

PERTH AND KINROSS COUNCIL

2 October 2013

**TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2013/14 QUARTER 1****Report by the Head of Finance****PURPOSE OF REPORT**

The purpose of this report is to provide a summary of Loans Fund transactions for the quarter ending 30 June 2013 and to report on compliance with the Council's Treasury Management Policy Statement (TMPS), Treasury Management Practices (TMP's) and the Investment Strategy for the same period.

1. BACKGROUND / MAIN ISSUES

- 1.1 Treasury Management Practice 6 (TMP6 - Reporting Requirements & Management Information Arrangements) requires that Loans Fund borrowing and lending activities are reported quarterly to the Council. This report covers the period from 1 April to 30 June 2013. TMP6 also requires that compliance with the approved TMPs, Treasury Policies and Investment Strategy are reported quarterly and this report also covers compliance for the period. The Prudential Indicators are also monitored throughout the year and reported as part of the quarterly Treasury Activity and Compliance report. Accordingly, this report covers the Council's approved Prudential Indicators for the quarter.

2. ECONOMIC BACKGROUND

- 2.1 The Bank of England Monetary Policy Committee (MPC) kept the Bank Rate at 0.5% throughout the quarter. The MPC also held the quantitative easing programme (aimed at encouraging economic activity) at a total of £375 billion. However three members of the MPC voted for further quantitative easing.
- 2.2 Gross Domestic Product (GDP) increased by 0.6% in the three months to June. There was growth in the construction, manufacturing, services and agricultural sectors. There were also signs of growth in household spending. The monthly rise in May of 2.1% in retail sales compensated for the fall in April, and non high street spending also remained positive with new car registrations up by 20% in the year to May. The CPI (Consumer Price Index) rate of inflation fell to 2.4% in April 2013 before rising to 2.7% in May and 2.9% in June 2013 in line with forecasts. However, underlying price pressures continue to ease, with wages and producer prices both showing little increase.
- 2.3 Employment in the UK rose by 24,000 in the three months to April, however it showed an 8,600 fall in May. Meanwhile, pay growth increased in April, though this was mostly driven by the delaying of bonuses until after April's cut

in the upper rate on income tax. Excluding bonuses, earnings rose by just 1.3% over the year, well below the rate of inflation of 2.9% in June.

- 2.4 Meanwhile, the Bank of England extended its Funding for Lending scheme (FLS) into 2015 and increased the incentives for banks to extend business lending, particularly to small and medium sized enterprises. The mortgage market has also benefited from the scheme allowing banks to offer lower interest rates.
- 2.5 The UK Government's Help to Buy scheme, which provides equity loans to credit constrained borrowers, is assisting the housing market. Mortgage approvals by high street banks rose from 33,000 to 36,100 in May. Excluding an increase in January 2012 related to the stamp duty holiday, this was the highest level for over three years. The rise in demand has increased house prices, with both the Halifax and Nationwide measures reporting a 0.4% monthly gain in May.
- 2.6 Internationally, having continued to improve over April and May, financial markets fell in June following a Federal Reserve statement that suggested the central bank may reduce its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was also replicated in the UK. The Federal Reserve statement was a response to the improving economic outlook in the US.
- 2.7 Meanwhile, Eurozone activity was fairly static but remained at a low level. There remained a number of pressures, including some political unrest following the continuation of austerity measures in some countries.
- 2.8 The Public Works Loan Board's (PWLB) fixed interest rates, which are based on yields on UK gilts, all rose slightly over the quarter. Variable rates, which generally move in line with Bank Rate expectations, remained static. Interest rate movements are shown in the graph at Appendix I.

3. TREASURY ACTIVITY

- 3.1 A summary of the Council's treasury position and transactions is shown at Appendix II. This shows that the main activity during the quarter was the investment of short-term cashflow surpluses, mainly in notice deposit accounts. There was one fixed term investment for a longer period when the opportunity arose in line with cashflow forecasts and counterparty limits. There were no new longer term PWLB loans borrowed in the quarter, however there were some repayments of maturing PWLB loans in May. The level of funds held on temporary loan by local bodies and trusts decreased slightly over the quarter. There were three short term borrowing transactions undertaken during the quarter to meet cashflow requirements.
- 3.2 The total amount of investments decreased over the quarter, closing at £37.25M compared with £39.6M at the end of the last quarter. This reduction can be attributed to the repayment of PWLB loans during the period when the

cashflow would otherwise have been positive. The average rate of interest earned on investments outstanding at the end of the quarter decreased from 1.93% to 1.50%, as some investments at higher rates matured and equivalent replacement deposits were no longer available as banks reduced their investment rates. The average lending period to Banks and Building Societies for fixed term deposits was 365 days, increasing from the previous quarter's average period of 93 days, however there was only one such deposit made in this quarter. This was in line with the need to place most deposits in notice and instant access funds to meet more immediate cashflow requirements. The average lending rate on fixed deposits increased from 0.55% in the previous quarter to 1.10%, reflecting the longer time period, however as stated above, there was only one such investment made.

- 3.3 Most of the investment transactions in the quarter were through the Council's instant access and notice deposit accounts, to meet daily cashflow requirements. The average interest rate on these accounts for the quarter decreased from 0.7% to 0.51% as a result of interest rate cuts to these accounts. All of the above investment activities are consistent with the Council's current investment strategy and cashflow requirements.
- 3.4 There were three temporary loans undertaken during the quarter to meet cashflow requirements. These were taken for the shortest time period possible and at the lowest rate available. Funds held from associated bodies and organisations decreased slightly over the quarter in line with the bodies own cashflows, from £1.5M to £1.46M. The average rate remained unchanged at 0.10%.

4. COMPLIANCE

- 4.1 For the quarter ending 30 June 2013, there were no breaches in compliance with the Council's approved Treasury Management Policy Statement, TMPs or lending limits (as detailed in Treasury Management Practice 4 TMP4 - Approved Instruments, Methods & Techniques).
- 4.2 TMP4 requires that a working list of specific approved counterparties (including lending limits) is maintained and updated regularly for any movements in credit ratings or Credit Default Swap prices. The Council's approved lending policy incorporates Sector Treasury Services' suggested maximum lending period for each counterparty. Appendix III shows the list of approved counterparties based on the current lending policy, as at July 2013.
- 4.3 A further requirement of TMP4 is that of cashflow performance measurement, which is expressed as the average closing cleared bank balance for the period. For the quarter ending 30 June 2013 the average closing cleared bank balance was £4,468.46 (credit). This is within the set target range of £50,000 (debit or credit).

5. INVESTMENT STRATEGY COMPLIANCE AND PERFORMANCE

- 5.1 In essence, the Treasury Investment Strategy approved by the Council for 2013/14 (Report 13/102 refers) sought to ensure security over principal sums invested whilst obtaining optimum returns consistent with this approach. Therefore, the only Permitted Investments are in low risk organisations. The limits for each Permitted Investment and individual counterparty ensure a good spread of investments thereby also spreading any risk. The Council also needs to ensure good liquidity at all times and, consequently investments must be made in accordance with cashflow requirements. The approved Strategy also seeks to reduce the level of investments during the current period of low investment returns and increased risks, subject to longer term funding requirements.
- 5.2 The strategy was applied in full over the quarter with no breaches in compliance with treasury limits, whilst liquidity was maintained by the extensive use of instant access and notice deposit accounts as detailed in Section 3 above. The original Strategy also anticipated that investments would not exceed £50M during the year unless, for example, the Council undertook new long term borrowing. There was no new PWLB long term borrowing undertaken in the first quarter of the financial year, however the level of investments exceeded the £50M level on one occasion for one day as a result of a peak in the cashflow.
- 5.3 There were no additional risks identified or borrowing in advance of need undertaken in the quarter.
- 5.4 The Investment Strategy also incorporates investments held by the Common Good Funds. All such investments during the quarter were in line with the approved strategy.
- 5.5 The only Council funds held by external managers, related to Council administered Charitable Trusts.
- 5.6 The Annual Property Investment Strategy for 2013/14 was also approved by the Council at its meeting on the 27 February 2013 (Report 13/102 refers) and has been complied with in full, with no breaches in compliance with permitted investment limits.
- 5.7 The budgeted income for 2013/14 was projected in the Annual Property Investment Strategy at £1,798,000. This has reduced by £180K from 2012/13 in light of the current economic and market conditions.
- 5.8 There were neither additional risks identified nor new property investments entered into in the quarter. The strategy action plan for the rationalisation of the commercial property portfolio remains on programme.

6. ICELANDIC BANKS

- 6.1 The funds repaid by Glitnir in Icelandic Krona (ISK) remain in an escrow account in Iceland in accordance with the requirements of the Icelandic Central Bank. The estimated value of the ISK amounts to £211,000 as at 31 March 2013. There have been no further developments over the quarter in respect of these funds.

7. PRUDENTIAL INDICATORS

- 7.1 The Prudential Indicators for the seven years 2013/14 to 2019/20 were approved by the Council at its meeting on 27 February 2013 (report 13/102 refers). These indicators have been reviewed and the latest estimates as at 30 June 2013 are shown at Appendix IV. The indicators take account of the additional capital expenditure in the Composite Capital Budget approved by the Council at its meeting on 26 June 2013 (report 13/336 refers).
- 7.2 It can be seen that all indicators are in line with expectations and all limits were complied with throughout the period. However in light of the additional expenditure outlined above, the projections for the ratio of Financing Costs to the Net Revenue Stream are close to its limit in later years. This indicator will be monitored closely and may need to be revised depending on the approach adopted to managing the Revenue and Capital Budget over the medium term. In addition, the Estimates of Capital Expenditure and Capital Financing (Borrowing) Requirement have increased in line with the additional capital expenditure and financing. However, the Council's plans remain affordable, prudent and sustainable over the medium term.

8. CONCLUSION AND RECOMMENDATIONS

- 8.1 The main activities during the quarter were the lending of surplus cashflow funds and the repayment of fixed term PWLB loans at maturity. Most of the investment activity related to increased use of instant access, notice accounts and Money Market Funds. This maintained liquidity during the quarter to meet an increased cashflow requirement. The Council adhered to its Investment Strategy and policies throughout the quarter.
- 8.2 The UK economy showed some signs of growth with GDP increasing by 0.6% in the three months to June. CPI inflation fluctuated over the quarter and stood at 2.9% in June. The Monetary Policy Committee maintained the Bank Rate at 0.5%, and there was no further quantitative easing during the quarter.
- 8.3 The Prudential Indicators have been updated for the years up to 2019/20, and all limits and indicators are in line with expectations. However a revision of these indicators may be required due to the additional capital expenditure discussed in paragraph 7.1 and 7.2.

8.4 It is recommended that the Committee:

1. Notes the content of this report, which is submitted in accordance with the Council's approved Treasury Management Practices.

Author(s)

Name	Designation	Contact Details
John Jennings	Senior Accountant	jjennings@pkc.gov.uk 01738 475564

Approved

Name	Designation	Date
John Symon	Head of Finance	23 September 2013

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Council Text Phone Number 01738 442573

ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

1.1. Corporate Plan

1.1.1. The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

2.1.1. There are no direct financial implications arising from this report other than those reported within the body of the main report.

2.2. Workforce

2.2.1. There are no direct workforce implications arising from this report other than those reported within the body of the main report.

2.3. Asset Management (land, property, IT)

2.3.1. There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3. Assessments

3.1. Equality Impact Assessment

3.1.1. Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

3.1.2. The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

3.2. Strategic Environmental Assessment

3.2.1. The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2. The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

3.3. Sustainability

3.3.1. Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

3.3.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

4.1 The Chief Executive, and the Council's Treasury advisors, Sector Treasury Services, have been consulted in the preparation of this report.

5. BACKGROUND PAPERS

5.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

6. APPENDICES

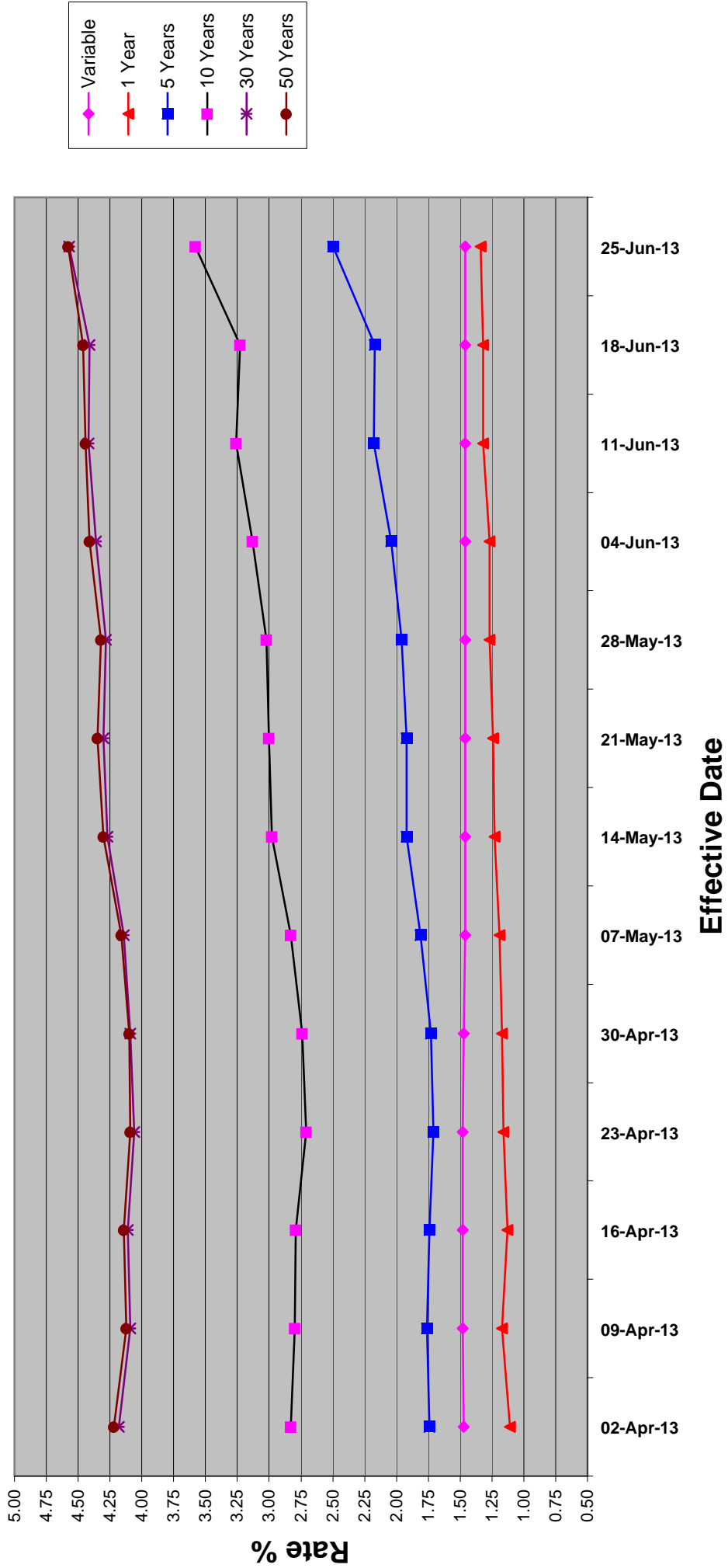
Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 1 April to 30 June 2013.

Appendix II – Summary of the Treasury Position and Transactions from 1 April to 30 June 2013.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Analysis of Prudential Indicators Quarter ending 30th June 2013.

**PWLB Fixed Maturity & Variable Interest Rates
From 1 April 2013 to
30 June 2013**



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 APRIL TO 30 JUNE 2013**

1 LENDING

(a) <u>Investments Outstanding</u>	Outstanding 31-Mar-13 £	Average Rate	Outstanding 30-Jun-13 £	Average Rate
Banks (Fixed Deposits)	39,600,000	1.93%	37,250,000	1.50%
Money Market Funds	0	0.00%	0	0.00%
Building Societies/Subsidiary Banks (Fixed)	0	0.00%	0	0.00%
Other Local Authorities	0	0.00%	0	0.00%
TOTAL	39,600,000	1.93%	37,250,000	1.50%

(b) Investment Transactions - 1st April to 30th June 2013

<u>Fixed Deposits</u>	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Total Interest (£)</u>
Banks	1	5,000,000	1.10%	365	55,000.00
	1	5,000,000	1.10%	365	55,000.00

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access account	3,148,321	0.54%	6,192.82
95 day notice account	8,866,667	1.05%	25,388.49
Money Market Funds	3,833,882	0.44%	4,572.32
Other Local Authorities	0	0.00%	0.00
	3,962,217	0.51%	36,153.63

2 BORROWING

(a) Long Term Borrowing 1st April to 30th June 2013

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
None	0	0.00%	0
	0	0.00%	0

(b) Long Term Debt Repayments 1st April to 30th June 2013

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - Maturity Loan - Scheduled Repayment	2	2.03%	8,000,000
	2	2.03%	8,000,000

(c) Long Term Debt Outstanding

	Outstanding 31-Mar-13 £	Average Rate	Outstanding 30-Jun-13 £	Average Rate
Public Works Loan Board	156,854,484	4.00%	148,854,484	4.11%
Money Market Loans (LOBO's)	43,200,000	4.59%	43,200,000	4.59%
Other Long Term Debt	290,000	0.75%	290,000	0.75%
TOTAL	200,344,484	4.12%	192,344,484	4.21%

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 APRIL TO 30 JUNE 2013**

(d) Temporary Borrowing Outstanding

	<u>Outstanding 31-Mar-13</u>	<u>Average Rate</u>	<u>Outstanding 30-Jun-13</u>	<u>Average Rate</u>
	£		£	
Banks and Building Societies	0	0.00%	0	0.00%
Other Local Authorities and Corporations	0	0.00%	0	0.00%
Local Trusts & Investors	1,497,691	0.10%	1,461,182	0.10%
TOTAL	<u>1,497,691</u>	<u>0.10%</u>	<u>1,461,182</u>	<u>0.10%</u>

(e) Temporary Market Borrowing - 1st April to 30th June 2013

	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Interest (£)</u>
Temporary Market Borrowing	3	2,000,000	0.27%	28.2	1,213.97
	<u>3</u>	<u>2,000,000</u>	<u>0.27%</u>	<u>28.2</u>	<u>1,213.97</u>

APPROVED INVESTMENT COUNTERPARTY LIST

	<u>Country</u>	<u>Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note</u>
Category 1 - Principal UK Clearing Banks - max £10M per Counterparty unless semi-nationalised max £20M					
(Minimum rating required Fitch A, F1)					
Barclays Bank plc	UK	AA-, F1+	In range	3 months	
Lloyds Banking Group plc (incl HBOS and Bank Of Scotland) (1)	UK	AA-, F1+	Nationalised	12 months	Individual limit £20M
HSBC Bank plc	UK	AA, F1+	In range	12 months	
Royal Bank of Scotland plc (1)	UK	AA-, F1+	Nationalised	12 months	Individual limit £20M
Standard Chartered Bank	UK	AA-, F1	In range	12 months	

Category 2 - Foreign Banks & Institutions - max £7.5M per Counterparty

(Minimum rating required Fitch A, F1)

Australia and New Zealand Banking Group Lt	Aus	AA-, F1+	In Range	12 months	
Commonwealth Bank of Australia	Aus	AA, F1+	In Range	12 months	
National Australia Bank Ltd	Aus	AA, F1+	In Range	12 months	
Westpac Banking Corporation	Aus	AA, F1+	In Range	12 months	
Bank of Montreal	Can	AA-, F1+	No data	12 months	
Bank of Nova Scotia	Can	AA-, F1+	No data	12 months	
Canadian Imperial Bank of Commerce	Can	AA-, F1+	No data	12 months	
National Bank of Canada	Can	A+, F1	No data	6 months	
Royal Bank of Canada	Can	AA-, F1+	No data	12 months	
Toronto Dominion Bank	Can	AA-, F1+	No data	24 months	
Nordea Bank Finland plc	Finland	AA-, F1+	No data	6 months	
BNP Paribas	France	AA-, F1+	In Range	1 months	Sovereign Rating AA+
Credit Industriel et Commercial	France	AA-, F1+	No data	1 months	Sovereign Rating AA+
Deutsche Bank AG	Germany	AA-, F1+	In Range	3 months	
DZ Bank AG	Germany	A+, F1+	No data	3 months	
Landesbank Berlin AG	Germany	AA-, F1+	No data	3 months	
Landesbank Hessen-Thuringen Girozentral (Helaba)	Germany	A+, F1+	In Range	3 months	
Landwirtschaftliche Rentenbank	Germany	AAA, F1+	No data	12 months	
Hong Kong and Shanghai Banking Corporation Ltd	Hong Kong	AA, F1+	No data	1 month	Sovereign Rating AA+
Banque et Caisse d'Epargne de l'Etat*	Luxemburg	AA+, A-1+	No data	6 months	
Clearstream Banking	Luxemburg	AA, F1+	No data	24 months	
Bank Nederlandse Gemeenten	Netherlands	AAA, F1+	No data	24 months	
Co-operatieve Centrale Raiffeisen	Netherlands	AA+, F1+	In Range	12 months	
ING Bank NV	Netherlands	A+, F1+	In Range	3 months	
DnB NOR Bank	Norway	A+, F1	No data	6 months	
DBS Bank Limited	Singapore	AA-, F1+	In Range	12 months	
Oversea-Chinese Banking Corp Ltd	Singapore	AA-, F1+	In Range	24 months	
United Overseas Bank Ltd	Singapore	AA-, F1+	In Range	24 months	
Nordea Bank AB	Sweden	AA-, F1+	In Range	12 months	
Skandinaviska Enskilda Banken AB	Sweden	A+, F1	In Range	6 months	
Swedbank AB	Sweden	A, F1	In Range	6 months	
Svenska Handelsbanken AB	Sweden	AA-, F1+	In Range	6 months	
Credit Suisse	Switzerland	AA-, F1+	In Range	3 months	
UBS AG	Switzerland	A+, F1+	In Range	3 months	
Bank of New York Mellon	USA	AA-, F1+	No data	1 month	Sovereign Rating AA+
HSBC Bank USA, National Association	USA	AA, F1+	No data	1 month	Sovereign Rating AA+
JP Morgan Chase Bank NA	USA	AA-, F1+	In Range	1 month	Sovereign Rating AA+
Northern Trust Company	USA	AA-, F1+	No data	1 month	Sovereign Rating AA+
State Street Bank and Trust Company	USA	A+, F1+	No data	1 month	Sovereign Rating AA+
Wells Fargo Bank NA	USA	AA-, F1+	In Range	1 month	Sovereign Rating AA+

Category 3 - Subsidiary Banks & Building Societies - max £5M per Counterparty

(Minimum rating required Fitch A, F1)

(parent bank shown in brackets)

Subsidiary Banks**Building Societies**

Nationwide Building Society	UK	AA-, F1+	In range	6 months	
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Category 4 - Other Local Authorities - max £10M per Counterparty

As arranged

APPROVED INVESTMENT COUNTERPARTY LIST

	<u>Country</u>	<u>Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note</u>
<u>Category 5 Money Market Funds - max £10M per Counterparty</u>					
(Minimum rating required Fitch AAA)					
Prime Rate Sterling Liquidity Fund (Class 3)	UK	AAA			
Deutsche Bank Sterling Fund	UK	AAA			
Insight Sterling Liquidity Fund (Class 5)	UK	AAA			
Royal Bank of Scotland GTF Sterling Fund (Class 4)	UK	AAA			
Ignis Sterling Liquidity Fund	UK	AAA			

Note:

(1) - Banks are part/majority owned by the UK government

Note - all Sovereign credit ratings for above Countries are AAA unless stated otherwise.

* Standard & Poor's Rating

Last Updated: 25-Sep-13

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2013

1 Financing Costs: Net Revenue Stream

The ratio of Capital Financing Costs (Loan Charges) to the Council's net revenue stream shall not exceed the following limits, which are based on historical levels, and allow some headroom for movement in interest rates. The estimated Financing Costs below are based on monitoring figures as at July 2013.

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Prudential Limit - General Fund	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Estimated Ratio of Financing Costs to Revenue	8.47%	8.90%	9.21%	10.12%	10.98%	11.47%	12.17%
Prudential Limit - HRA	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Estimated Ratio of Financing Costs to Revenue	17.25%	18.40%	18.63%	19.69%	20.33%	19.72%	19.70%

2 Incremental Council Tax/Housing Rent from proposed capital and revenue plans

Estimated incremental Council Tax and Housing Rent resulting from the totality of the Council's capital and revenue plans are as follows:

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Council Tax (Band D equivalent annual increase)	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00
Housing Rent (average weekly increase)	£ 1.15	£ 1.20	£ 1.24	£ 1.29	£ 1.34	£ 1.40	£ 1.45

Note: There are no significant variations beyond the 5 year period to be taken into account.

3 Net Borrowing and Capital Financing Requirements

For prudence, net external borrowing must not exceed the total capital financing requirement, thus ensuring that over the medium term, borrowing is only undertaken for capital purposes. The estimated total net borrowing and Capital Financing Requirement at the end of each of the years are as follows:

	Actual as at <u>30-Jun-13</u>	Projected <u>31-Mar-14</u>	Projected <u>31-Mar-15</u>	Projected <u>31-Mar-16</u>	Projected <u>31-Mar-17</u>	Projected <u>31-Mar-18</u>	Projected <u>31-Mar-19</u>	Projected <u>31-Mar-20</u>
Net External Borrowing	289,432,705	297,333,647	300,891,427	319,742,145	364,009,130	368,313,574	371,160,156	372,679,113
Capital Financing Requirement	364,832,139	395,844,844	417,398,196	461,248,913	490,515,898	484,820,342	482,666,923	479,185,879

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2013

4 Estimates of Capital Expenditure

The total estimated Capital Expenditure contained within the Council's Budgets for each year is as follows (as at July 2013):

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<u>Composite Programme</u>							
Current estimate	49,245,000	56,206,000	67,029,000	55,139,000	24,159,000	27,846,000	27,805,000
Original Budget Estimate	54,232,000	63,871,000	45,428,000	39,225,000	23,290,000	29,133,000	29,083,000
Movement in Estimated Capital Expenditure	<u>(4,987,000)</u>	<u>(7,665,000)</u>	<u>21,601,000</u>	<u>15,914,000</u>	<u>869,000</u>	<u>(1,287,000)</u>	<u>(1,278,000)</u>

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 27 February 2013, and based on the Capital Budget report on 14 February 2013
The latest estimates are per SP&R Capital Monitoring Report (18 September 2013)

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
PPP Programme	0	0	0	0	0	0	0

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HRA

Current estimate	20,302,000	14,431,000	14,096,000	10,937,000	8,685,000	9,000,000	9,000,000
Original Budget Estimate	18,346,000	14,736,000	14,096,000	10,937,000	8,685,000	9,000,000	9,000,000
Movement in Estimated Capital Expenditure	<u>1,956,000</u>	<u>(305,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 27 February 2013, and based on the HRA Budget report on 6 February 2013
The latest estimates are per SP&R Capital Monitoring Report (18 September 2013)

5 Estimate of Capital Financing Requirement

The estimate (as at July 2013) of the Capital Financing Requirement (ie new borrowing requirement for Capital Expenditure) for each year based on these plans is as follows:

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<u>Estimate of Capital Financing Requirement (for the year)</u>							
<u>Composite Programme</u>							
Current Estimated Capital Financing Requirement	30,680,000	26,863,000	51,742,000	42,504,000	11,857,000	15,444,000	15,403,000
Original Budget Estimate	36,904,000	38,184,000	29,141,000	25,594,000	9,888,000	15,731,000	15,681,000
Movement in Estimated Capital Financing Requirement	<u>(6,224,000)</u>	<u>(11,321,000)</u>	<u>22,601,000</u>	<u>16,910,000</u>	<u>1,969,000</u>	<u>(287,000)</u>	<u>(278,000)</u>

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 27 February 2013, and based on the Capital Budget report on 14 February 2013
The latest estimates are per SP&R Capital Monitoring Report (18 September 2013)

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2013

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<u>PPP Programme</u>	0	0	0	0	0	0	0
<u>HRA</u>							
Current Estimated Capital Financing Requirement	16,065,000	10,542,000	9,698,000	6,244,000	3,463,000	5,000,000	5,000,000
Original Budget Estimate	14,124,000	10,847,000	9,698,000	6,244,000	3,463,000	5,000,000	5,000,000
Movement in Estimated Capital Financing Requirement	1,941,000	(305,000)	0	0	0	0	0

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 27 February 2013, and based on the HRA Budget report on 6 February 2013
The latest estimates are per SP&R Capital Monitoring Report (18 September 2013)

6 External Debt (Gross and Net)

	<u>As at 30-Jun-13</u>	<u>Projected 31-Mar-14</u>	<u>Projected 31-Mar-15</u>	<u>Projected 31-Mar-16</u>	<u>Projected 31-Mar-17</u>	<u>Projected 31-Mar-18</u>	<u>Projected 31-Mar-19</u>	<u>Projected 31-Mar-20</u>
Public Works Loan Board	148,854,484	143,693,194	145,994,720	168,569,274	216,653,398	225,135,777	232,456,487	238,450,142
Market Bonds	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000
Special Loans	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000
Temporary Loans/Other Borrowing	1,461,182	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other Long Term Liabilities	132,877,039	129,150,453	125,406,707	121,682,871	117,865,732	113,687,797	109,213,669	104,738,971
Total Gross External Debt	<u>326,682,705</u>	<u>317,333,647</u>	<u>315,891,427</u>	<u>334,742,145</u>	<u>379,009,130</u>	<u>383,313,574</u>	<u>386,160,156</u>	<u>387,679,113</u>
Short Term Investments	(37,250,000)	(20,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Long Term Investments	0	0	0	0	0	0	0	0
Total Net External Debt	<u>289,432,705</u>	<u>297,333,647</u>	<u>300,891,427</u>	<u>319,742,145</u>	<u>364,009,130</u>	<u>368,313,574</u>	<u>371,160,156</u>	<u>372,679,113</u>

Note:

Operational Boundary	327,000,000	318,000,000	316,000,000	335,000,000	380,000,000	384,000,000	387,000,000	388,000,000
Authorised Limit	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000

The Operational Boundary and Authorised Limit are based on Gross External Debt.

7 Adoption of the CIPFA code of practice for Treasury Management

Perth & Kinross Council fully complies with the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services (as amended in November 2009)

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2013

8 Interest Rate Exposures

	Actual as at 30-Jun-13	Projected 31-Mar-14	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20
Fixed Interest Rate Debt								
Total Fixed Rate Borrowing	287,021,523	278,133,647	276,691,427	295,542,145	334,809,130	339,113,574	341,960,156	343,479,113
Total Fixed Rate Investments	0	0	0	0	0	0	0	0
	<u>287,021,523</u>	<u>278,133,647</u>	<u>276,691,427</u>	<u>295,542,145</u>	<u>334,809,130</u>	<u>339,113,574</u>	<u>341,960,156</u>	<u>343,479,113</u>
Total Gross Borrowing	326,682,705	317,333,647	315,891,427	334,742,145	379,009,130	383,313,574	386,160,156	387,679,113
	<u>87.9%</u>	<u>87.6%</u>	<u>87.6%</u>	<u>88.3%</u>	<u>88.3%</u>	<u>88.5%</u>	<u>88.6%</u>	<u>88.6%</u>
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%	100%

Variable Interest Rate Debt

	Actual as at 30-Jun-13	Projected 31-Mar-14	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20
Total Variable Rate Borrowing	39,661,182	39,200,000	39,200,000	39,200,000	44,200,000	44,200,000	44,200,000	44,200,000
Total Variable Rate Investments	<u>(37,250,000)</u>	<u>(20,000,000)</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>	<u>(15,000,000)</u>
	<u>2,411,182</u>	<u>19,200,000</u>	<u>24,200,000</u>	<u>24,200,000</u>	<u>29,200,000</u>	<u>29,200,000</u>	<u>29,200,000</u>	<u>29,200,000</u>
Total Net Borrowing (including investments arising from short term cash balances)	289,432,705	297,333,647	300,891,427	319,742,145	364,009,130	368,313,574	371,160,156	372,679,113
	<u>0.8%</u>	<u>6.5%</u>	<u>8.0%</u>	<u>7.6%</u>	<u>8.0%</u>	<u>7.9%</u>	<u>7.9%</u>	<u>7.8%</u>
Upper limit on Variable Interest Rate Debt	35%	35%	35%	35%	35%	35%	35%	35%

9 Maturity Structure

The maturity structure for the Council's fixed rate debt, as at 30th June 2013, measured from the start of the financial year is as follows:

	< 12 mths	12<24 mths	2<5 years	5<10 years	Over 10 years
Total Debt Maturing (£)	9,092,248	12,885,109	40,589,742	68,145,192	156,309,232
% of Total Fixed Debt	3.2%	4.5%	14.1%	23.7%	54.5%
Lower Limit	0%	0%	0%	0%	10%
Upper Limit	35%	35%	50%	75%	95%

10 Principal Sums Invested Longer Than 364 Days

The Upper Limit for sums invested for over 1 year up to 3 years is £10 million. There were no sums invested which were outstanding for such periods as at the end of the quarter.