committee in April 2019.

As highlighted above, and in Appendix 1, the financial turmoil recently has only exacerbated the rising cost of borrowing, the cost of capital investment will rise from previous forecasts due to the current economic environment, with borrowing rates up at levels last seen a decade ago, high inflation – above Government and Bank of England targets – and supply chain volatility.

Misc Services now includes the saving of £4.6m against the capital financing budgets or principal and interest and is reflective of total borrowing costs and slower than expected capital expenditure.

The bad debt provision has been updated to take account of latest data. This budget sits within Miscellaneous Services and is under regular review. The council reinstated income recovery processes in 2021 following deferral of action due to the pandemic and there has subsequently been a reduction in the level of debt.

7. The corporate saving for a reduced teaching workforce is captured in the "Corporate Budgets". The full value of the staff savings is forecast to be above budget, and mitigates the additional spending on non-teaching workforce in Children and Family Services.

   At the end of the quarter the pay negotiations for non-teaching staff were resolved after revised offers were made, Unison members were balloted and strike action was suspended. COSLA confirm the pay award through an Industrial Relations circular. The Council implemented the pay award in the December payroll and the figures in Appendices 1 and 2 reflect this.

   This has now provided certainty to our Quarter 3 forecasts and also crystalised the funding that is to be provided from Scottish Government to support the pay negotiations. The actual costs and income have determined how much additional funding the Council must fund as part of the final pay offer, any additional funding has been met from the Contingencies budget and as agreed by COSLA Council Reserves, this element of which will be reimbursed by the Scottish Government in 2024/25.

   Contingencies also holds the in-year revenue contingency for the General Fund and the forecast includes the use of that contingency in the remainder of the year. That does not stop future unplanned events taking place or from implications arising from the risk registers and, where identified, contingent liabilities becoming more certain (see Appendix 1). It means at this stage that the Council relies on the strength of its balance sheet to address future unknown costs.

8. Council Expenses include the budgets for all councillors' costs, including salaries and expenses. These are forecast to be on budget.

9. The Joint Boards budget and forecast outturn is based on the amount requisitioned by Grampian Valuation Joint Board. This is currently forecast be below budget as a result of a refund issued for 2022/23.

10. The Non-Domestic Rates figure is set by the Scottish Government as part of its overall funding support package rather than the amount billed and receivable by the Council. The forecast amount receivable by the Council is in line with Government distribution information.

11. The General Revenue Grant is set by the Scottish Government as part of its funding support package for Local Government. This is regularly updated to account for the redeterminations that are allocated to Local Government after the approval of the Scottish Budget. Funding for these allocations is paid to Councils in March.

12. Council Tax income is forecast to be on budget for 2023/24 based on collection levels in 2022/23.

13. Use of Reserves. The Council approved in its 2023/24 budget that a sum of £9.072m will be used from Service Concession and other earmarked General Fund reserves to fund the budget.

Housing Revenue Account

14. The overall HRA budget is balanced however there are several areas of unsustainability. These are the continued rising costs of repairs and maintenance from materials and staff costs also the level of voids. The higher costs in these areas will be further offset by a reduced contribution to Capital from Current Revenue (CFCR). The 2024/25 HRA Budget on 14 December 2023 agreed a rental increase of 4.7% lower than the officer recommendation of 8.8% which was required to sustain the current level of services. Due to the sustained increase in repairs and maintenance in 2023/24 it is likely in 2024/25 we may need to consider for example, time taken to respond to repairs and maintenance, cleaning of multi storey buildings, ground maintenance frequency as well as consideration of the minimum letting standard.

Earmarked Reserves

As at 1 April 2023 the Council held c.£92m of earmarked reserves across the General Fund and HRA and expenditure is estimated to be incurred over a period of years.

Expenditure in relation to the delivery of other specific projects, funded by the earmarked reserves is not included in the figures in the tables above, the expenditure being set against the finite reserves held at the start of the year. As an example, the Council expects to continue to incur expenditure from the Transformation Fund in 2023/24 progressing the digital programme of transformation.

The other significant earmarked reserves to draw attention to at this time are the Refugee Funding (£18.046m) to support the work and activities we deliver for through the dispersal and resettlement schemes; and the Joint Venture (ASV) Revaluation Surplus (£11.216m), which is not cash backed and reflects the increased value of the Council shares of the Sports Village following asset revaluation.

Also notable is the Second & Long-term Empty Properties (Affordable Housing) reserve (£10.733m), which is underpinned by legislation. Expenditure in 2023/24 will depend on the progress with a number of developments including Cloverhill, and the amount of Scottish Government funding and Section 75 income (developers' contributions) to be used as this funding is time limited, these funds support the delivery of additional social housing by the Council.

The earmarked Covid-19 Grants (£6.669m) are for areas such as Education, income shortfall and general support to Council services. It is anticipated that much of this funding will be fully utilised to fund the employment of additional teachers, support staff within Education, support income shortfalls in such areas such as car parking and commercial properties, essentially using the general sums available to balance the budget should a deficit remain at the end of the financial year– and this is subject to action being taken to reduce, stop and delay expenditure in the second half of the year.

Balancing the Budget through Controls and Monitoring Structures

Drawing attention again to the points made in the introduction about Payroll/Staff Costs and Essential spend controls, specific actions that will continue, to manage spending and work towards reducing the operating deficit include:

- Further instruction to all budget holders to reduce, stop or delay expenditure wherever possible to reduce the outturn position.

- Ongoing review and analysis of the national dispersal and resettlement programmes on council budgets.
- Ongoing review and scrutiny of the out of authority placements for children by the Chief Officer – Integrated Children's Services.
- Specific work in relation to the Service Income policy to ensure full cost recovery is achieved from a range of services that the Council delivers, such as support services, housing services, accommodation and building services.
- Monitoring and management of council long-term debt in light of the agreed policy and capital spend forecasts for 2023/24.
- The voluntary severance / early retirement scheme is how the Council has incentivised workforce reductions. The scheme has been recently promoted to staff in order to further reduce the ongoing cost of staff and to support the affordability of the Council's budget going forward. This is an expensive scheme, funding must be found and accounted for up front from revenue resources. For the last few years, it has been permitted, by Scottish Government Ministers, for Local Government to use Capital Receipts to fund this revenue cost. This scheme expired at 31 March 2023. With effect from 2023/24 it is intended that this scheme will be financed by the Scottish Government's financial flexibility to amend service concession payments in their accounts. To maintain robust financial controls, and with such tight financial constraints on the funding of the scheme, consideration should be given to the parameters of the current scheme.
- Closure of small financial assistance grant scheme (honouring commitments already made).

To ensure tight controls are in place over expenditure, management have created the following control boards, through which requests to spend must be cleared:

The Demand Management Control Board captures the commissioning and procurement intentions for revenue expenditure as they arise and provides an environment for demand-based challenge – this is co-chaired by the Chief Officers for Early Intervention & Community Empowerment and Data & Insight.

Similarly, the Capital Board oversees the progress and emerging aspects of capital planning and delivery, but also connects to the asset elements of the revenue budget and capital financing requirements – this is chaired by the Chief Officer for Capital.

The Performance Board has oversight of the financial performance reporting, this is co-chaired by the Directors of Children & Family Services and Resources and brings together the emerging and escalated issues from overall Council performance and agrees actions.

Balancing the Budget through the monitoring and control of risks.

Risks are reviewed on a regular basis at a strategic level by the Risk Board on a monthly basis and at an operational level by Chief officers and their teams daily.

The emerging risks from demand and costs and the challenge to balance the budget should be having an impact on those operational risk registers and the corporate Management Team expect where appropriate that these risks are escalated to the Corporate Risk Register, along with the potential impacts and means of mitigation.

The spectrum of difficulty that has been described as widening signals that risks are going to change and that the likelihood and impact of those risk are going to rise. The Council should be expecting to see this and to be asked to take appropriate action to mitigate them as they are identified.

The main risks to the Council are now the cost of living crisis, the rise in the number of people in the city through resettlement and refugee schemes and studying in the city from abroad. Also, the high inflation level and extremely high increases experienced in the cost of energy supplies remain significant risks as these will continue to have a substantial impact on Council services.

It is predicted that the increased cost of supplies and services in the trades maybe a significant risk in areas such as Building Services and Roads.

Contingent Liabilities are noted to try and capture potential liabilities which could result in costs being incurred in the future. As part of the budget process, contingent liabilities are reviewed and described within the budget pack presented to Council. The Corporate Management Team continues to monitor the status of these. A review of the contingent liabilities, listed in Appendix 1, has not established any significant shift in certainty or in the Council's ability to quantify the financial exposure. On that basis there is no adjustment included in the forecasts for the year, they will continue to be reviewed quarterly and any change reported as appropriate.

Conclusion

Based on the information available, and set out in this report, the forecast for the overall position of the General Fund is a balanced budget, with key actions continuing as described to reduce the payroll/staff costs across the Council and also the cost of our supplies and services during the remainder of this year. Any deficit that emerges later in the year, the Council will have to rely on unused contingencies and the availability of funding from the Balance Sheet in the form of earmarked reserves.

The Housing Revenue Account is also in a balanced position, and this is captured in the tables set out below.

General Fund Financial Reporting Summary 2023/2024 - Quarter 3

As at 31 December 2023	Budget 2023/2024	Outturn 2023/2024 Quarter 3	Variance from Budget		Notes
	£'000	£'000	£'000	%	
Children & Family Services	243,480	258,810	15,330	6.3	1
Resources	58,771	64,870	6,099	10.4	2
Customer	47,079	46,831	(248)	(0.5)	3
Commissioning	20,131	22,262	2,130	10.6	4
Integrated Joint Board	120,787	120,787	0	0.0	5
Total Functions Budget	**490,248**	**513,560**	**23,312**	**4.8**	
Miscellaneous Services	74,440	57,981	(16,459)	(22.1)	6
Contingencies	7,106	4,035	(3,071)	(43.2)	7
Council Expenses	1,549	1,557	7	0.5	8
Joint Boards	1,952	1,763	(189)	(9.7)	9
Total Corporate Budgets	**85,048**	**65,336**	**(19,712)**	**(23.2)**	
Non Domestic Rates	(257,797)	(257,797)	0	0.0	10
General Revenue Grant	(170,518)	(170,518)	0	0.0	11
Government Support	**(428,315)**	**(428,315)**	**0**	**0.0**	
Council Tax	(137,908)	(137,908)	0	0.0	12
Local Taxation	**(137,908)**	**(137,908)**	**0**	**0.0**	
Contribution from Reserves	(9,072)	(12,672)	(3,600)	39.7	13
Contribution from Reserves	**(9,072)**	**(12,672)**	**(3,600)**	**39.7**	
Deficit/(Surplus)	**0**	**(0)**	**(0)**	**0.0**	

Housing Revenue Account Summary 2023/2024 - Quarter 3

Deficit/(Surplus)	**(500)**	**(500)**	**0**	**(0)**	**14**

General Fund Capital Programme

During Quarter 3 2023/24, three existing capital projects secured external funding to support delivery:

- Up to £0.121 million from the Scottish Government to invest in the new Bairns Hoose;
- £0.120 million from Cycling Scotland to support creation of additional cycle lockers;
- £0.025 million from the Scottish Environment Protection Agency to progress studies for the Denburn Restoration project.

	2023/24			
As at Period 9 2023/24	**Revised Budget for Year £'000**	**Actual Expenditure for Year £'000**	**Forecast Outturn £'000**	**Outturn Variance from Revised Budget £'000**
AECC Programme Board	3,140	47	140	(3,000)
Asset Management Programme Board	77,357	19,658	42,478	(34,879)
Asset Management Programme Board Rolling Programmes	26,604	19,243	25,899	(705)
City Centre Programme Board	33,723	8,365	11,204	(22,519)
Energy & Climate Programme Board	48,234	15,920	20,211	(28,023)
Housing and Communities Programme Board	2,801	807	1,322	(1,479)
Housing and Communities Programme Board Rolling Programmes	754	637	754	0
Transportation Programme Board	21,936	6,697	11,612	(10,324)
Transportation Programme Board Rolling Programmes	1,335	520	1,335	0
Strategic Asset & Capital Plan Board	22,028	2,136	5,256	(16,772)
Strategic Asset & Capital Plan Board Rolling Programmes	3,901	2,752	3,901	0
Developer Obligation Projects & Asset Disposals	0	236	131	131
Total Expenditure	**241,813**	**77,017**	**124,243**	**(117,570)**
Capital Funding:				
Income for Specific Projects	(78,040)	(19,716)	(45,823)	32,217
Developer Contributions	0	(126)	(131)	(131)
Capital Grant	(26,038)	(23,977)	(26,038)	0
Other Income e.g. Borrowing	(137,735)	(33,199)	(52,251)	85,484
Total Income	**(241,813)**	**(77,017)**	**(124,243)**	**117,570**

Profiling of project budgets and forecasting of outturns remains challenging given the wide range of factors continuing to affect construction supply chains. Cost inflation is only now beginning to reduce from the highest experienced in several decades. As such the forecast outturns quoted above represent a point in time and there is a strong probability they will be subject to change as the financial year progresses and additional information becomes available. Opportunities exist to review the overall programme for affordability as business cases for new project budgets approved in March 2023 continue to be developed and presented to Capital Board.

Further details of these factors were included in the report Supply Chain Volatility – RES/22/131 presented to the City Growth and Resources committee on 21 June 2022, and remain relevant.

The programme reprofiling approved by the report RES/23/284 – Capital Programme Delivery: Projects Update, at Finance and Resources committee on 13 September 2023 is included in this update. A further reprofiling update will be prepared for the Council's 2024/25 budget, and presented in the reports for Council Budget day.

Quarter 3 2023/24 includes significant progress on several projects. Practical Completion of the new Greyhope Primary School and Community Hub was achieved on 9 October 2023, and the school opened to pupils after the October holidays. The Energy from Waste (EfW) facility achieved its Acceptance Certificate on 12 December 2023, and formally moved into the 20 year Services (operations) phase of the contract. Council resolved to proceed with the replacement Hazlehead Academy at its current site and the replacement school was accepted into the Scottish Government's Phase 3 Learning Estate Investment Programme (LEIP). Also the refurbishment of St Peters RC Primary on the Old Aberdeen House site, both schools are subject to updating the relevant budgets as part of the Council budget process for 2024/25. It was also resolved to refurbish and re-open Bucksburn Swimming Pool.

Works continue on the new Tillydrone Primary and neighbouring Cruyff Court, the new North East Shared Mortuary facility, expansion of Torry Heat Network, the Roads, Fleet and Buildings rolling programmes, and the Council's Digital Transformation programme.

Housing Capital Programme

Spend remains low on the regular programme due to a shortage of resources in the design team and the prioritisation of work on voids continuing to shift resources from capital to revenue works.

Out-turn for the New Homes Programme has been reduced to reflect the cashflow on the projects provided for the 24/25 budget process, this does not mean there is reduced spend rather spend pushed to future years.

There remains uncertainty if any further Affordable Homes grants will be received in 23/24 from the Scottish Government, this will depend on the acceptance of the exception to Fair Work First.

CFCR out-turn has been amended to reflect the pressures experienced by the revenue account, this has not impacted on the borrowing due to the reduced overall spend.

Housing Capital Programmes	**Approved Budget**	**Expenditure to date**	**Forecast Expenditure**	**Variance from revised budget**
As at 31 December 2023	**£'000**	**£'000**	**£'000**	**£'000**
Compliant with the tolerable standard	1,816	1,393	1,600	(216)
Free from Serious Disrepair	17,694	6,087	9,100	(8,594)
Energy Efficient	15,094	5,665	6,600	(8,494)
Modern Facilities & Services	15,268	6,792	7,900	(7,368)
Healthy, Safe and Secure	7,112	4,069	5,100	(2,012)
Non Scottish Housing Quality Standards				
Community Plan and Local Outcome Improvement Plan	9,648	5,853	9,648	0
Service Expenditure	7,544	3,327	7,544	0
2000 New Homes Programme	93,439	49,508	62,202	(31,237)
less 11% slippage	(8,600)		0	8,600
Net Programme	**159,015**	**82,695**	**109,694**	**(49,321)**

Capital Funding				
Borrowing	(127,078)	(70,160)	(83,694)	43,384
Other Income - Grants Affordable Homes etc	(21,000)	(9,281)	(21,000)	0
Capital Funded from Current Revenue	(10,937)	(3,254)	(5,000)	5,937
Total	(159,015)	**(82,695)**	**(109,694)**	**49,321**

Prudential Indicators

The Prudential Code For Capital Finance in Local Authorities - 2022/23 to 2028/29

From 1 April 2004, Councils are required by Regulation to have regard to the Prudential Code (the Code) when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003.

In setting the revenue and capital budgets, members will be aware that under the Prudential Code, the level of capital investment is determined locally. Therefore, these indicators will be reviewed on an ongoing basis to ensure that the Council does not breach the indicators it sets.

The key objectives of the Code are to ensure: -

- The Council's capital programmes are affordable, prudent and sustainable.
- Treasury management decisions are taken in accordance with good professional practice.

The Code also has the objectives of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

In setting the indicators, cognisance should be paid to the level of capital investment looking ahead for a five-year period, for both the housing and non-housing capital programmes that the Council wishes to embark upon. The Code also requires that the underlying requirement to finance PPP projects and finance leases be included when setting the indicators.

The Code requires the following Prudential Indicators to be set for the Council:

Capital Expenditure							
	22/23	**23/24**	**24/25**	**25/26**	**26/27**	**27/28**	**28/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Non HRA	128,126	124,243	93,663	132,376	114,087	85,146	59,825
HRA	114,447	109,694	123,050	119,592	97,780	72,752	74,105

Ratio of Financing Costs to Net Revenue Stream							
	22/23	**23/24**	**24/25**	**25/26**	**26/27**	**27/28**	**28/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Non HRA	6.9%	9.5%	10.9%	9.3%	9.3%	9.0%	8.8%
HRA	10.7%	9.9%	15.0%	12.1%	14.6%	19.4%	19.0%

Capital Financing Requirement							
	22/23	**23/24**	**24/25**	**25/26**	**26/27**	**27/28**	**28/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Non HRA	1,237,598	1,272,630	1,312,945	1,391,827	1,458,223	1,488,347	1,494,803
HRA	362,414	443,337	536,370	629,320	716,701	782,972	851,936
Total	**1,600,012**	**1,715,967**	**1,849,315**	**2,021,147**	**2,174,924**	**2,271,319**	**2,346,739**

Gross Borrowing							
	22/23	23/24	24/25	25/26	26/27	27/28	28/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Borrowing	1,422,086	1,543,769	1,681,858	1,856,931	2,016,793	2,119,797	2,202,099

The Prudential Code states: "In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Chief Officer - Finance reports that the Council met this requirement in 2022/23 and it is expected to do so for the future years, as outlined, taking into account current commitments, existing plans, and the assumptions in this report.

Authorised Limit for External Debt							
	22/23	23/24	24/25	25/26	26/27	27/28	28/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Operational Boundary	1,604,965	1,720,920	1,854,268	2,026,100	2,179,877	2,276,272	2,351,692
10% Margin	160,497	172,092	185,427	202,610	217,988	227,627	235,169
Total	**1,765,462**	**1,893,012**	**2,039,695**	**2,228,710**	**2,397,865**	**2,503,899**	**2,586,861**

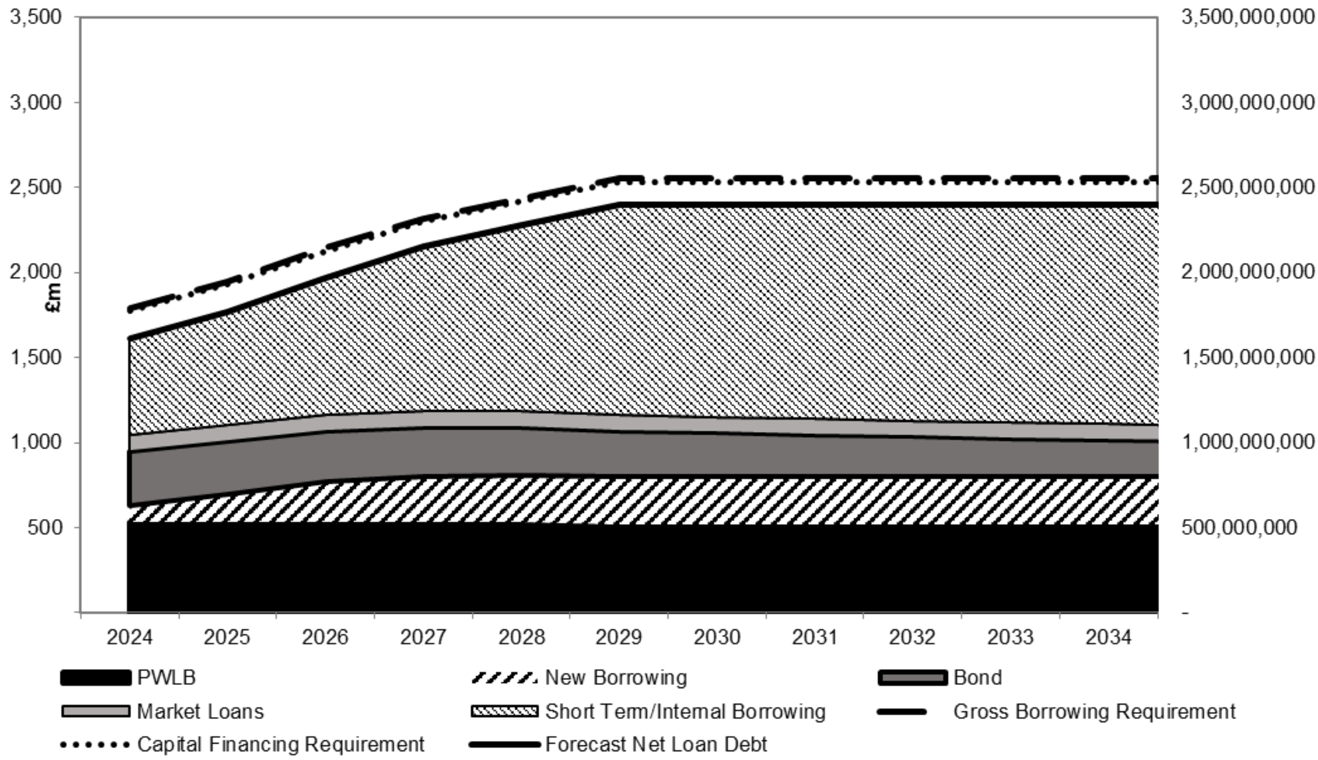
Operational Boundary for External Debt							
	22/23	23/24	24/25	25/26	26/27	27/28	28/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Borrowing	1,422,086	1,543,769	1,681,858	1,856,931	2,016,793	2,119,797	2,202,099
Other Long Term Liabilities	182,879	177,151	172,410	169,169	163,084	156,475	149,593
Total	**1,604,965**	**1,720,920**	**1,854,268**	**2,026,100**	**2,179,877**	**2,276,272**	**2,351,692**

The latest version of the Prudential Code for Capital Finance in Local Authorities introduced a new indicator – the Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream.

The Code defines Commercial Investments as investments taken or held primarily for financial return and not linked to treasury management activity and Service Investments as those directly involved in the delivery of a service, for example, loans to leisure providers, loans to trusts providing services, a shareholding in a shared service vehicle, and investments in local companies for regeneration.

As the Council has no investments that fall into these categories, there is no requirement to report this indicator.

The latest version of the CIPFA Treasury Management in the Public Services code requires the reporting of an additional treasury management indicator known as the Liability Benchmark. The liability benchmark (shown below) is a comparison of existing borrowing levels against future capital financing requirements from both committed and planned future borrowing over the next ten years.



Common Good

As at 31 December 2023	Full Year Budget 2023/24 £'000	Full Year Forecast Expenditure £'000	Variance from Budget £'000
Recurring Expenditure	4,263	4,161	(103)
Recurring Income	(5,088)	(5,290)	(202)
Budget after Recurring Items	**(825)**	**(1,129)**	**(304)**
Non Recurring Expenditure	825	825	0
Non Recurring Income	0	0	0
Net (Income)/Expenditure	**(0)**	**(304)**	**(304)**
Cash balances as at 1 April 2023	**(37,384)**	**(37,384)**	
Net Expenditure from Income & Expenditure	(0)	(304)	(304)
Investment Revaluation (Increase)/Decrease	0	389	389
Net Capital Receipt	0	(3,243)	(3,243)
Cash Balances as at 31 March 2024	**(37,384)**	**(40,543)**	**(3,159)**

Notes

- Operationally the Common Good is forecast to be under budget as at 31 December 2023.

- The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021 has now been implemented. The value of the investment may fall as well as increase, this will be reported quarterly. As at 31 December 2023 the value of the investments was £23.756m, an increase in the quarter of £0.744m. Cash balances will be affected by this change as will the overall Net Value of the Common Good.

- The investment with Fidelity remains a long-term investment and should be measured over a 3 to 5 year period.

- Income levels expect to be maintained and the budgeted income achieved.

- Recurring expenditure is generally forecast to be above budget, with events proceeding as expected this year, and grants payable throughout the year to the wide range of approved organisations.