

## TREASURY AND PRUDENTIAL INDICATORS

### External Debt and Treasury Indicators

#### 1. The Authorised Limit for External Debt

The authorised limit for external debt is required to separately identify external borrowing and other liabilities such as Public Private Partnership (PPP), Design, Build, Finance, Maintain (DBFM) Contracts and finance lease obligations. This limit provides a maximum figure to which the Council could borrow at any given point during the financial year.

<b>Authorised Limit</b>	<b>2022/23 Approved Indicator</b>	<b>2022/23 Estimated Indicator</b>	<b>2022/23 Actual Maximum</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	389,389	379,527	241,020
Other Liabilities	54,831	54,831	54,346
<b>Total External Debt</b>	<b>444,220</b>	<b>434,358</b>	<b>295,366</b>

The table shows that the limit was not breached.

#### 2. Operational Boundary for External Debt

This indicator is a management tool for in-year monitoring and is based on an estimate of the most likely level of external borrowing at any point during each year.

The estimated indicators are based on the approved capital plan as part of the Council's budget setting process. The actual is based on the capital expenditure in the year and there was slippage in various projects which has resulted in a variance.

<b>Operational Boundary</b>	<b>2022/23 Approved Indicator</b>	<b>2022/23 Estimated Indicator</b>	<b>2022/23 Actual Maximum</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	374,389	373,542	236,757
Other Liabilities	53,831	53,831	54,346
<b>Total External Debt</b>	<b>392,961</b>	<b>428,968</b>	<b>295,366</b>

The table shows that the limit was not breached.

#### 3. Actual External Debt

This is measured at the end of each financial year. The actual external debt reported in the annual accounts for the previous year is required to be shown as an indicator for comparison purposes only.

<b>Actual Debt</b>	<b>At 31 March 2022</b>	<b>At 31 March 2023</b>
	<b>£000</b>	<b>£000</b>

Borrowing	236,757	241,020
Other Liabilities	54,300	50,009
<b>Total Debt</b>	<b>291,057</b>	<b>291,029</b>

Other Liabilities include the PPP finance liability for Elgin Academy and Keith Primary School which became operational during 2011/12 and the DBFM finance liability for Elgin High School.

#### 4. Treasury Management Indicator

There are four treasury prudential indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce financing costs. The indicators are:

- Upper limits on variable rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due to refinancing within the same financial year, and are required for upper and lower limits.
- Maximum period of investment - Following changes arising from the new Investment Regulations applicable from 1 April 2010, the Council can invest for periods longer than 364 days .The Council does not currently take advantage of this change and so has set a limit of Nil for investing over 364 days.

#### Fixed and Variable Rate Limits

	2021/22 Actual	2022/23 Approved Limits	2022/23 Actuals
Interest Rate Exposures	Upper Limit	Upper Limit	Upper Limit
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	0%	35%	0%

#### Maturity Structure of Fixed Interest Rate Borrowing

	2021/22 Actual	2022/23 Approved Limits		2022/23 Actual (£m)	2022/23 %
		Lower	Upper		
< 12 months	32.10%	0%	37%	87.254	36.44%
12-24	3.29%	0%	20%	7.100	2.97%

months					
2-5 years	11.78%	0%	25%	25.780	10.77%
5-10 years	9.49%	0%	50%	20.115	8.40%
>10 years	42.30%	0%	85%	99.192	41.43%

Short term rates are low compared to longer term borrowing and in 2022/23 the Council has continued its policy of short term borrowing which remain within the limit approved.

### Maximum Principal Sums Invested Greater than 364 days

	<b>2021/22 Actual</b>	<b>2022/23 Actual</b>
Principal sums invested >364 days	£0m	£0m

### Capital Expenditure Indicators

#### 5. Capital Expenditure

This indicator is included so the Council complies with the Local Government in Scotland Act 2003 which requires the Council to establish and keep under review capital investment plans which are affordable.

	<b>2022/23 Approved Indicator</b>	<b>2022/23 Revised Indicator</b>	<b>2022/23 Revised Capital Plan</b>	<b>2022/23 Actual</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Capital Expenditure</b>				
General Services	37,036	51,265	43,417	28,356
HRA	24,969	24,709	24,709	17,657
	<b>62,005</b>	<b>75,974</b>	<b>68,126</b>	<b>46,013</b>
<b>Financed by:</b>				
Capital Receipts	400	700	-	-
Capital Grant & Contributions	10,805	28,569	28,484	23,316
Reserves (Council Tax Discount on 2 <sup>nd</sup> Homes)	-	-	600	688
Revenue	6,276	4,903	4,303	1,397
	<b>17,481</b>	<b>34,712</b>	<b>33,387</b>	<b>25,404</b>
<b>Net Financing Need for the Year</b>	<b>44,524</b>	<b>41,802</b>	<b>34,739</b>	<b>20,612</b>

The General Services Capital Programme for 2022/23 amounted to £43.417 million. Expenditure for the year was £28.356 million, representing a net underspend of £15.061 million. Various projects experienced delays due to ongoing issues stemming from pressures within global supply chains. The NESS Energy from Waste project was underspent by £5.304m and various bridge projects were underspent by £2.869m. The Council's vehicle replacement programme and all ICT projects saw

delays due to extended lead in period for the delivery of component parts and this added £0.823 and £0.298 million to the underspend respectively.

The Housing Capital Programme amounted to £24.709 million and actual expenditure was £17.656 million. Planned expenditure for 2022/23 included new build at Speyview in Aberlour. This project was delayed due to protracted negotiations over development costs in the context of current volatility in the construction industry, along with infrastructure difficulties on site, with the outcome that this project will be delayed until the next update of the HRA Business Plan, planned for 2024/25. The project at Bilbohall, Elgin was deemed to be not financially viable in the form originally tendered, following detailed cost review. Alternative options are being considered. In light of procurement difficulties experienced at Bilbohall and issues in the construction industry the Council has withdrawn its interest in the proposed development at the former Spynie Hospital in Elgin.

## Prudence Indicators

### 6. Gross Debt and the Capital Financing Requirement

This indicator records the extent that gross debt is less than the capital financing requirement. This indicator shows prudence by demonstrating that over the medium term external borrowing is used only for a capital purpose. The values are measured at the end of each financial year. Debt is the sum of external borrowing and other liabilities relating to the financing of assets (i.e. PPP, DBFM and finance leases).

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for capital investment. The capital financing requirement rises over the period as a large proportion of the Council's capital expenditure is financed by additional borrowing thus increasing the Council's total outstanding debt.

The Council pays off an element of the accumulated debt each year through a revenue charge (the scheduled debt amortisation).

	<b>2021/22 Actual</b>	<b>2022/23 Approved Indicator</b>	<b>2022/23 Revised Indicator</b>	<b>2022/23 Actual</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	236,757	319,929	311,478	241,020
Other Liabilities	54,365	51,331	51,331	54,365
Gross Debt	291,122	371,260	362,809	295,385
CFR	351,980	398,423	394,713	368,461
<b>Under Limit By</b>	<b>60,858</b>	<b>27,163</b>	<b>31,904</b>	<b>73,076</b>

The above figures confirm that the Council's borrowing is well under the Capital Financing Requirement.

## Affordability Indicators

### 7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and calculates the proportion of the net revenue budget required to finance the costs associated with borrowing and investment and is calculated by taking the total financing costs, including the costs of PPP/DBFM schemes as a proportion of the income received by the Council. The Council has set a limit of 10% for General Services and 35% for the HRA. The relevant proportions are set out below.

Service	2021/22 Actual	2022/23 Approved Indicator	2022/23 Revised Indicator	2022/23 Actual
General Services	8.27%	9.34%	8.90%	8.72%
Housing Revenue Account (HRA)	20.72%	20.57%	19.26%	21.95%

### 8. Estimates of Incremental Impact of New Capital Investment Decisions on Council Tax and House Rents

This indicator demonstrates the expected incremental impact of planned capital expenditure and associated borrowing on council tax and rent levels, calculated on the assumption that capital expenditure is funded by an increase in Council Tax and rent.

Service	2021/22 Actual	2022/23 Approved Indicator	2022/23 Revised Indicator	2022/23 Actual
Council Tax – Band D	£(15.88)	£(15.33)	£32.14	£54.45
Average Weekly Housing Rents	£0.62	£1.35	£0.96	£0.79

The calculated amount on Council Tax reflects the increasing cost of borrowing. Interest rates are continuing to rise and this will have an impact on the Council's future cost of borrowing.

For the HRA the 2022/23 actual impact on rents was less than the revised indicator due to less expenditure than planned due to delays on various projects.