

Appendix 1

CAPITAL EXPENDITURE OUT TURN 2014-15 & PRUDENTIAL INDICATORS

1. Actual Spend compared to Original and Revised Estimate

2014-15				
Original Estimate £000's	Revised Estimate £000's	Out-turn £000's	Out-turn Variance to Original £000's	Out-turn Variance to Revised £000's
7,658	9,546	5,791	-1,867	-3,755

The overall spend on projects was £5.791m, of which £4.106m met the definition of capital expenditure as determined by the Local Government Act 2003. The balance of £1.685m of project spend was deemed to be more of a revenue nature, and charged to the income and expenditure account and funded from the revenue reserves or income. Due to the tighter definition of capital expenditure the current "capital" programme contains a number of schemes that are strictly revenue.

The sources of funding for the capital expenditure incurred in 2014-15 were:-

<u>Capital Receipts</u>	£
Capital Receipts Reserve	2,679,685
<u>Capital Grants & Contributions</u>	
Renovation Grants	492,875
Section 106 Contributions	313,641
Revenue Reserves	38,828
Other Contributions	2,265,438
TOTAL FUNDING	5,790,467

2. Net Borrowing and the Capital Financing Requirement (CFR) – Under the Local Government Act 2003, all external borrowing should be prudent and must only be used for capital purposes.

The Capital Financing Requirement (CFR) measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice the Council does not associate borrowing with particular types of expenditure i.e. revenue or capital, but manages the cash flows in accordance with its Treasury Management Strategy. At 31st March 2015 the CFR is -£1.32 million, a reduction of £125k from the balance at 31 March 2014. The movement reflects the value of the unfinanced component of the outstanding credit arrangement for the supply of multi-function devices acquired to support new ways of working (NWOW).

3. The Authorised Limit is the “Affordable Borrowing Limit” required by s3 of the Local Government Act 2003, and was set at £10m for 2014-15 for the maximum level of temporary borrowing, which may have been required for revenue and capital expenditure. No borrowing was undertaken other than short-term use of the Council’s overdraft facility for short term liquidity and a credit arrangement of £146k for multi-function acquired to support new ways of working (Para.6.5 of the main report refers). The authorised limit was not exceeded at any point during 2014-15.

4. The Operational Boundary is the more likely borrowing position of the Council during the year, without the headroom for any unusual cash movements and was set at £5m. This limit was not exceeded in the year, and more than sufficient to cover the Council’s temporary use of its overdraft facility and the aforementioned credit arrangement.

5. Actual financing costs as a proportion of net revenue stream – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The net revenue stream is the figure from the comprehensive income and expenditure statement for “taxation and non-specific grant income”. As the Council is largely debt free (but for the credit arrangement referred to in Para 3 above) and earns investment income the net financing costs is overall a negative figure and was –2.19% in 2014-15.

The Ratio of Financing Costs to Net Revenue Stream

2012-13 Actual %	2013-14 Actual %	2014-15 Original Estimate %	2014-15 Revised Estimate %	2014-15 Actual %
-3.76	-2.63	-3.23	-3.72	-2.19

The percentages are negative as this shows that investments still remains an income source to the income and expenditure account, albeit over time as the internal resources are used the lower the negative percentage will become. The actual for 2014-15 was lower than the revised estimate due to the net revenue income stream being higher than anticipated, and investment income lower.

6. Interest Rate Exposures – Prior to the start of the financial year, the Council is required to determine its upper limits on fixed and variable interest exposures – netting off investments and borrowing where appropriate. For 2014-15 these were set at:-

- (i) £22m for Upper limit on Fixed Interest Rate exposure of Net Investment Principal
- (ii) £55m for Upper limit on Variable Interest Rate exposure of Net Investment Principal.

These limits were not exceeded during the year, as the maximum levels achieved were £8m for fixed interest rate investments and £47.5m for variable interest investments.

7. Total Principal Sums Invested for Periods Longer than 364 days – The indicator set for the prudential limits for principal sums invested for periods for longer than 364 days was set at £6m, and where the maximum liquidity level of short term investments is set at 65%. The 2014-15 strategy amended the liquidity level to maintaining a minimum of £10m available within a 3 month period.

In 2014-15 the following new long-term investments were undertaken during the year, the details of which are:-

- 27 November 2014. £2m was placed with Glasgow City Council for 1 year at 1.10%

The Council held long term investments of £11m at 31st March 2015, of which £3.0m matures within 2015-16 financial year.

A number of long-term investments were repaid during the year, the details of which are:-

- 15 September 2014. Lloyds Bank repaid £1m, which was invested for 5 years. Interest was fixed at 4% for the first year, and 2.95% for the remaining term.
- 15 October 2014. Royal Bank of Scotland repaid £1m, which was invested for 4 years, 2.65%
- 2 February 2015. Lloyds TSB repaid £1m, which was invested for 4 years, at 3.00% fixed for the entire term.