

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	2017/18 Approved Indicator	2017/18 Estimated Indicator	2017/18 Actual Maximum
	£'000	£'000	£'000
Borrowing	276,948	234,188	208,723
Other Liabilities	61,997	60,987	58,605
Total External Debt	338,945	295,175	267,328

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	2017/18 Approved Indicator	2017/18 Estimated Indicator	2017/18 Actual Maximum
	£'000	£'000	£'000
Borrowing	267,173	229,188	208,723
Other Liabilities	60,997	59,987	58,605
Total External Debt	328,170	289,175	267,328

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 2017	At 31 March 2018
	£'000	£'000
Borrowing	194,769	208,203
Other Liabilities	32,791	58,023
Total Debt	227,560	266,226

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 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

	2016/17 Actual	2017/18 Approved Limits	2017/18 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

	2016/17 Actual	2017/18 Approved Limits		2017/18 Actual
		Lower	Upper	
< 12 Months	2.25%	0%	15%	2.52%
12-24 Months	2.25%	0%	20%	2.36%
2-5 Years	15.17%	0%	25%	16.46%
5-10 Years	9.54%	0%	50%	9.47%
>10 Years	70.79%	0%	85%	69.19%

Maximum Principal Sums Invested Greater than 364 days

	2016/17 Actual	2017/18 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.

	2017/18 Approved Indicator	2017/18 Revised Indicator	2017/18 Revised Capital Plan	2017/18 Actual
	£000	£000	£000	£000
Capital Expenditure				
General Services	30,216	27,982	52,621	50,748
HRA	13,442	10,551	13,442	10,436
	43,658	38,533	66,063	61,184
Financed by:				
Capital receipts	1,088	1,789	694	2,049
Capital grants and contributions	16,625	15,459	14,563	14,412
Reserves	-	-	-	-
Revenue	3,184	3,800	3,833	4,924
	20,897	21,048	19,090	21,385
Net financing need for the year	22,761	17,485	46,973	39,799

The General Services Capital Programme for 2017/18 amounted to £52.6 million. This includes £26.2 million for the new Elgin High School Design, Build, Finance and Maintain (DBFM) project which was not included within the original indicators. Expenditure for the year was £50.7 million, representing a net underspend of £1.9 million. The schools programme underspend by £0.9 million, including £0.4 million underspend on Schools for the Future programme and slippage of £0.4 million for the nursery provision at Milnes Primary School. Industrial Estates projects showed an underspend of £0.1 million. Slippage and underspends on ICT projects added 0.4 million to the underspend. Delays to waste management projects at Moycroft and NESS Energy from Waste added 0.5 million to the underspend, while late delivery of vehicles added another £0.5 million to the underspend. Project savings and slippage resulted in an underspend of £0.6 million within roads and transportation. Harbours showed an overspend of £0.6 million due

to emergency remedial works at Cullen. Elgin and Forres flood alleviation schemes overspent by £0.5 million. This was because of timing differences between budget allocation and expenditure, although overall these projects remain within total budget allocation. The Housing Capital Programme amounted to £13.4 million and actual expenditure was £10.4 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).

	2016/17 Actual	2017/18 Approved Indicator	2017/18 Revised Indicator	2017/18 Actual
	£000	£000	£000	£000
Borrowing	194,769	209,902	203,797	208,203
Other Liabilities	32,791	59,073	58,026	58,023
Gross Debt	227,560	268,975	261,823	266,226
CFR	270,128	311,472	304,391	300,520
Under Limit By	42,568	42,497	42,568	34,294

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.

	2016/17	2017/18	2017/18	2017/18
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Service	Actual	Approved Indicator	Revised Indicator	Actual
General Services	8.66%	9.60%	9.54%	9.52%
HRA	21.10%	20.79%	19.33%	19.72%

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	2016/17 Actual	2017/18 Approved Indicator	2017/18 Revised Indicator	2017/18 Actual
Council Tax - Band D	£(66.62)	£53.90	£51.23	£50.55
Average Weekly Housing Rents	£(0.01)	£0.46	£(0.51)	£(0.39)

The revised indicators for 2017/18 reflect that revised financing costs in 2017/18 for General Services are expected to be higher than the charges for 2016/17, but lower than the charges for 2016/17 for Housing. The 2017/18 actual outturn is broadly in line with the revised estimates.