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 the financial year.

Authorised Limit	2019/20 Approved Indicator	2019/20 Estimated Indicator	2019/20 Actual Maximum
	£000	£000	£000
Borrowing	319,819	276,080	239,433
Other Liabilities	59,508	59,508	57,508
Total External Debt	**379,327**	**335,588**	**296,941**

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	2019/20 Approved Indicator	2019/20 Estimated Indicator	2019/20 Actual Maximum
	£000	£000	£000
Borrowing	309,819	271,080	239,433
Other Liabilities	58,508	58,508	57,508
Total External Debt	**368,327**	**329,588**	**296,941**

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 2019	At 31 March 2020
	£000	£000
Borrowing	214,891	237,990
Other Liabilities	57,508	56,009
Total Debt	**272,399**	**293,999**

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

	2018/19 Actual	**2019/20 Approved Limits**	**2019/20 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

	2018/19 Actual	**2019/20 Approved Limits**		**2019/20 Actual**
		Lower	**Upper**	
< 12 months	18.83%	0%	30%	28.18%
12-24 months	3.88%	0%	20%	3.36%
2-5 years	9.82%	0%	25%	8.65%
5-10 years	9.86%	0%	50%	8.44%
>10 years	57.61%	0%	85%	51.37%

Maximum Principal Sums Invested Greater than 364 days

	2018/19 Actual	2019/20 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.

	2019/20 Approved Indicator	2019/20 Revised Indicator	2019/20 Revised Capital Plan	2019/20 Actual
	£000	**£000**	**£000**	**£000**
Capital Expenditure				
General Services	60,291	72,668	68,825	56,728
HRA	22,264	23,365	23,365	18,124
	82,555	**96,033**	**92,190**	**74,852**
Financed by:				
Capital Receipts	400	-	-	-
Capital Grant & Contributions	31,788	31,068	35,885	34,612
Reserves	525	525	525	450
Revenue	5,000	3,705	3,705	3,895
	37,713	**35,298**	**40,115**	**38,957**
Net Financing Need for the Year	**44,842**	**60,735**	**52,075**	**35,895**

The General Services Capital Programme for 2019/20 amounted to £68.8 million. Expenditure for the year was £56.7 million, representing a net underspend of £12.1 million. The schools programme underspent by £4.3 million, including £3.2 million on the projects to build new schools Linkwood Primary and Lossiemouth High, and £0.9 million on projects under the Early Learning and Childcare Expansion. Delays in the Town Centre Fund Initiative added £1.1 million to the underspend. Delays to various roads and bridges projects added £0.7 million and £0.6 million to the underspend respectively. Underspends on projects at various Harbours added £0.6 million to the underspend. All ICT projects saw delays which added £0.8 million to the underspend. Delays in the delivery of vehicles added £0.8 million to the underspend. The Housing Capital Programme amounted to £23.3 million and actual expenditure was £18.1 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 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).

	2018/19 Actual	**2019/20 Approved Indicator**	**2019/20 Revised Indicator**	**2019/20 Actual**
	£000	**£000**	**£000**	**£000**
Borrowing	214,891	258,855	248,087	237,990
Other Liabilities	57,508	56,009	56,009	56,009
Gross Debt	272,399	314,864	304,096	293,999
CFR	296,394	349,157	328,091	321,161
Under Limit By	**23,995**	**34,293**	**23,995**	**27,162**

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	**2018/19 Actual**	**2019/20 Approved Indicator**	**2019/20 Revised Indicator**	**2019/20 Actual**
General Services	9.95%	9.52%	9.86%	9.50%
Housing	20.33%	19.72%	20.38%	21.46%

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	2018/19 Actual	2019/20 Approved Indicator	2019/20 Revised Indicator	2019/20 Actual
Council Tax – Band D	£35.00	£(20.40)	£11.12	£(2.86)
Average Weekly Housing Rents	£0.92	£1.60	£0.18	£0.84

The calculated amount on Council Tax reflects the reduction in financing costs in 2019/20 due to the change in policy whereby the Council capitalises interest on several major projects. The actual amount was a lower reduction than anticipated due to the amount on slippage on the capital programme, which meant the amount of financing costs which could be capitalised was less.