

## 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 the financial year.

Authorised Limit	2020/21 Approved Indicator	2020/21 Estimated Indicator	2020/21 Actual Maximum
	£000	£000	£000
Borrowing	348,593	291,662	252,961
Other Liabilities	58,009	58,009	56,009
<b>Total External Debt</b>	<b>406,602</b>	<b>349,671</b>	<b>308,970</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.

Operational Boundary	2020/21 Approved Indicator	2020/21 Estimated Indicator	2020/21 Actual Maximum
	£000	£000	£000
Borrowing	348,593	286,662	254,353
Other Liabilities	58,508	58,508	56,009
<b>Total External Debt</b>	<b>407,101</b>	<b>345,170</b>	<b>310,362</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.

Actual Debt	At 31 March 2020	At 31 March 2021
	£000	£000
Borrowing	237,990	254,353
Other Liabilities	56,009	55,882
<b>Total Debt</b>	<b>293,999</b>	<b>310,235</b>

Other Liabilities include the PPP finance liability for Elgin Academy and Keith Primary School which became operational during 2011/12, the DBFM finance liability for Elgin High School and the finance liability for the leased multi-functional devices (printer / scanner / copier).

#### 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

	2019/20 Actual	2020/21 Approved Limits	2020/21 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

	2019/20 Actual	2020/21 Approved Limits		2020/21 Actual (£m)	2020/21 %
		Lower	Upper		
< 12 months	28.18%	0%	25%	95.208	37.68%
12-24 months	3.36%	0%	20%	7.608	3.01%
2-5 years	8.65%	0%	25%	21.304	8.43%
5-10 years	8.44%	0%	50%	21.655	8.57%

>10 years	51.37%	0%	85%	106.882	42.30%
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The amount of borrowing with the term of < 12 months is above the approved limit of 25%. The main reason is the value of short term loans due to favourable low rates, and because one of the LOBOs had its next option date in August 2021 (although maturity is not until 2066). We aim to be back under the approved level by 31<sup>st</sup> March 2021 as there will be no LOBO (option dates are every 5 years) and short term loans are being repaid when we can.

#### Maximum Principal Sums Invested Greater than 364 days

	2019/20 Actual	2020/21 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.

	2020/21 Approved Indicator	2020/21 Revised Indicator	2020/21 Revised Capital Plan	2020/21 Actual
	£000	£000	£000	£000
<b>Capital Expenditure</b>				
General Services	42,319	41,118	42,442	39,269
HRA	28,514	10,932	28,514	11,858
	<b>70,833</b>	<b>52,050</b>	<b>70,956</b>	<b>51,132</b>
<b>Financed by:</b>				
Capital Grant & Contributions	19,237	12,710	17,255	14,876
Reserves (Council Tax Discount on 2 <sup>nd</sup> Homes)	-	-	525	858
Revenue	5,343	5,300	3,705	4,705
	<b>24,580</b>	<b>18,010</b>	<b>21,485</b>	<b>20,439</b>
<b>Net Financing Need for the Year</b>	<b>46,253</b>	<b>34,040</b>	<b>49,471</b>	<b>30,693</b>

The General Services Capital Programme for 2020/21 amounted to £42.442 million. Expenditure for the year was £39.269 million, representing a net underspend of £3.173 million. The underspend arose from delays to the NESS Energy from Waste project caused by the Covid-19 pandemic (£1.939 million), delays in the Town Centre Fund Initiative (£0.687 million) to the underspend, delays to various roads and bridges projects (£0.634 million and £1.155 million), underspends on projects at

various harbours, including the Findochty Pontoons project (added £0.516 million) and delays in the delivery of vehicles (£0.527 million). All ICT projects saw delays which added £0.453 million to the underspend, although significant expenditure of £0.880 million was incurred to facilitate flexible working and digital learning. The Housing Capital Programme amounted to £28.514 million and actual expenditure was £11.858 million. The underspend relates mainly to slippage in the new build housing projects and existing housing stock upgrades as a result of the pandemic.

## 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 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>2019/20 Actual</b>	<b>2020/21 Approved Indicator</b>	<b>2020/21 Revised Indicator</b>	<b>2020/21 Actual</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	237,990	284,561	262,295	254,353
Other Liabilities	56,009	54,425	54,425	55,882
Gross Debt	293,999	338,986	316,720	310,235
CFR	321,161	362,981	343,883	341,891
<b>Under Limit By</b>	<b>27,162</b>	<b>23,995</b>	<b>27,163</b>	<b>31,656</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 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	2019/20 Actual	2020/21 Approved Indicator	2020/21 Revised Indicator	2020/21 Actual
General Services	9.5%	10.06%	9.19%	8.00%
Housing	21.46%	19.97%	19.23%	21.63%

### 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 the increase in council tax and rent. The calculation for council tax is theoretical.

Service	2019/20 Actual	2020/21 Approved Indicator	2020/21 Revised Indicator	2020/21 Actual
Council Tax – Band D	£(2.86)	£22.14	£6.44	£(33.47)
Average Weekly Housing Rents	£0.84	£0.49	£(0.64)	£0.52

The calculated amount on Council Tax reflects the reduction in financing costs in 2020/21 due to low costs of borrowing as a result of measures introduced to help the economy in response to the Covid-19 pandemic. The pandemic also resulted in lower than planned capital expenditure as projects were delayed due to factors such as the introduction of national lockdowns. This has also impacted on lead times for component parts in relation to the purchase of new vehicles.