

APPENDIX

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	2015/16 Estimated Indicator	2015/16 Actual Maximum
	£'000	£'000
Borrowing	247,399	175,882
Other Long Term Liabilities	35,483	32,883
Total External Debt	282,882	208,765

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	2015/16 Estimated Indicator	2015/16 Actual Maximum
	£'000	£'000
Borrowing	237,399	175,882
Other Long Term Liabilities	34,483	32,883
Total External Debt	271,882	208,765

The table shows that the limit was not breached.

APPENDIX

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 2015	At 31 March 2016
	£'000	£'000
Borrowing	166,136	172,111
Other Long Term Liabilities	32,883	32,249
Total Debt	199,019	204,360

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

	2014/15 Actual	2015/16 Approved Limits	2015/16 Actual
Interest Rate Exposures	Upper Limit	Upper Limit	Upper Limit

APPENDIX

Limits on fixed interest rates based on net debt	85.08%	100.00%	85.72%
Limits on variable interest rates based on net debt	14.92%	35.00%	14.28%

APPENDIX

Maturity Structure of Fixed Interest Rate Borrowing

	2014/15 Actual	2015/16 Approved Limits		2015/16 Actual
		Lower	Upper	
< 12 Months	3.39%	0.00%	20.00%	2.53%
12 – 24 months	1.89%	0.00%	50.00%	2.53%
2 - 5 years	5.48%	0.00%	50.00%	8.99%
5 -10 years	13.08%	0.00%	75.00%	14.08%
>10 years	76.16%	0.00%	100.00%	71.87%

Maximum Principal Sums Invested Greater than 364 days

	2014/15 Actual	2015/16 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.

	2015/16 Indicator	2015/16 Revised Capital Plan	2015/16 Actual
	£'000	£'000	£'000
Capital Expenditure			
General Services	32,779	36,468	32,814
HRA	15,236	15,237	13,356
	48,015	51,705	46,170
Financed by:			
Capital receipts	748	982	1,613
Capital grants and contributions	18,915	18,253	18,849
Revenue	2,050	3,685	3,175
	21,713	22,920	23,637

APPENDIX

Net financing need for the year	26,302	28,785	22,533

The General Services Capital Programme for 2015/16, including balances carried forward from 2014/15 amounted to £36.5 million. Expenditure for the year was £32.8 million, representing a net underspend of £3.7 million. The schools programme underspent by £1.2 million because of delays, the new dredger was not completed until April 2016 adding £1.1 million to the underspend, land purchases for the industrial portfolio were delayed £0.9 million, the flood alleviation schemes overspent £1.0 million because of timing differences and other underspends across the programme totalled £1.5 million. The Housing Capital Programme amounted to £15.2 million and actual expenditure was £13.4 million. The underspend relates mainly to slippage in the new housing build projects.

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).

	2014/15 Actual	2015/16 Indicator	2015/16 Actual
	£'000	£'000	£'000
Borrowing	166,136	186,526	172,111
Other Long Term Liabilities	32,883	32,848	32,249
Gross Debt	199,019	219,374	204,360
CFR	235,679	236,437	247,491

APPENDIX

Under Limit By	36,660	35,263	43,131
-----------------------	---------------	---------------	---------------

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.

Service	2014/15 Actual	2015/16 Indicator	2015/16 Actual
General Services	8.22%	8.35%	9.58%
HRA	21.56%	22.05%	22.42%

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. However, as Council Tax charges are frozen, capital expenditure has no actual effect on Council Tax rates.

	2014/15 Actual	2015/16 Indicator	2015/16 Actual
Council Tax - Band D	£8.68	£14.24	£97.47
Average Weekly Housing Rents	£1.09	£0.91	£0.96

The significant increase in 2015/16 Actual figure compared with the previous year was due to the abortive costs of £2.6 million relating to the Western Link Road which was removed from the Capital Plan during 2015/16. The costs had to be treated as Capital Financing costs and charged to Revenue.