

PERTH AND KINROSS COUNCIL

7 May 2014

TREASURY ACTIVITY AND COMPLIANCE REPORT – 2013/14 QUARTER 4

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 March 2014 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 January to 31 March 2014. 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, and economic data in the first quarter suggests that this growth has continued at the start of 2014. Household spending increased in February and there was also growth in new car registrations. Employment continued to recover but at a slower pace than over recent months. Although the headline (three-month average) unemployment rate fell from 7.4% to 7.2% in January, this remained above November's recent low of 7.1%. As a result, the unemployment rate is still just above the 7% threshold set out in the MPC's original forward guidance. The Consumer Price Index (CPI) measure of inflation fell from 1.9% in January to 1.7% in February 2014, and is below the MPC's target of 2%.

2.3 The Bank of England's Funding for Lending scheme (FLS) was maintained over the quarter. The mortgage guarantee element of the Government's Help to Buy scheme continued to support the recovery in the housing market, and has now been extended until 2020. House Prices rose at an annual rate of 9.2% in February.

- 2.4 Internationally, the US Federal Reserve started tapering its bond asset purchases in December 2013 and this continued in the early part of 2014. Financial markets were also affected by political concerns surrounding Ukraine and by renewed worries about credit conditions and a slowdown in economic growth in China.
- 2.5 Economic activity indicators in the Eurozone continue to suggest that the economy is recovering, albeit at a very slow rate. The economy expanded by 0.3% in the quarter to December. However, market analysis suggests that the recovery may not have continued in the period to the end of March 2014.
- 2.6 The Public Works Loan Board's (PWLB) fixed interest rates, which are based on yields on UK gilts, decreased at the start of the quarter, and were relatively static after that before increasing slightly at the end of March, but remained lower over the quarter as a whole. The exception was the one year rate which increased slightly. 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 during the quarter there was the investment of short-term cashflow surpluses, mainly in notice deposit accounts. There were only two fixed term investments, which were undertaken at the end of the quarter in line with cashflow requirements and counterparty limits. There was one long term fixed maturity PWLB loan for £5M borrowed for 50 years at a rate of 4.22%. In addition, a new Local Authority loan of £5M was borrowed from a London Borough authority for 3 years at a rate of 1.45%. During the quarter, there was an instalment paid on an existing Equal Instalments of Principal (EIP) loan and repayment of a maturing fixed rate PWLB loan for £5M.
- 3.2 The total amount of investments decreased over the quarter, closing at £24.6M compared with £30.8M at the end of the last quarter. This reduction can be attributed to the fact that only limited 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 remained the same as the previous quarter at 0.80%. The average period for fixed term deposits in the quarter was 139 days, increasing from the previous quarter's average period of 92 days. However, there were only two such deposits made in the quarter. This was in line with the need to place most cashflow 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 0.70% in the previous quarter to 0.65%, reflecting reduced interest rates offered by banks 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 fell slightly from 0.56% to 0.53%. All of the above investment activities are consistent with the Council's current investment strategy and cashflow requirements.
- 3.4 There were 5 short-term loans borrowed from other local authorities during the quarter, to meet immediate cashflow requirements. The average amount of the loans was £2.6M for 14 days at 0.32%. Funds held from associated bodies and organisations increased slightly over the quarter in line with their own cashflows from £1.19M to £1.38M. The average rate remained unchanged at 0.10%.

4. COMPLIANCE

- 4.1 For the quarter ending 31 March 2014, 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 suggested maximum lending period for each counterparty. Appendix III shows the list of approved counterparties based on the current lending policy, as at April 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 March 2014 the average closing cleared bank balance was £13,315.88 (debit). 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 current approved Strategy also sought 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 However, by the end of February 2014, the level of investments had reduced to £21.8M and were expected to fall below the core level of around £20M by the end of March. This resulted in occasions where there were no investment balances available and, therefore, the Council started to rely on short term borrowing to meet daily cashflow requirements. The Treasury Strategy of foregoing longer term borrowing in order to reduce investment balances had, therefore, been achieved. This also coincided with longer term borrowing rates falling towards the end of March, and therefore prompted the Council to recommence longer term borrowing in the last week of March. Therefore, there was one £5M PWLB long term loan of 50 years and one local authority bond of £5M for 3 years borrowed during the quarter.
- 5.3 The Investment 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. During the quarter, the level of investments fell to £21.8M on 28 February, before ending the quarter at £24.6M.
- 5.4 There were no additional risks identified or borrowing in advance of need undertaken in the quarter.
- 5.5 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.
- 5.6 The only Council funds held by external managers related to Council administered Charitable Trusts.
- 5.7 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.
- 5.8 The budgeted income for 2013/14 in the Annual Property Investment Strategy was £1,798,000. The latest projection for 2013/14 is £1,806,000, which is unchanged from the last quarter, and reflects a small increase of £8,000 from the budget.
- 5.9 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 position of the Co-operative Bank, and the Council's decision to appoint the Royal Bank of Scotland to provide its transactional banking services. This appointment was 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, and was made under delegated authority following legal advice.

- 6.2 Over the quarter officers have, therefore, been implementing the new banking arrangements, with most transactional processing transferring from the Co-operative Bank to the Royal Bank over the course of March and April 2014. To date, this transfer has been successfully implemented with no issues of concern to report. At the time of writing the vast majority of banking transactions are being processed through the Council's new bank accounts with the Royal Bank of Scotland.

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. At the prevailing exchange rate, the estimated value of the funds on deposit in Iceland as at 31 March 2014 amounted to £218,808.

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 March 2014 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.
- 8.3 The Prudential Indicators will need to be updated in light of the decision taken by the Council with regard to the Perth Transport Futures Project Phase 1 A9/A85 to Bertha Park, which is the subject of a separate report to this meeting of the Council. Any proposed revisions to the Prudential Indicators will be included in the next Quarterly Treasury Activity and Compliance Report.

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, with recent economic data suggesting that this growth has continued into 2014. CPI inflation fell below 2.0% during

the quarter, and was 1.7% in February. The Monetary Policy Committee maintained the Bank Rate at 0.5%, and there was no further quantitative easing.

- 9.2 Activities during the quarter included the lending of surplus cashflow funds, short term borrowing as well as some long term borrowing. There were also longer term loan repayments in the quarter. Most of the investment activity related to increased use of instant access and notice accounts. This assisted liquidity during the quarter to meet increased cashflow requirements, however some short term borrowing was also undertaken, as available investments balances were fully utilised. Therefore, as longer term rates dropped towards the end of the quarter, the opportunity was taken to recommence long term borrowing. The Treasury Strategy had been to forego longer term borrowing in order to reduce investment balances, and this outcome has now been achieved.
- 9.3 The Council adhered to its Investment Strategy and policies throughout the quarter, with no breaches in compliance. 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.
- 9.4.1 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

Name	Designation	Date
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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.

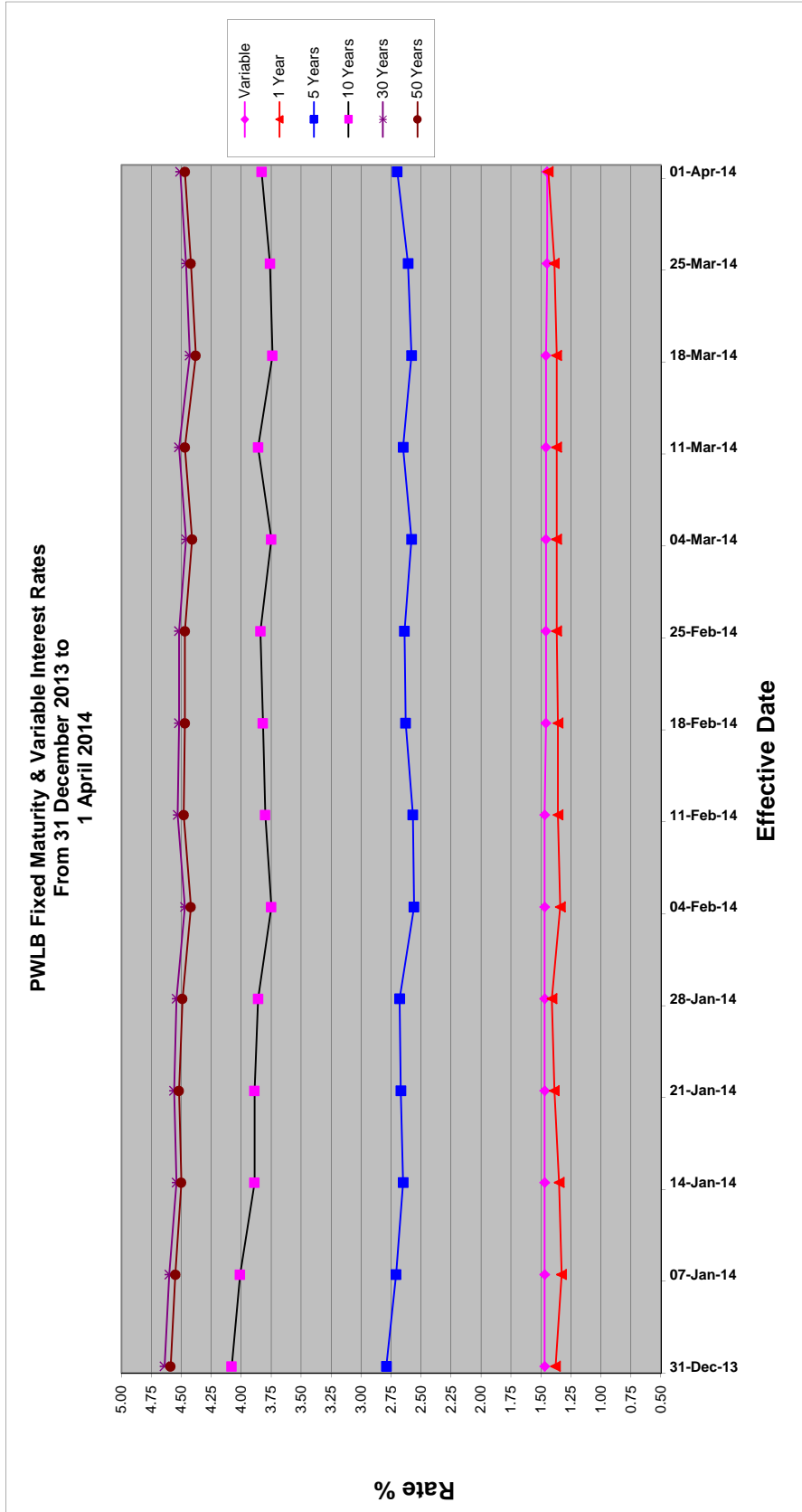
3. APPENDICES

Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 31 December 2013 to 31 March 2014.

Appendix II – Summary of the Treasury Position and Transactions from 1 January to 31 March 2014.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Analysis of Prudential Indicators Quarter ending 31st March 2014.



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2014**

1 INVESTMENTS

(a) Investment Transactions - 1st Jan to 31st March 2014

<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	2	5,000,000	0.65%	139	25,315.07
	<u>2</u>	<u>5,000,000</u>	<u>0.65%</u>	<u>139</u>	<u>25,315.07</u>

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access account	3,701,340	0.55%	13,001.05
95 day notice account	6,000,000	0.60%	8,383.56
Money Market Funds	512,500	0.43%	24.23

(b) Investments Outstanding

	<u>Outstanding 31-Dec-13 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-14 £</u>	<u>Average Rate</u>
Banks (Fixed Deposits)	30,800,000	0.80%	20,003,257	0.83%
Foreign Banks and Institutions	0	0.00%	4,601,754	0.65%
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%
Notice Investment Accounts (Banks)	0	0.75%	0	
TOTAL	<u>30,800,000</u>	<u>0.80%</u>	<u>24,605,011</u>	<u>0.80%</u>

2 BORROWING

(a) Long Term Borrowing 1st January to 31st March 2014

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
Local Authority Bond (3 years)	1	1.45%	5,000,000
PWLB - Maturity Loan (50 years)	1	4.22%	5,000,000
	<u>2</u>	<u>2.84%</u>	<u>10,000,000</u>

(b) Long Term Debt Repayments 1st January to 31st March 2014

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - EIP loan	1	4.02%	80,645
PWLB - Maturity Loan - Scheduled Repayment	1	2.95%	5,000,000
	<u>2</u>	<u>2.97%</u>	<u>5,080,645</u>

(c) Long Term Debt Outstanding

	<u>Outstanding 31-Dec-13 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-14 £</u>	<u>Average Rate</u>
Public Works Loan Board	148,773,839	4.11%	148,693,194	4.15%
Money Market Loans (LOBO's)	43,200,000	4.59%	43,200,000	4.59%
Local Authority Bond	0	0.00%	5,000,000	1.45%
Other Long Term Debt	290,000	0.75%	290,000	0.75%
TOTAL	<u>192,263,839</u>	<u>4.21%</u>	<u>197,183,194</u>	<u>4.17%</u>

SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2014

(d) Short Term Market Borrowing - 1st January to 31st March 2014

	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Interest (£)</u>
Short Term Market Borrowing	5	2,632,000	0.32%	14.5	1,662.70
	<u>5</u>	<u>2,632,000</u>	<u>0.32%</u>	<u>14.5</u>	<u>1,662.70</u>

(e) Short Term Borrowing Outstanding

	<u>Outstanding 31-Dec-13 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-14 £</u>	<u>Average Rate</u>
Banks and Building Societies	0	0.00%	0	0.00%
Other Local Authorities and Corporations	5,000,000	0.45%	0	0.00%
Local Trusts & Investors	1,192,270	0.10%	1,383,170	0.10%
TOTAL	<u>6,192,270</u>	<u>0.38%</u>	<u>1,383,170</u>	<u>0.10%</u>

APPROVED INVESTMENT COUNTERPARTY LIST

	<u>Country</u>	<u>Credit Rating (1)</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note (2)</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) (3)	UK	A, F1	Nationalised	12 months	Individual limit £20M
HSBC Bank plc	UK	AA-, F1+	In range	12 months	
Royal Bank of Scotland plc (3)	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+	Monitoring	6 months	
Commonwealth Bank of Australia	Aus	AA-, F1+	Monitoring	6 months	
National Australia Bank Ltd	Aus	AA-, F1+	Monitoring	6 months	
Westpac Banking Corporation	Aus	AA-, F1+	Monitoring	6 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 month	Sovereign Rating AA+
Credit Industriel et Commercial	France	A+, F1	No data	1 month	Sovereign Rating AA+
Deutsche Bank AG	Germany	A+, F1+	In Range	3 months	
DZ Bank 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 Gemeenten	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	12 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

None

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 (1)</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note (2)</u>
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Category 5 Money Market Funds - max £10M per Counterparty

(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		
Aberdeen Asset Management	UK	AAA		

Note:

- (1) - Fitch credit ratings shown, unless marked *, where Standard & Poor's credit ratings are shown
- (2) - All Sovereign credit ratings for above Countries are AAA, unless stated otherwise.
- (3) - Banks are part/majority owned by the UK government

Last Updated: 29-Apr-14

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 2014

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	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Estimated Ratio of Financing Costs to Revenue	7.32%	6.79%	7.26%	7.96%	8.57%	8.69%	9.30%
Prudential Limit - HRA	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Estimated Ratio of Financing Costs to Revenue	17.13%	18.01%	18.68%	18.91%	19.10%	18.68%	18.36%

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-Mar-14	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	303,119,000	303,119,000	304,567,000	305,361,000	322,765,000	336,252,000	347,740,000	359,527,000
Capital Financing Requirement	361,113,000	385,714,000	421,074,000	456,872,000	479,291,000	472,847,000	469,332,000	466,187,000
Gross External Borrowing	327,724,000	327,724,000	324,567,000	320,361,000	337,765,000	351,252,000	362,740,000	374,527,000

* subject to close down of 2013/14 ledgers and accounts

**ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 2014**

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	42,706,000	54,884,000	68,162,000	53,379,000	23,909,000	28,252,000	27,927,000
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	(11,526,000)	(8,987,000)	22,734,000	14,154,000	619,000	(881,000)	(1,156,000)

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 Monitoring approved at the Strategic Policy & Resources committee meeting on 23 April 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	14,957,000	20,267,000	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	(3,389,000)	5,531,000	(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 the Capital Monitoring approved at the Strategic Policy & Resources committee meeting on 23 April 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	25,757,000	34,107,000	44,180,000	38,046,000	10,609,000	15,650,000	14,825,000
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	(11,147,000)	(4,077,000)	15,039,000	12,452,000	721,000	(81,000)	(856,000)

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 Monitoring approved at the Strategic Policy & Resources committee meeting on 23 April 2014

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 2014

Appendix IV

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	10,523,000	15,991,000	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	(3,601,000)	5,144,000	(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 Monitoring approved at the Strategic Policy & Resources committee meeting on 23 April 2014

6 External Debt (Gross and Net)

External Borrowing	As at 31-Mar-14	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	148,693,194	148,693,194	150,041,904	150,990,614	179,579,324	197,418,034	213,256,744	229,395,454
Market Bonds	48,200,000	48,200,000	48,200,000	48,200,000	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	1,383,170	1,383,170	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other Long Term Liabilities	129,158,100	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	327,724,464	327,724,464	324,566,629	320,361,120	337,764,767	351,252,200	362,739,634	374,527,067
Short Term Investments	(24,605,011)	(24,605,011)	(20,000,000)	(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	303,119,453	303,119,453	304,566,629	305,361,120	322,764,767	336,252,200	347,739,634	359,527,067
Note:								
Operational Boundary	328,000,000	328,000,000	325,000,000	320,000,000	338,000,000	351,000,000	363,000,000	375,000,000
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.

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 2014

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).

8 Interest Rate Exposures

	Actual as at 31-Mar-14	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	287,851,294	287,851,294	285,076,629	280,871,120	293,274,767	306,762,200	318,249,634	330,037,067
Total Fixed Rate Investments	0	0	0	0	0	0	0	0
	287,851,294	287,851,294	285,076,629	280,871,120	293,274,767	306,762,200	318,249,634	330,037,067
Total Gross Borrowing	327,724,464	327,724,464	324,566,629	320,361,120	337,764,767	351,252,200	362,739,634	374,527,067
	87.8%	87.8%	87.8%	87.7%	86.8%	87.3%	87.7%	88.1%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%	100%

	Actual as at 31-Mar-14	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
Variable Interest Rate Debt								
Total Variable Rate Borrowing	39,873,170	39,873,170	39,490,000	39,490,000	44,490,000	44,490,000	44,490,000	44,490,000
Total Variable Rate Investments	(24,605,011)	(24,605,011)	(20,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
	15,268,159	15,268,159	19,490,000	24,490,000	29,490,000	29,490,000	29,490,000	29,490,000
Total Net Borrowing (including investments arising from short term cash balances)	303,119,453	303,119,453	304,566,629	305,361,120	322,764,767	336,252,200	347,739,634	359,527,067
	5.0%	5.0%	6.4%	8.0%	9.1%	8.8%	8.5%	8.2%
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 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 (£)	12,946,309	23,526,955	41,580,864	56,182,835	153,614,331	287,851,294
% of Total Fixed Debt	4.5%	8.2%	14.4%	19.5%	53.4%	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.