APPENDIX 2

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 PPP, DBFM and finance lease obligations. This limit provides a maximum figure to which the Council could borrow at any given point during each financial year.

Authorised Limit	**2018/19 Approved Indicator**	**2018/19 Estimated Indicator**	**2018/19 Actual Maximum**
	£'000	£'000	£'000
Borrowing	288,781	235,064	219,659
Other Liabilities	60,949	60,947	58,946
Total External Debt	349,730	296,011	278,605

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 lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point during each year.

Operational Boundary	**2018/19 Approved Indicator**	**2018/19 Estimated Indicator**	**2018/19 Actual Maximum**
	£'000	£'000	£'000
Borrowing	279,256	230,064	219,659
Other Liabilities	59,949	59,947	58,946
Total External Debt	339,205	290,011	278,605

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.

Actual Debt	At 31 March 2018	At 31 March 2019
	£'000	£'000
Borrowing	208,203	214,981
Other Liabilities	58,023	57,508
Total Debt	**266,226**	**272,399**

Other Liabilities include the PPP finance liability for the two schools which became operational during 2011/12, the DBFM finance liability for Elgin High School and the finance liability for the multi-functional devices.

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.

- 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

	2017/18 Actual	2018/19 Approved Limits	2018/19 Actual
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

	2017/18 Actual	2018/19 Approved Limits		2018/19 Actual
		Lower	**Upper**	
< 12 Months	24.55%	0%	25%	18.83%
12-24 Months	1.87%	0%	20%	3.88%
2-5 Years	7.93%	0%	25%	9.82%
5-10 Years	7.46%	0%	50%	9.86%
>10 Years	58.19%	0%	85%	57.61%

Maximum Principal Sums Invested Greater than 364 days

	2017/18 Actual	2018/19 Actual
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.

	2018/19 Approved Indicator	2018/19 Revised Indicator	2018/19 Revised Capital Plan	2018/19 Actual
	£000	£000	£000	£000
Capital Expenditure				
General Services	54,096	30,364	30,364	27,909
HRA	19,780	13,635	19,780	12,642
	73,876	**43,999**	**50,464**	**40,551**
Financed by:				
Capital receipts	1,000	0	120	75
Capital grants and contributions	35,074	31,413	33,189	30,119
Reserves	-	-	-	-
Revenue	4,581	4,986	6,029	5,602
	40,655	**36,376**	**39,338**	**35,796**
Net financing need for the year	**33,221**	**7,623**	**11,126**	**4,755**

The General Services Capital Programme for 2018/19 amounted to £30.3 million. Expenditure for the year was £27.9 million, representing a net underspend of £2.4 million. The schools programme underspent by £0.8 million, including £0.3 million underspends on Schools for the Future programme and slippage of £0.5 million for the new build schools at Lossiemouth and Linkwood in Elgin. Slippage and underspends on ICT projects added £0.3 million to the underspend. Delays to waste management projects at Moycroft and upgrade of recycling facilities added £0.4 million to the underspend. Project savings and slippage resulted in an underspend of £0.7 million within roads and transportation. Flood alleviation schemes underspent by £0.3 million. £0.9 million of capital expenditure relates to the new Elgin High School Design, Build, Finance and Maintain (DBFM) project. The Housing Capital Programme amounted to £19.8 million and actual expenditure was £12.6 million. The underspend relates mainly to slippage in the new build housing projects and existing housing stock upgrades.

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 (e.g. PPP, DBFM and other 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).

	2017/18 Actual	**2018/19 Approved Indicator**	**2018/19 Revised Indicator**	**2018/19 Actual**
	£000	£000	£000	£000
Borrowing	208,203	227,998	207,170	214,891
Other Liabilities	58,023	57,477	57,508	57,508
Gross Debt	266,226	285,475	264,678	272,399
CFR	300,520	328,043	298,971	296,394
Under Limit By	**34,294**	**42,568**	**34,293**	**23,995**

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 indicator provides a measure of the proportion of the budget that is being allocated to the financing of capital expenditure. For General Services this is the ratio of financing costs of borrowing against net expenditure financed by government grant and local taxpayers. For Housing the indicator is the ratio of financing costs to gross house rental income.

Service	2017/18 Actual	2018/19 Approved Indicator	2018/19 Revised Indicator	2018/19 Actual
General Services	9.52%	10.47%	10.10%	9.95%
HRA	19.72%	18.88%	20.26%	20.33%

The outturn is broadly in line with the estimates.

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.

Service	2017/18 Actual	2018/19 Approved Indicator	2018/19 Revised Indicator	2018/19 Actual
Council Tax - Band D	£50.55	£52.97	£40.74	£35.00
Average Weekly Housing Rents	£(0.39)	£0.30	£0.86	£0.92

The revised indicators for 2018/19 reflect that revised financing costs in 2018/19 for General Services are expected to be higher than the charges for 2017/18 and also higher than the charges for 2017/18 for Housing. The 2018/19 actual outturn is broadly in line with the revised estimates