

PERTH AND KINROSS COUNCIL

26 February 2014

**TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2013/14 QUARTER 3****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 31 December 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 October to 31 December 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.
- 2.2 Gross Domestic Product (GDP) grew by 0.7% in the three months to December 2013, with the UK economy growing by 1.9% overall in 2013. This strong growth contributed to unemployment reducing more quickly than anticipated towards the 7% level that might trigger any increases in the Bank Rate indicated by the MPC. In the 3 months to November the unemployment rate fell to 7.1%. Many market commentators have forecast that the first increase in the Bank Rate may be in early 2015, whilst the MPC has indicated that strong growth is essential before they will consider increasing the Bank Rate. The Consumer Price Index (CPI) measure of inflation fell to 2.0% in December. There were also signs of growth in household spending with retail sales volume rising by 2.6% in December compared with November. By December UK retail sales had increased by 5.3% compared to the previous year, which was the fastest annual sales growth in more than nine years.

- 2.3 The Bank of England's Funding for Lending scheme (FLS) was maintained over the quarter. The implementation of the mortgage guarantee element of the Government's Help to Buy scheme continued to support the recovery in the housing market. House Prices rose at an annual rate of 8.4% in November, according to the Halifax measure, due to an increase in demand by buyers entering the market and lower supply by sellers.
- 2.4 Internationally, the US Federal Reserve decided at its December meeting to begin tapering its bond asset purchases in the early part of 2014. The decision reflected the relative strengths of the US Labour market, which added over 200,000 jobs per month in the four months to November.
- 2.5 Activity indicators in the Eurozone point towards continued weak, although positive, economic growth in the fourth quarter of 2013. CPI inflation rose from 0.7% to 0.9% in November, however, it remains significantly below the ECB's target of 2%. This is despite the ECB cutting its main bank refinancing rate by 0.25% to 0.25% in November.
- 2.6 The Public Works Loan Board's (PWLB) fixed interest rates, which are based on yields on UK gilts, increased 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 only one fixed term investment, which was undertaken for 3 months in line with cashflow forecasts and counterparty limits. There were no longer term PWLB loans borrowed or repaid in the quarter. The level of funds held on temporary loan by local bodies and trusts decreased slightly over the quarter. There was one short term borrowing transaction undertaken during the quarter to meet cashflow requirements over the Christmas period.
- 3.2 The total amount of investments decreased over the quarter, closing at £30.8M compared with £40.3M at the end of the last quarter. This reduction can be attributed to the fact that no PWLB borrowing has been undertaken for some time, together with the fact that the Council's expenditure levels generally increase in the second half of the year. The average rate of interest earned on investments outstanding at the end of the quarter decreased from 0.98% to 0.80%, as some fixed deposit investments made in previous quarters, at higher interest rates, matured and equivalent deposits were no longer available as banks have reduced their investment rates. The average lending period to Banks for fixed term deposits in the quarter was 92 days, decreasing from the previous quarter's average period of 251 days. However, there was only one such deposit made in the quarter. This was in line with the need to place most cash surpluses in notice and instant access funds to meet more immediate cashflow requirements. The average lending rate in the quarter for fixed deposits decreased from 0.84% in the previous quarter to 0.70%, reflecting the shorter duration undertaken in the current quarter.

- 3.3 Most of the investment transactions in the current 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 has remained fairly static at 0.56%. All of the above investment activities are consistent with the Council's current investment strategy and cashflow requirements.
- 3.4 There was one temporary loan undertaken during the quarter, to meet cashflow requirements over the Christmas period. It was taken for the shortest time period (42 days) and at the lowest rate available. Funds held from associated bodies and organisations decreased slightly over the quarter in line with their own cashflows from £1.26M to £1.19M. The average rate remained unchanged at 0.10%.

4. COMPLIANCE

- 4.1 For the quarter ending 31 December 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 Capita's (formerly known as Sector Treasury Service's) suggested maximum lending period for each counterparty. Appendix III shows the list of approved counterparties based on the current lending policy, as at January 2014.
- 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 31 December 2013 the average closing cleared bank balance was £9,842.28 (debit). This is within the set target range of £50,000 (debit or credit).
- 4.4 The last quarterly report also approved the inclusion of the Co-operative Bank on the Council's approved lending list over the Christmas closedown period. However, given the current financial uncertainties of the Co-operative Bank, arrangements were put in place in advance of the holiday period to avoid the need to use the Co-operative Bank for surplus cashflows, other than as a last resort. As a result, no funds were placed with the Co-operative Bank over the Christmas period.

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 current 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. This Strategy included the deferment of long term borrowing during 2013/14.

- 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 has been no new PWLB long term borrowing undertaken in the current financial year, however, the level of investments did exceed the £50M level on a few occasions at the beginning of the quarter as a result of a peaks in the cashflow. The highest level in the current quarter was £51.95M on 16 October 2013
- 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 in the Annual Property Investment Strategy at £1,798,000. The latest projection for 2013/14 is £1,806,000, reflecting a small increase of £8,000.
- 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. TREASURY MANAGEMENT UPDATE

- 6.1 The last quarterly report outlined the current financial position of the Co-operative Bank, and the bank's decision to withdraw from providing transactional banking services to local authorities.

- 6.2 Officers have therefore evaluated the implications of this development and considered all available options for the Council's future banking arrangements. Following agreement with the bank, it has been decided under delegated authority, and with advice from the Head of Legal Services, to terminate the contract with the Co-operative Bank from 31 March 2014. In addition, it has also been decided to appoint the Royal Bank of Scotland for the provision of banking services for a period of three years from 1 April 2014. This is to align with the 4 year contract period that the Co-operative Bank was originally appointed for. This appointment is on the terms of the Royal Bank's tender submitted in 2012, which was the second placed bidder (after the Co-operative Bank) at that time.

7. ICELANDIC BANKS

- 7.1 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. There have been no further developments over the quarter in respect of these funds.

8. PRUDENTIAL INDICATORS

- 8.1 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 31 December 2013 are shown at Appendix IV. The indicators are based on the latest capital expenditure estimates in the Composite Capital Budget 2013/20 and the Housing Investment Programme 2013/18.
- 8.2 It can be seen that all indicators are in line with expectations and all limits were complied with throughout the period. In light of the additional expenditure and borrowing approved since the Indicators were set, the projections for the ratio of Financing Costs to the Net Revenue Stream and Gross External Debt had been getting close to their limit in later years. However, the Capital Budget approved on 13 February 2014 (report 14/45 refers) included no new borrowing, whilst the Revenue Budget approved increased the Loan Charges budget. As a result, the ratio of Financing Costs to the Net Revenue Budget Stream has reduced in all years. The Council's plans remain affordable, prudent and sustainable over the medium term, however these indicators will continue to be monitored closely.

9. CONCLUSION AND RECOMMENDATIONS

- 9.1 The UK economy continued to show improving signs of growth with GDP of 0.7% in the three months to December, whilst CPI inflation fell to 2.0%. The Monetary Policy Committee maintained the Bank Rate at 0.5%, and there was no further quantitative easing, however PwLB long term rates did rise slightly over the quarter.

- 9.2 The main activities during the quarter were the lending of surplus cashflow funds. Most of the investment activity related to increased use of instant access and notice accounts. This maintained liquidity during the quarter to meet an increased cashflow requirement. The Council adhered to its Investment Strategy and policies throughout the quarter.
- 9.3 The Prudential Indicators have been updated for the years up to 2019/20, and all limits and indicators are in line with expectations. The latest Capital Budget has reduced the borrowing requirement in later years, ensuring all activities will remain within limits over the medium term.
- 9.4 It is recommended that the Council notes the content of this report, which is submitted in accordance with the Council's approved Treasury Management Practices.

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Approved

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ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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.

2. BACKGROUND PAPERS

2.1 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.

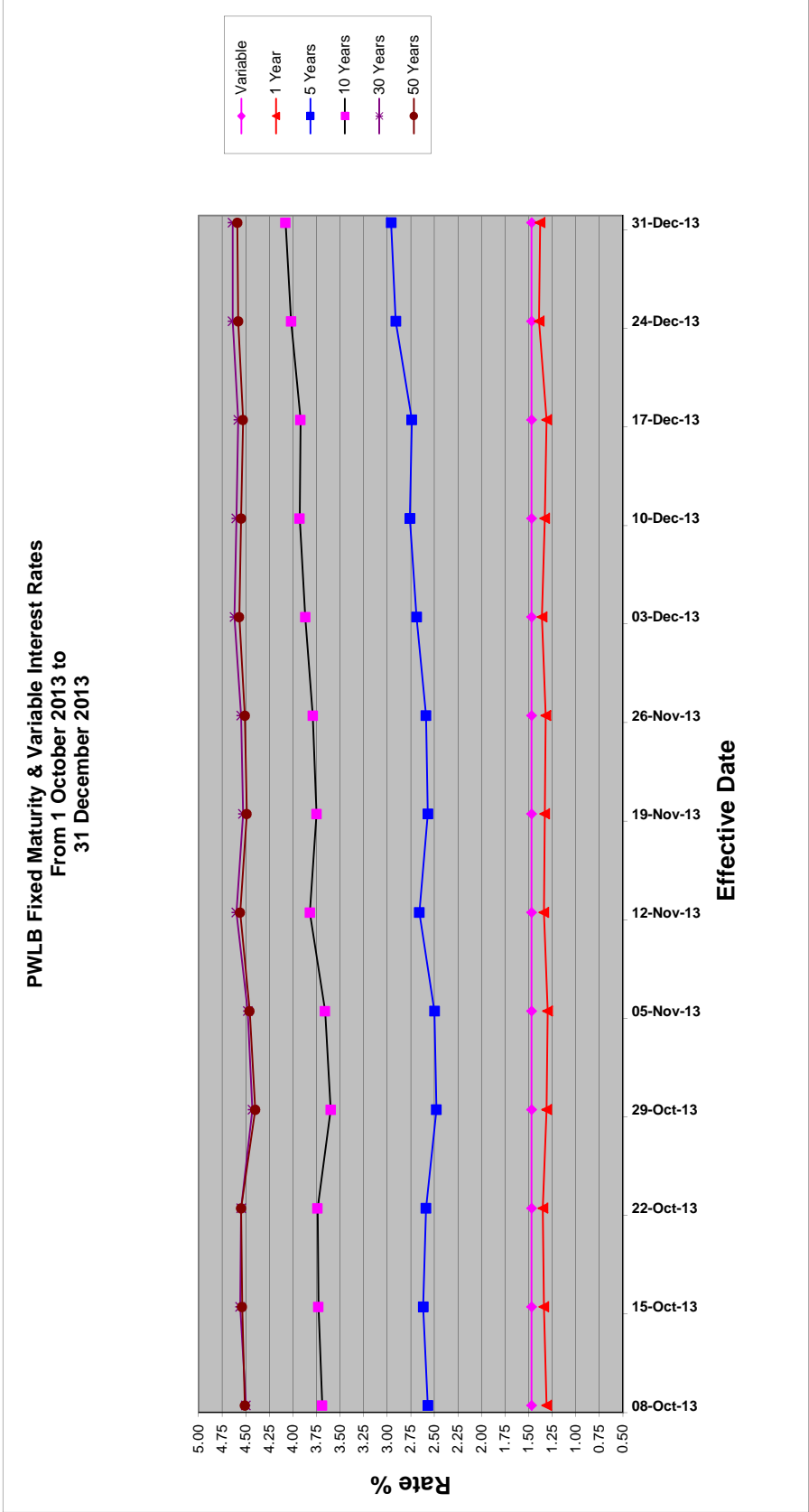
3. APPENDICES

Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 1 October to 31 December 2013.

Appendix II – Summary of the Treasury Position and Transactions from 1 October to 31 December 2013.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Analysis of Prudential Indicators Quarter ending 31st December 2013.



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 OCTOBER TO 31 DECEMBER 2013**

1 LENDING

(a) <u>Investments Outstanding</u>	Outstanding 30-Sep-13 £	Average Rate	Outstanding 31-Dec-13 £	Average Rate
Banks (Fixed Deposits)	40,300,000	0.98%	30,800,000	0.80%
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	40,300,000	0.98%	30,800,000	0.80%

(b) Investment Transactions - 1st October to 31st December 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	2,000,000	0.70%	92	3,528.77
	1	2,000,000	0.70%	92	3,528.77

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access account	4,235,439	0.58%	16,039.53
95 day notice account	7,000,000	0.68%	14,169.86
Money Market Funds	475,000	0.44%	17.12
Other Local Authorities	0	0.00%	0.00
	3,903,480	0.56%	30,226.51

2 BORROWING

(a) Long Term Borrowing 1st October to 31st December 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 October to 31st December 2013

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

(c) Long Term Debt Outstanding

	Outstanding 30-Sep-13 £	Average Rate	Outstanding 31-Dec-13 £	Average Rate
Public Works Loan Board	148,773,839	4.11%	148,773,839	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	192,263,839	4.21%	192,263,839	4.21%

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 OCTOBER TO 31 DECEMBER 2013**

(d) Temporary Borrowing Outstanding

	<u>Outstanding 30-Sep-13</u>	<u>Average Rate</u>	<u>Outstanding 31-Dec-13</u>	<u>Average Rate</u>
	£		£	
Banks and Building Societies	0	0.00%	0	0.00%
Other Local Authorities and Corporations	3,590,000	0.28%	5,000,000	0.45%
Local Trusts & Investors	1,265,982	0.10%	1,192,270	0.10%
TOTAL	<u>4,855,982</u>	<u>0.23%</u>	<u>6,192,270</u>	<u>0.38%</u>

(e) Temporary Market Borrowing - 1st October to 31st December 2013

	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Interest (£)</u>
Temporary Market Borrowing	1	5,000,000	0.45%	42.0	2,589.04
	<u>1</u>	<u>5,000,000</u>	<u>0.45%</u>	<u>42.0</u>	<u>2,589.04</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	A, F1	In range	3 months	
Lloyds Banking Group plc (incl HBOS and Bank Of Scotland) (1)	UK	A, F1	Nationalised	12 months	Individual limit £20M
HSBC Bank plc	UK	AA-, F1+	In range	12 months	
Royal Bank of Scotland plc (1)	UK	A, F1	Nationalised	12 months	Individual limit £20M
Santander UK plc	UK	A, F1	No data	3 months	
Standard Chartered Bank	UK	AA-, F1+	Monitoring	6 months	

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

(Minimum rating required Fitch A, F1)

Australia and New Zealand Banking Group Ltd	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	12 months	
BNP Paribas	France	A+, F1	In Range	1 months	Sovereign Rating AA+
Credit Industriel et Commercial	France	A+, F1	No data	1 months	Sovereign Rating AA+
Deutsche Bank AG	Germany	A+, F1+	In Range	3 months	
DZ Bank AG	Germany	A+, F1+	No data	3 months	
Landesbank Berlin AG	Germany	A+, F1+	No data	3 months	
Landesbank Hessen-Thueringen 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 Germeenten	Netherlands	AAA, F1+	No data	24 months	
Co-operatieve Centrale Raiffeisen	Netherlands	AA, F1+	In Range	6 months	
ING Bank NV	Netherlands	A+, F1+	In Range	3 months	
DBS Bank Limited	Singapore	AA-, F1+	No data	24 months	
Oversea-Chinese Banking Corp Ltd	Singapore	AA-, F1+	No data	24 months	
United Overseas Bank Ltd	Singapore	AA-, F1+	No data	24 months	
Nordea Bank AB	Sweden	AA-, F1+	No data	12 months	
Skandinaviska Enskilda Banken AB	Sweden	A+, F1	No data	6 months	
Swedbank AB	Sweden	A+, F1	No data	6 months	
Svenska Handelsbanken AB	Sweden	AA-, F1+	No data	12 months	
Credit Suisse	Switzerland	A, 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	A+, 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	A, F1	No data	3 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: 06-Feb-14

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st December 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 historic levels, and allow some headroom for movement in interest rates. The estimated Financing Costs below are based on monitoring figures as at February 2014.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Prudential Limit - General Fund Estimated Ratio of Financing Costs to Revenue	12.50% 7.32%	12.50% 6.76%	12.50% 7.27%	12.50% 7.94%	12.50% 8.55%	12.50% 8.67%	12.50% 9.27%
Prudential Limit - HRA Estimated Ratio of Financing Costs to Revenue	25.00% 17.18%	25.00% 18.13%	25.00% 18.75%	25.00% 18.90%	25.00% 19.09%	25.00% 18.67%	25.00% 18.34%

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:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
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	1.25	1.30	1.35	1.41	1.46

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 31-Dec-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
Net External Borrowing	300,538,000	297,341,000	309,757,000	309,841,000	327,195,000	341,282,000	352,570,000	364,057,000
Capital Financing Requirement	364,837,000	387,695,000	421,467,000	456,585,000	478,944,000	473,037,000	469,351,000	465,906,000
Gross External Borrowing	331,338,000	317,341,000	324,757,000	319,841,000	337,195,000	351,282,000	362,570,000	374,057,000

4 Estimates of Capital Expenditure

The total estimated Capital Expenditure contained within the Council's Budgets for each year is as follows (as at February 2014):

Composite Programme	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Current estimate	44,500,000	52,005,000	68,293,000	52,685,000	23,978,000	28,202,000	28,129,000
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	(9,732,000)	(11,866,000)	22,865,000	13,460,000	688,000	(931,000)	(954,000)

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 the Capital Budget approved at the Special Council meeting on 13 February 2014

PPP Programme	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Original Budget and Current Estimate	0	0	0	0	0	0	0

HRA Programme	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Current estimate	16,160,000	19,064,000	13,931,000	10,751,000	8,685,000	8,966,000	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	(2,186,000)	4,328,000	(165,000)	(186,000)	0	(34,000)	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 on 12 February 2014.

5 Estimate of Capital Financing Requirement

The estimate (as at February 2014) of the Capital Financing Requirement (ie new borrowing requirement for Capital Expenditure) for each year based on these plans is as follows:

Composite Programme	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Current Estimated Capital Financing Requirement	26,455,000	33,215,000	45,031,000	37,397,000	10,587,000	15,600,000	15,027,000
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	(10,449,000)	(4,969,000)	15,890,000	11,803,000	699,000	(131,000)	(654,000)

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 the Capital Budget approved at the Special Council meeting on 13 February 2014

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st December 2013

PPP Programme	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Original Budget and Current Estimate	0	0	0	0	0	0	0

HRA Programme	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Current Estimated Capital Financing Requirement	11,882,000	14,788,000	8,502,000	5,850,000	3,175,000	2,621,000	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	(2,242,000)	3,941,000	(1,196,000)	(394,000)	(288,000)	(2,379,000)	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 the Capital Budget approved at the Special Council meeting on 13 February 2014.

6 External Debt (Gross and Net)

External Borrowing	As at 31-Dec-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
Public Works Loan Board	148,773,839	143,693,194	155,431,904	155,670,614	179,209,324	197,648,034	213,286,744	229,125,454
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	6,192,270	1,000,000	800,000	800,000	800,000	800,000	800,000	800,000
Other Long Term Liabilities	132,881,919	129,158,100	125,034,725	119,880,506	113,695,443	109,344,166	104,992,890	100,641,613
Total Gross External Debt	331,338,028	317,341,294	324,756,629	319,841,120	337,194,767	351,282,200	362,569,634	374,057,067
Short Term Investments	(30,800,000)	(20,000,000)	(15,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Long Term Investments	0	0	0	0	0	0	0	0
Total Net External Debt	300,538,028	297,341,294	309,756,629	309,841,120	327,194,767	341,282,200	352,569,634	364,057,067
Note:								
Operational Boundary	331,000,000	317,000,000	325,000,000	320,000,000	337,000,000	351,000,000	363,000,000	374,000,000
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 31st December 2013

8 Interest Rate Exposures

	Actual as at 31-Dec-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	286,655,758	277,851,294	285,466,629	280,551,120	292,904,767	306,992,200	318,279,634	329,767,067
Total Fixed Rate Investments	0	0	0	0	0	0	0	0
	286,655,758	277,851,294	285,466,629	280,551,120	292,904,767	306,992,200	318,279,634	329,767,067
Total Gross Borrowing	331,338,028	317,341,294	324,756,629	319,841,120	337,194,767	351,282,200	362,569,634	374,057,067
	86.5%	87.6%	87.9%	87.7%	86.9%	87.4%	87.8%	88.2%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%	100%

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9 Maturity Structure

The maturity structure for the Council's fixed rate debt, as at 31st December 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
Total Debt Maturing (£)	8,804,464	13,026,955	41,080,864	71,182,835	152,560,641	286,655,758
% of Total Fixed Debt	3.1%	4.5%	14.3%	24.8%	53.2%	100.0%
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 £10million. There were no sums invested which were outstanding for such periods as at the end of the quarter.