

## 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 long term liabilities such as PPP 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	2014/15 Estimated Indicator	2014/15 Actual Maximum
	£'000	£'000
Borrowing	196,097	170,390
Other Long Term Liabilities	34,483	33,483
<b>Total External Debt</b>	<b>230,580</b>	<b>203,873</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 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	2014/15 Estimated Indicator	2014/15 Actual Maximum
	£'000	£'000
Borrowing	191,097	170,390
Other Long Term Liabilities	34,483	33,483
<b>Total External Debt</b>	<b>225,580</b>	<b>203,873</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 2014</b>	<b>At 31 March 2015</b>
	£'000	£'000
Borrowing	160,244	166,136
Other Long Term Liabilities	33,483	32,883
<b>Total Debt</b>	<b>193,727</b>	<b>199,019</b>

Other Long Term Liabilities includes the PPP finance liability for the two schools which became operational during 2011/12.

### 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

	<b>2013/14 Actual</b>	<b>2014/15 Approved Limits</b>	<b>2014/15 Actual</b>
<b>Interest Rate Exposures</b>	<b>Upper Limit</b>	<b>Upper Limit</b>	<b>Upper Limit</b>
<b>Limits on fixed interest rates based on net debt</b>	85.46%	100%	85.08%
<b>Limits on variable interest rates based on net debt</b>	14.54%	35%	14.92%

**Maturity Structure of Fixed Interest Rate Borrowing**

	2013/14 Actual	2014/15 Approved Limits		2014/15 Actual
		Lower	Upper	
< 12 Months	0.99%	0.00%	20.00%	3.39%
12 – 24 months	2.68%	0.00%	50.00%	1.89%
2 - 5 years	2.98%	0.00%	50.00%	5.48%
5 -10 years	7.37%	0.00%	75.00%	13.08%
>10 years	85.98%	0.00%	100.00%	76.16%

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

	2013/14 Actual	2014/15 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.

	2014/15 Original Indicator	2014/15 Revised Capital Plan	2014/15 Actual
	£'000		£'000
<b>Capital Expenditure</b>			
General Services	43,788	43,779	44,479
HRA	11,803	11,499	12,258
<b>Financed by:</b>			
Capital receipts	622	1,588	2,062
Capital grants and contributions	37,152	36,001	38,058
Revenue	1,914	2,677	2,438
<b>Net financing need for the year</b>	<b>15,853</b>	<b>15,012</b>	<b>14,179</b>

Expenditure was £1.4M more than anticipated. £0.7M relates to General Services. The Flood Alleviation Schemes, which are by far the largest items on the capital programme, overspent by £1.6M due to work being brought forward from next year.

Other underspends across the programme of £0.9M reduced the overall overspend to £0.7M. The HRA also overspent by £0.7M, due mainly to the purchase of additional sites for the new build programme and was funded by additional Scottish Government grants.

## 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 long term liabilities relating to the financing of assets (e.g. PPP 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).

	2013/14 Actual	2014/15 Estimate	2014/15 Actual
	£'000	£'000	£'000
Borrowing	160,244	168,291	166,136
Other Long Term Liabilities	33,483	33,883	32,883
Gross Debt	193,727	201,174	199,019
CFR	228,990	236,437	235,679
Under Limit By	35,263	35,263	36,660

The above figures confirm that the Council's borrowing is well under the Capital Financing Requirement. The Council does not envisage difficulties for the future after taking into account current commitments, existing plans, and estimates for the future.

**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.

<b>Service</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2014/15 Actual</b>
General Services	8.36%	8.32%	8.22%
HRA	20.45%	21.36%	21.56%

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. As Council Tax charges are frozen, however, capital expenditure has no actual effect on Council Tax rates.

	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2014/15 Actual</b>
<b>Council Tax - Band D</b>	£1.88	£8.93	£8.65
<b>Average Weekly Housing Rents</b>	£1.02	£1.03	£1.09

The actuals for 2014/15 are broadly in line with the estimates. On General Services, the increase between 2013/14 and 2014/15 is because the financing cost increase between 2013/14 and 2014/15 is greater than the increase between 2012/13 and 2013/14.