Dudley Metropolitan Borough Council

Agenda Item No. 8

Meeting Of the Cabinet – 8th February 2012

Joint Report of the Chief Executive and Treasurer

Capital Programme Monitoring

Purpose of Report

1. To report progress with the implementation of the Capital Programme.

2. To propose amendments to the Capital Programme.

3. To propose the "Prudential Indicators" as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.

4. To propose the Council's Minimum Revenue Provision (MRP) Policy for 2012/13.

Background

5. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

Service	2011/12 £'000	2012/13 £'000	2013/14 £'000
Public Sector Housing	41,912	0	0
Other Adult, Community & Housing	6,735	7,230	1,280
Urban Environment	19,337	21,693	13,057
Children's Services	22,623	10,965	4,092
Corporate Resources	1,877	1,724	636
Chief Executive's	414	477	0
TOTAL	**92,898**	**42,089**	**19,065**

Note that the capital programme for future years is in particular subject to government grant allocations, some of which have not yet been announced. There is a report on the proposed Public Sector Housing capital programme elsewhere on this agenda.

6. In accordance with the requirements of the Council's Financial Regulations, details of progress with the 2011/12 Programme are given in Appendix A. It is proposed that the current position be noted, and that budgets be amended to reflect the reported variances.

Adult, Community and Housing

Disabled Facilities Grants

7. The Council has been allocated further Government grant funding of £132,000 for the above in 2011/12. It is proposed that this be noted and the associated expenditure included in the Capital Programme.

Urban Environment

Street Lighting - Energy Saving Programme

8. Following a successful trial of a number of new street lighting types at Priory Estate, Dudley in the Lighting Showcase Project, it is proposed to:

- undertake a major replacement of the Council's street lighting luminaire (light unit) installation to utilise a different light source than that currently used, which will also save on energy and maintenance costs;
- acquire a computerised Central Management System (CMS) which can be used to better control street lighting to save energy and eliminate some maintenance activities.

The initial scenario envisaged introduction of the CMS and new lighting gradually over a period of years. However as a result of recent developments – in particular the Carbon Reduction Commitment Energy Efficiency (CRCEE) scheme, effectively a 'carbon tax', together with the ongoing instability in energy costs – a major replacement of the most inefficient lighting units is now considered to be a more cost effective approach.

This would include a combination of conversion of existing light units where possible, replacement of those light units unsuitable for conversion and retaining the existing street lighting columns (with adaptation where necessary). The replacement equipment would also carry a dimming module to allow the luminaire to be dimmed by the CMS if and as required. In total around 27,800 units (87% of the Borough total) would be converted or replaced. These are the units that will become more energy efficient by their conversion/replacement.

The costs of the scheme are estimated to be:

£000	
CMS System, including telecells and dimming modules	1,500
Equipment for conversion/replacement of existing luminaries	3,504
Adaptation of existing lighting columns to take new equipment	50
Total	**5,054**

To be funded by:

£000	
Existing Street Lighting Capital budgets*	2,618
Prudential Borrowing	2,436
Total	**5,054**

* This would leave £400,000 to replace dangerous lighting columns in 2012/13

The revenue cost of the Prudential Borrowing can be met from existing budgets for the replacement of luminaires.

It is anticipated that the project will deliver ongoing net savings of around £150,000 per annum. When these savings are achieved, it is intended to seek subsequent approval to replace the remaining 4,100 luminaires at an estimated cost of £816,000 via further Prudential Borrowing. Whilst this would not of itself realise energy savings, as the luminaires concerned consume less energy than their planned replacements, better control via the CMS would generate the savings needed.

The lighting produced by the replacement luminaires would be to a much better standard and quality than at present for the whole replacement installation.

Following the energy saving programme works, it is intended to continue with a programme of lighting column replacement which is necessary for public safety. In addition to any funding made available by the Department for Transport under the Local Transport Plan, the savings realised by using the CMS would generate further resources to fund lighting column replacement, as well as new provision of lighting following resident requests in areas listed on the Street Lighting Improvement Requests Register and currently awaiting funding.

Salt Barn and Green Waste Facility – Lister Road

9. For some time there have been a number of environmental and other concerns relating to the winter road salt storage facility at Lister Road Depot, and the handling and storage of Street Cleansing and bio-degradable “Green" Waste.

The salt storage facility is currently in the form of an open stockpile on a concrete slab, with a potential adverse impact on ground and water environments. In addition the corrosive nature of road salt adversely impacts on the Council’s motor vehicles in the proximity.

The current method of storage of Street Cleansing waste (road sweepings) is unsatisfactory, with flooding and drainage contamination a regular feature, resulting in high maintenance requirements.

The Council currently delivers its collected “green” waste to an external waste transfer facility. This arrangement will terminate in October 2012. Current operational arrangements are not ideal with site congestion, traffic delays, lost time and other inefficiencies, including excessive fuel use as a result.

An opportunity exists to resolve the concerns relating to these three service areas, and ensure all relevant standards are complied with, in one integrated solution at Lister Road Depot, through the re-design and development of the existing highways compound. Any proposal for the development of these new facilities at Lister Road will require full planning permission.

The estimated capital cost of £1,000,000 could be funded via prudential borrowing over the design life of the building, 25 years, repaid using the forecast annual operational savings.

For the recently completed Blowers Green Recycling depot project a competitive procurement process was adopted which involved seeking tenders from Civil Engineering Contractors of known provenance. All Contractors were selected based on their proven track record and ability to be competitive whilst having the capability to deliver a quality project. It is proposed that the same group of Contractors is invited to tender for this project.

It is proposed that subject to obtaining planning permission, the provision of Salt Barn and Waste Transfer building facilities and related works at Lister Road Depot be approved and included in the Capital Programme.

Children’s Services

<u>Main Grant Allocations 2012/13</u>

10. The following grant funding has been allocated to the Council for Schools capital investment.

	£m
Devolved Capital. This will be allocated to projects by schools on the basis of their own priorities.	0.842
Capital Maintenance. This will be allocated on the basis of priorities with regard to health and safety issues, building condition surveys and access needs.	4.292
Basic Need - New Pupil Places. This will be allocated to specific projects following appropriate consultation and evaluation of options.	1.017
Total	**6.151**

It is proposed that the allocations be noted, and the associated spend included in the Capital Programme.

Urgent Amendments to the Capital Programme

Disabled Facilities Grants 2011/12

11. Disabled Facilities Grants (DFGs) are mandatory grants awarded to disabled people to fund adaptations to enable them to remain living in their own homes. Such adaptations include level access showers, stairlifts, external ramps or ground floor bedroom / bathroom conversions. The Council receives an annual grant from the Department for Communities and Local Government (DCLG) which contributes to the costs of these adaptations. Dudley's grant allocation for 2011-12 is £2.012m, and the overall budget is currently £2.079m.

The Council also has a programme to undertake similar adaptation works for council tenants as part of the Public Sector Housing capital programme. The current budget for 2011-12 is £2.563m.

For 2011-12, the Council has received £4.3m from the Primary Care Trust (PCT), transferred to support adult social care. Various conditions attach to this funding, but one of the eligible funding streams relates to faster discharge from hospital and prevention of admission to hospital. Adaptation work can clearly contribute to both these objectives, by reducing the risk of injury, particularly falls, and by making it possible for patients to return home earlier to a suitably adapted property.

It was proposed that £500,000 of the PCT funding be added to the Council's Capital Programme for the financial year 2011-12, of which £300,000 will support Disabled Facilities Grants (DFG) and £200,000 Public Sector Housing Adaptations, on works that comply with the PCT's conditions relating to this funding.

In addition, it was proposed that a further £300,000 be transferred in 2011-12 to support DFGs from adult social care revenue resources. This will also support earlier discharge from hospital and will enable people to remain in their own homes for longer.

In order to facilitate the expenditure in the current financial year, a decision (ref. DACHS/02/2012) was made by the Leader of the Council in consultation with the Treasurer on 13th January 2012 that resources of £600,000 for Disabled Facilities Grants (DFG) for the financial year 2011-12 and £200,000 for Public Sector Housing Adaptations be added to the Council's Capital Programme.

Regent House

12. The refurbishment of Regent House, King St. Dudley will facilitate the co-location of the Council's HR and Organisational Development Division as the pathfinder phase of the 'Transforming Our Workplace' project. This project will see the Council commence the wider rationalisation of unsuitable office sites within Dudley Town Centre to generate revenue savings. The total cost of the project of £550,000 can be funded from income provided by PSP Dudley LLP to the Council prior to the disposal of surplus office sites in Dudley Town Centre.

In order to complete this initial phase of the project and relocate HR staff, the refurbishment of Regent House needed to commence as soon as possible. A decision (ref. DCR/03/2012) was therefore made by the Leader of the Council in consultation with the Treasurer on 26th January 2012 that the refurbishment of Regent House be included in the Capital Programme.

Post Completion Review of Capital Projects

13. The Post Completion Review required by Contract standing orders has now been undertaken for the following scheme, with a copy of the proforma summarising the review attached at Appendix B.

Urban Environment
A463 Hurst Rd and Shaw Rd, Coseley - Resurfacing
A463 Gospel End Road, Sedgley – Resurfacing
A457 Sedgley Road, Woodsetton - Resurfacing

Children's Services
Hurst Green Primary School – New Sports Hall

It is proposed that these be noted.

The CIPFA Prudential Code for Capital Finance in Local Authorities

14. The Local Government Act 2003 introduced a system of "prudential borrowing" which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.

15. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix C. These reflect the introduction of HRA self-financing from 2012/13, and also the need to borrow in 2011/12 to finance the Council's required contribution to the national settlement.

Minimum Revenue Provision (MRP) Policy Statement

16. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of non-HRA borrowing incurred to fund Capital expenditure, in respect of that financial year. (There is no requirement to make MRP in respect of HRA borrowing.)

17. In line with the current policy, it is proposed that the Council agrees the following MRP Policy for 2012/13 as follows. This is unchanged from the 2011/12 Policy.

- For unsupported borrowing to fund capital expenditure incurred from 1st April 2008 onwards, MRP be calculated on the basis of equal instalments or annuity as appropriate over the initial estimated life of the assets - the "Asset Life" method. And in respect of "PFI" schemes and other Finance Leases etc., MRP be calculated on a basis equivalent to the principal element of the unitary/lease payments. This would also apply to such expenditure incurred before 1st April 2008 but only subsequently included on the Balance Sheet as a result of changes to accounting arrangements. *(This means that such borrowing and other credit arrangements will be repaid over the life of the assets for which it was incurred, matching the costs with the benefits received.)*

- For all supported borrowing, and unsupported borrowing to fund capital expenditure incurred before 1st April 2008, MRP be calculated on the basis of the previous regulations - the "Regulatory Method". *(This means that supported borrowing will mainly be repaid to match the support received from the Government as part of the Formula Grant calculation, and that unsupported* *borrowing will be repaid as was anticipated when it was incurred, avoiding any change to the net impact on annual revenue budgets.)*

Finance

18. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

19. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

Equality Impact

20. These proposals comply with the Council's policy on Equality and Diversity.

21. With regard to Children and Young People:

- The Capital Programme for Children's Services will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
- Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
- There has been no direct involvement of children and young people in developing the proposals in this report.

Recommendations

22. That the results of the Post Completion Review of capital projects, as set out in Appendix B be noted.

23. That the Council be recommended:

- That current progress with the 2011/12 Capital Programme, as set out in Appendix A be noted, and that budgets be amended to reflect the reported variances.

- That the further allocation of Disabled Facilities Grant funding of £132,000 be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 7.

- That the Street Lighting Energy Saving Programme be approved, as set out in paragraph 8.

- That subject to obtaining planning permission, the provision of Salt Barn and Waste Transfer building facilities and related works at Lister Road Depot be approved and included in the Capital Programme, as set out in paragraph 9.

- That the 2012/13 grant allocations for schools' capital projects be noted and the associated spend included in the Capital Programme, as set out in paragraph 10.

- That the Urgent Amendments to the Capital Programme, as set out in paragraphs 11-12 be noted.

- That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix C, be agreed.

- That the Minimum Revenue Provision (MRP) Policy for 2012/13, be approved as set out in paragraph 17.

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List of Background Papers
Relevant resource allocation notifications.
CIPFA Prudential Code for Capital Finance in Local Authorities.

Appendix A

2011/12 Capital Programme Progress to Date

Service	Budget £'000	Spend to 31st December £'000	Forecast £'000	Variance £'000	Reasons for Variance
Public Sector Housing	41,912	23,338	40,128	-1,784	See note 1
Other Adult, Community & Housing	6,735	3,847	6,735		
Urban Environment	19,337	13,047	19,346	+9	See note 2
Children's Services	22,623	15,063	22,623		
Corporate Resources	1,877	964	1,615	-262	See note 3
Chief Executive's	414	130	414		
TOTAL	**92,898**	**56,389**	**90,861**	**-2,037**	

1. In line with revised programme set out in report elsewhere on this agenda.

2. Includes:
   - £38,000 forecast overspend on Blowers Green Waste Recycling Facility, mainly as a result of groundwork problems and enhanced security requirements – to be funded from revenue resources;
   - £10,000 extra costs of King George V Park, Wordsley, Mess and Office Facilities, as a result of unexpected issues surrounding drainage and electrical supply from the mains – to be funded from revenue resources;
   - £34,000 reduction in cost of demolition of Coseley Baths – will reduce capital receipts needed to fund capital programme;
   - £5,000 minor savings.

3. Lower than expected cost of demolishing former ICT building in Tower Street – will reduce capital receipts needed to fund capital programme.

Appendix B

Post Completion Review of Capital Schemes

Title of Scheme: A463 Hurst Rd and Shaw Rd, Coseley Resurfacing
Date of Executive / Cabinet approval (As part of Highways Structural Maintenance Programme): October 2010 (i.e. inclusion in Capital Programme)
Original Budget (as first reported to Executive / Cabinet):………….£292,000 Planned Completion date: 18 April 2011
Outturn Cost……….……………………………………………………..…….£259,858 Actual completion date: 10 April 2011
Variation from Original Budget: .... Reduction of £32,142 Delay: None, completed 8 days early
Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet): A length of Hurst Road which had been assessed as being severely deteriorated was specified for planing and reconstructing to a depth of 300mm. When planing commenced on this section it was found that there was stone pitching at a depth of approximately 220mm which was still in a sound condition. It was therefore concluded that the reconstruction depth should be changed to 220mm resulting in the cost saving.
Original Objectives of Scheme (please indicate when and to whom these were reported): Resurface the carriageway of Hurst Road and Shaw Road, Coseley to overcome the deterioration of the pavement layers.
Have these Objectives been met? (If "No" please provide explanation): Yes, although it will be some time before the extended life of the pavement structure is known.

Signed by: *John Millar* (Director).. Date: 17/11/2011

Title of Scheme: A463 Gospel End Road, Sedgley Resurfacing
Date of Executive / Cabinet approval (As part of Highways Structural Maintenance Programme): 27 May 2011 (i.e. inclusion in Capital Programme)
Original Budget (as first reported to Executive / Cabinet):………….£166,525 Planned Completion date: 30 July 2011
Outturn Cost……….……………………………………………….………£177,042 Actual completion date: 29 July 2011
Variation from Original Budget: .... Increase of £10,517 Delay: None, surfacing completed 1 day early
Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet): The road has been assessed as requiring planing out to a depth of 150mm over 40% of the area and 100mm for the remainder. However there were areas where further material had to be removed to ensure there was a sound formation. The majority of the additional cost was for the extra depth of binder course. There were further additional costs associated with the re-installation of ice sensors in the carriageway.
Original Objectives of Scheme (please indicate when and to whom these were reported): Resurface the carriageway of Gospel End Road, Sedgley to overcome the deterioration of the pavement layers.
Have these Objectives been met? (If "No" please provide explanation): Yes, although it will be some time before the extended life of the pavement structure is known.

Signed by: *John Millar* (Director).. Date: 17/11/2011

Title of Scheme: A457 Sedgley Road, Woodsetton Resurfacing
Date of Executive / Cabinet approval (As part of Highways Structural Maintenance Programme): 27 May 2011 (i.e. inclusion in Capital Programme)
Original Budget (as first reported to Executive / Cabinet):………….£188,300 Planned Completion date: 31 August 2011
Outturn Cost (*provisional*) ……………………………………..……..*£190,000* Actual completion date: 9 October 2011
Variation from Original Budget: .... Increase of £1,700 Delay: 40 days
Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet): The small cost increase was due to minor variations in quantities. The weekday resurfacing work was completed on time. However a section adjacent to the Birmingham New Road had to be resurfaced on three Sundays to minimise disruption to traffic. The contractor was committed elsewhere on Sundays so the work had to be undertaken between 25th September and 9th October.
Original Objectives of Scheme (please indicate when and to whom these were reported): Resurface the carriageway of Sedgley Road, Woodsetton to overcome the deterioration of the pavement layers.
Have these Objectives been met? (If "No" please provide explanation): Yes, although it will be some time before the extended life of the pavement structure is known.

Signed by: *John Millar* (Director).. Date: 17/11/2011

Title of Scheme: Hurst Green Primary School – New Sports Hall.

Date of Executive / Cabinet approval: *December 2010*
(i.e. inclusion in Capital Programme) This project was funded from devolved capital grant and school reserves.

Original Budget: *£250,000.00*
Planned Completion date: *15/04/2011*

Outturn Cost (still provisional): *£255,164.72*
Actual completion date: *11/05/2011*

Variation from Original Budget: £5,164.72
Delay: *14 working days*

Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):

The project was delayed by 14 working days due to delays with the delivery of the external fire doors. Additional time was also allocated due to the additional resurfacing works.

The increase on the final outturn cost was due to additional works being carried out to resurface playground around the sports hall. The project costs were reported at regular intervals through PIT (Project Implementation Team).

Original Objectives of Scheme (please indicate when and to whom these were reported):

This project has been identified by the school to provide suitable indoor PE facilities for pupils. This is a school lead project utilising and external consultant and will be monitored by the Buildings & Estates Team.

The school identified this project as a priority as the school currently has one hall which is used for PE lessons assemblies and lunches. As a two form entry school the guidance recommends that a school of this size has two halls to ensure smooth delivery of the curriculum

The completed project has provided a permanent solution to provide suitable indoor PE facilities for pupils and a school environment that is equipped for 21st century teaching and learning.

Have these Objectives been met? (If "No" please provide explanation):

Yes.

Signed by: **Jane Porter**.............................. (Acting Director) Date: **3rd January 2012**

CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* ("the Code"), which is required to be complied with as "proper practice" by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council's capital expenditure and borrowing plans in the light of resource constraints. The remaining indicators (6-7) are primarily concerned with day-to-day borrowing and treasury management activity.

The proposed figures for each indicator have been developed in the light of the Council's overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

Service Objectives;
Stewardship of Assets;
Value for Money;
Prudence and Sustainability;
Affordability;
Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council's budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council's Capital Strategy.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2011/12, 2012/13 and 2013/14 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts, including the impact of HRA self-financing.

1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed, together with those contained in reports elsewhere on the agenda, the proposed indicators are as follows.

	2010/11 £m Actual	2011/12 £m Revised Estimate	2012/13 £m Revised Estimate	2013/14 £m Revised Estimate	2014/15 £m Estimate
Non - HRA	54.7	50.9	50.1	21.0	11.9
HRA	35.8	375.7*	32.2	30.7	30.9
Total	**90.5**	**426.6**	**82.3**	**51.7**	**42.8**

*Includes £335.6m payment to DCLG in respect of HRA self-financing settlement.

2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2010/11 £m Actual	2011/12 £m Revised Estimate	2012/13 £m Revised Estimate	2013/14 £m Revised Estimate	2014/15 £m Estimate
Non - HRA	357.6	338.3	347.2	333.9	322.1
HRA	106.7	464.6	464.6	464.6	464.6
Total	**464.3**	**802.9**	**802.9**	**802.9**	**802.9**

The limit on the HRA CFR imposed on implementation of self-financing is anticipated to be £464.6m. (This is a new indicator.)

3. Net Debt and the Capital Financing Requirement.

In order to ensure that in the medium term, debt can be incurred only for capital purposes, this indicator requires that net external debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

It is anticipated that this requirement will be met for the years 2011/12 to 2014/15.

4. Estimate of the Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on levels of Council Tax and Housing Rents.

The forecast debt charges resulting from anticipated overall borrowing are fully reflected in the figures set out in the Budget Strategy and Public Sector Housing reports elsewhere on this agenda. There are currently no proposals to undertake new borrowing for Public Sector Housing capital expenditure; this would not be possible within the limits imposed on the HRA CFR as part of self-financing. Proposals to undertake other new borrowing to fund capital investment are set out in paragraph xx of this report (Street Lighting). The impact on Council Tax and Rents is as follows.

	2012/13 **£**	**2013/14** **£**	**2014/15** **£**
Increase in Annual Band D Council Tax	2.02	2.74	2.74
Increase in Weekly Housing Rent	-	-	-

Note that to the extent that General Fund revenue budgets are limited by overall resource availability and that the Council continues to comply with rent restructuring guidance, the effective impact of any increased borrowing would be to require other expenditure to be constrained, rather than to directly increase Council Tax or rents.

5. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2010/11 **%** **Actual**	**2011/12** **%** **Revised Estimate**	**2012/13** **%** **Revised Estimate**	**2013/14** **%** **Revised Estimate**	**2014/15** **%** **Estimate**
Non - HRA	9.8	11.6	10.8	11.1	11.0
HRA	7.1	8.0	21.4	20.7	19.8

The increase in the HRA indicator from 2012/13 onwards reflects the extra debt taken on as part of HRA self-financing.

6. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per. section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and “other long term liabilities” such as leases and other capital financing arrangements which would result in the related assets appearing on the Council’s Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

	2010/11	2011/12 Revised	2012/13 Revised	2013/14 Revised	2014/15
	£m	£m	£m	£m	£m
Authorised limit for external debt:					
Borrowing	n/a	991	993	974	958
Other long term liabilities	n/a	46	50	52	55
Total	**n/a**	**1037**	**1043**	**1026**	**1013**
Operational boundary:					
Borrowing	n/a	790	842	845	833
other long term liabilities	n/a	46	50	52	55
Total	**n/a**	**836**	**892**	**897**	**888**
Actual External Debt:					
Borrowing	419.4	n/a	n/a	n/a	n/a
Other long term liabilities	42.9	n/a	n/a	n/a	n/a
Total	**462.3**	**n/a**	**n/a**	**n/a**	**n/a**

7. Adoption of the CIPFA *Code of Practice for Treasury Management in the Public Services*

This indicator is a fundamental requirement of the system in so far as it relates to treasury management activity. The Council has adopted the Code of Practice.