

PERTH AND KINROSS COUNCIL

8 October 2014

**TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2014/15 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 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 April to 30 June 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 0.8% in the three months to June 2014, and subsequent economic data suggests that this growth will continue in the next quarter. Employment continued to recover and the unemployment rate has fallen steadily over the last year, standing at 6.4% by July 2014. The Consumer Price Index (CPI) measure of inflation rose in June to 1.9% following a period of steady falls, but fell again in July to 1.6%, and has remained below the MPC's target of 2%. During this period, wages rose at a slower rate compared to previous months, whilst retail sales also rose at a slower pace, increasing by only 0.1% in the month of June (2.6% on an annual basis).
- 2.3 Internationally, the US Federal Reserve continued its tapering of bond asset purchases by \$10billion per month as the American economy continued to improve from its poor start to the year. Financial markets were also affected by political concerns surrounding Ukraine, Russia, Iraq and Syria, whilst concerns about slowing economic growth in China and Japan remained.

- 2.4 Economic activity indicators in the Eurozone continue to suggest that the slow economic recovery remains fragile, with GDP falling to 0.0% in the quarter ending 30 June 2014 from 0.3% in the previous quarter. Within the Eurozone, several countries recorded negative growth with some returning to recession. Inflation in the Eurozone has also continued to fall, and stood at 0.4% in June, raising concerns of deflation. The European Central Bank (ECB), therefore, reduced its interest rates in June to stimulate economic activity, and there remains speculation that further stimulus will follow.
- 2.5 The Public Works Loan Board's (PWLB) fixed interest rates, which are based on yields on UK gilts, ended the quarter broadly at the same level as at the start of the quarter. However, there were periods of increased volatility during the quarter, as markets re-acted to political events in Ukraine and Russia and to economic data. Comments from the Governor of the Bank of England regarding the timing of the first increase in the Bank Rate also caused a period of volatility. Variable rates, which generally move in line with Bank Rate expectations, remained static, as the first increase in the Bank Rate is not anticipated until the end of the year at the earliest. 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 the investment of short-term cashflow surpluses during the quarter, mainly in notice deposit accounts. There were also some fixed term investments undertaken in the quarter in line with cashflow requirements and counterparty limits. Four long term fixed maturity PWLB loans totalling £25M were borrowed in the quarter, for an average term of 34 years and at an average rate of 3.86%. There were no long term debt repayments in the quarter. In addition, there was one short term market loan borrowed in the quarter for a period of 10 days.
- 3.2 The average period for fixed term deposits made in the quarter was 262 days, increasing from the previous quarter's average period of 139 days. This reflects the placing of some deposits for 12 months in view of the cashflow forecasts. The average rate achieved in the quarter for fixed deposits increased from 0.65% in the previous quarter to 0.79%, reflecting the longer periods of investments made in the current quarter.
- 3.3 However, 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 and to remain within counterparty limits. The average interest rate achieved on these accounts over the quarter increased slightly from 0.53% to 0.54%. All of the above investment activities are consistent with the Council's current investment strategy and cashflow requirements.

- 3.4 The total amount of investments increased over the quarter, closing at £52.8M compared with £24.6M at the end of the last quarter. This increase can be attributed to the new long term borrowing undertaken during the quarter, together with the positive cashflow position arising during this part of the financial year. The average rate of interest earned on investments outstanding at the end of the quarter reduced from 0.80% to 0.64%, reflecting the reduced investment rates available for approved investments.
- 3.5 During the quarter, four long term fixed rate loans totalling £25M were borrowed from the PWLB when rates had reduced during a period of market volatility. Whilst the Council's immediate cashflow remained positive, these loans were undertaken whilst long term rates were relatively low because longer term forecasts all show rates gradually increasing over the next few years. Therefore, it is anticipated these loans will give rise to annual savings in interest compared to deferring the borrowing until the date it is actually required. The average term of the loans borrowed in the quarter is 34 years at an average rate of 3.86%. There were no long term debt repayments in the quarter.
- 3.6 Early in the quarter, there was one short-term loan borrowed from another local authority, to meet immediate cashflow requirements. The amount borrowed was £3.56M for 10 days at 0.30%. Funds held from associated bodies and organisations increased over the quarter in line with their own cashflows from £1.38M to £1.75M. The average rate remained unchanged at 0.10%.

4. COMPLIANCE

- 4.1 For the quarter ending 30 June 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 August 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 30 June 2014 the average closing cleared bank balance, based on balances held with the Royal Bank of Scotland only, was £20,730.90 (credit). This is within the set target range of £50,000 (debit or credit). Following the transfer of the Council's banking arrangements to the Royal Bank of Scotland Balances, balances held at the Co-operative Bank mainly reflected small credit balances, averaging £8,886.07.

5. INVESTMENT STRATEGY COMPLIANCE AND PERFORMANCE

- 5.1 The Treasury Investment Strategy approved by the Council at its meeting on 26 February 2014 for 2014/15 (Report 14/77 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 was based on the assumption that the level of investments would increase in the first half of the year, however they were not expected to exceed £50,000,000 unless new borrowing was undertaken early in the year.
- 5.2 As outlined above, £10M was borrowed in May, with a further £15M borrowed at the end of June. By the end of June 2014, the level of investments had increased to £52.8M after peaking at £55.7M on 18 June 2014.
- 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.
- 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, and which are therefore not covered by this Investment Strategy.
- 5.7 The Annual Property Investment Strategy for 2014/15 was also approved by the Council at its meeting on the 26 February 2014 (Report 14/77 refers) and has been complied with in full, with no breaches in compliance with permitted investment limits.
- 5.8 The budgeted income for 2014/15 for Commercial Property investments is £1,798,600. The latest projection for 2014/15 is £1,814,000, and reflects a small increase of £15,400 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 implementation of 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. This transfer has been successfully implemented with no issues of concern to report. At the time of writing the vast majority of banking transactions have now been transferred to the Council's new bank accounts with the Royal Bank of Scotland. Most bank accounts with the Co-operative Bank have therefore been closed, with only a small amount of residual credits being received into the Co-operative Bank.
- 6.2 At the meeting on 25 June 2014, the Council considered various alternative investment options in respect of the Common Good funds (report 14/300 refers). The Council agreed that the Council's Loans Fund would be used for fixed deposits of Common Good funds where appropriate for amounts over £10,000 and for periods up to 12 months. The interest rates to be applied would be based on those currently available to the Council from an approved bank, less 0.20% to cover the additional administration costs of managing such deposits. Following the completion of the Common Good annual accounts for 2013/14 and a review of Common Good balances and activities for 2014/15, various fixed deposits were made using Common Good fund balances on 1 September 2014. These can be summarised as follows:
- Perth Common Good – £900,000, with £75,000 for 3 months at 0.37% and £825,000 for 12 months at 0.75%
 - Aberfeldy Common Good - £105,000, with £40,000 for 3 months at 0.37% and £65,000 for 12 months at 0.75%.
 - Alyth Common Good - £15,000 for 12 months at 0.75%
 - Auchterarder Common Good - £270,000 for 12 months at 0.75%
 - Kinross Common Good - £130,000, with £30,000 for 3 months at 0.37% and £100,000 for 12 months at 0.75%.

7. PROPOSED AMENDMENT TO TREASURY POLICY

- 7.1 Following the Accounting Technician in the Corporate Accounting Team moving to a new role within the Council, it is proposed that she is removed from the Treasury Management Daily Limitations to Authority and that she is replaced by her successor.

8. ICELANDIC BANKS

- 8.1 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, whilst the claim made by the Glitnir winding Up Board is still subject to ongoing negotiations. At the prevailing exchange rate, the estimated value of the funds on deposit in Iceland amounts to £200,735.

9. PRUDENTIAL INDICATORS

- 9.1 The Prudential Indicators for the seven years 2014/15 to 2020/21 were approved by the Council at its meeting on 26 February 2014 (report 14/77 refers). These indicators have been reviewed and the latest estimates are shown at Appendix IV. The indicators are based on the latest capital expenditure estimates in the Composite Capital Budget 2014/21 and the Housing Investment Programme 2014/19.
- 9.2 It can be seen that all indicators are in line with expectations and all limits were complied with throughout the period. However, the following movements are worthy of note:
- Estimates of Capital Expenditure – the movements across all years on the Composite Programme reflect an increase in expenditure of £37,069,000. This is based on the gross cost of the Almondbank Flood Prevention now being included in the figures, which includes the element being funded by Scottish Government Grant (£11,686,000). In addition, a further £15,700,000 expenditure on the Perth Transport Futures Project was approved by the Council on 7 May 2014 (report 14/192 refers), and has now been incorporated into the Prudential Indicators. Other factors contributing to the increase in expenditure include amounts carried forward from 2013/14 and additional Prudential Borrowing projects.
 - Estimate of Capital Financing Requirement – the movements across all years on the Composite Programme reflect an increase in the Capital Financing (borrowing) Requirement of £18,922,000. This relates mainly to the increased borrowing for the Perth Transport Futures Project, as well as amounts carried forward from 2013/14 and additional Prudential Borrowing.
- 9.3 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 shows a gradually rising trend. 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 remains comfortably within the Prudential Limit. Therefore, the Council's plans remain affordable, prudent and sustainable over the medium term, however these indicators will continue to be monitored closely.

10. CONCLUSION AND RECOMMENDATIONS

- 10.1 The UK economy continued to show positive economic growth, with GDP of 0.8% in the three months to June, and CPI inflation and unemployment generally falling. However, annual earnings and retail sales only grew marginally. The Monetary Policy Committee maintained the Bank Rate at 0.5%, and there was no further quantitative easing.

10.2 Activities during the quarter included the lending of surplus cashflow funds, as well as some long term borrowing. Most of the investment activity related to increased use of instant access and notice accounts. As longer term rates fell during the quarter, the opportunity was taken to undertake long term borrowing. The previous Treasury Strategy had been to forego longer term borrowing in order to reduce investment balances, and since this outcome had been achieved, it was decided to undertake the required borrowing in advance of the anticipated increase in longer term rates.

10.3 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 2020/21, and now includes additional capital expenditure approved by the Council, whilst all limits and indicators are in line with expectations.

10.4 It is recommended that the Council:

1. Notes the content of this report, which is submitted in accordance with the Council's approved Treasury Management Practices.
2. Approves that the Treasury Management Daily Limitations to Authority for the Accounting Technician are transferred from the previous post holder to her successor.


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	10 September 2014

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting *(Report Author)*

 Council Text Phone Number 01738 442573

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

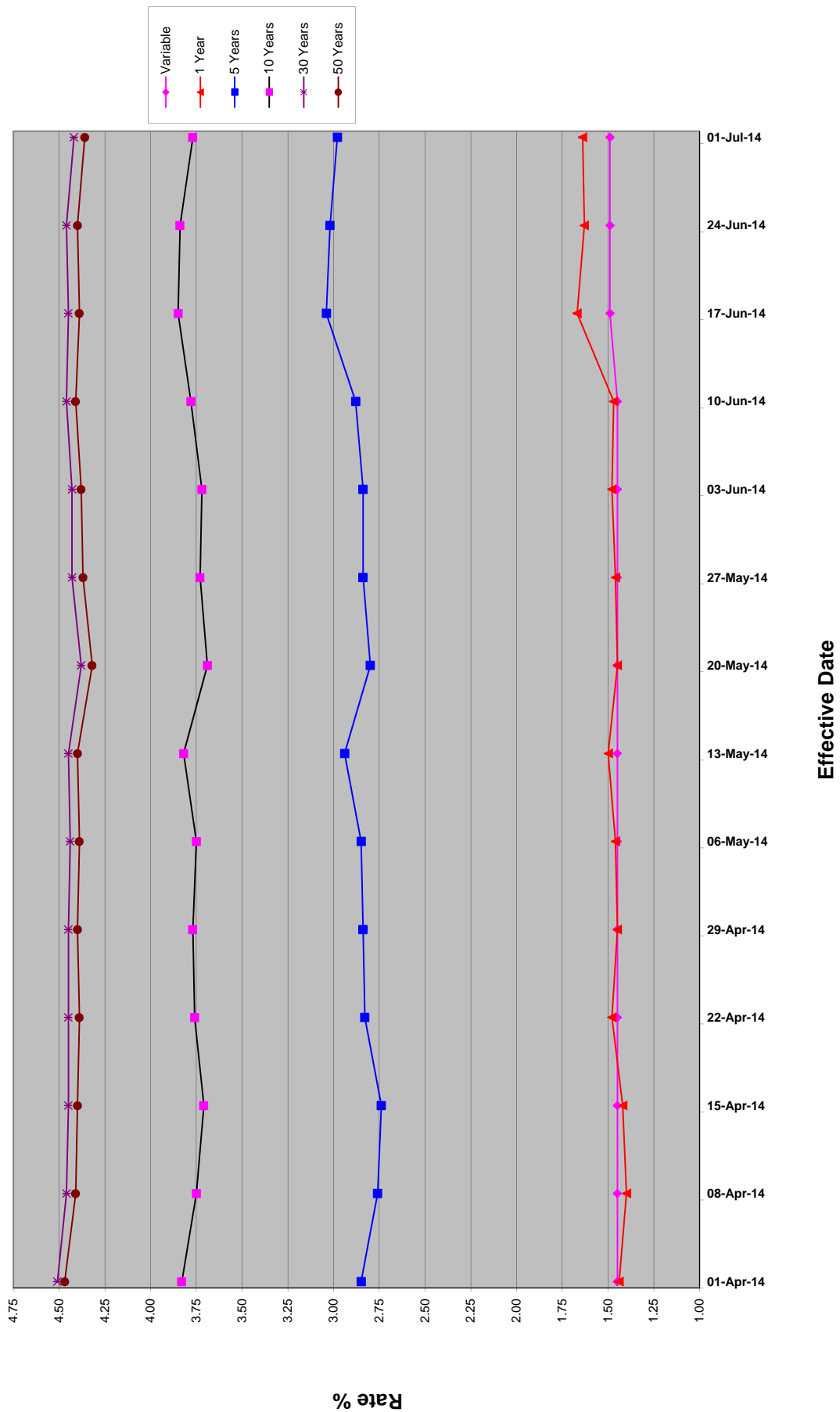
Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 1 April 2014 to 1 July 2014.

Appendix II – Summary of the Treasury Position and Transactions from 1 April to 30 June 2014.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Analysis of Prudential Indicators Quarter ending 30th June 2014.

PWLB Fixed Maturity & Variable Interest Rates
From 1 April 2014 to
1 July 2014



SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS **APPENDIX II**
FROM 1 APRIL TO 30 JUNE 2014

1 INVESTMENTS

(a) Investment Transactions - 1st April to 30th June 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	4	3,125,000	0.85%	293	88,989.73
Building Soc/Subsidiary Banks	1	5,000,000	0.63%	184	15,879.45
Other Local Authorities					
	<u>5</u>	<u>3,500,000</u>	<u>0.79%</u>	<u>262</u>	<u>104,869.18</u>

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access accounts	2,028,503	0.59%	10,743.42
95 day notice account	4,925,000	0.60%	6,819.45
Money Market Funds	4,498,527	0.43%	8,324.27

(b) Investments Outstanding

	<u>Outstanding 31-Mar-14</u>	<u>Average Rate</u>	<u>Outstanding 30-Jun-14</u>	<u>Average Rate</u>
	<u>£</u>		<u>£</u>	
Banks	20,003,257	0.83%	25,000,000	0.79%
Foreign Banks and Institutions	4,601,754	0.65%	7,503,411	0.55%
Money Market Funds	0	0.00%	15,250,000	0.43%
Building Societies/Subsidiary Banks (Fixed)	0	0.00%	5,000,000	0.63%
Other Local Authorities	0	0.00%	0	0.00%
Notice Investment Accounts (Banks)	0	0.75%	0	
TOTAL	<u>24,605,011</u>	<u>0.80%</u>	<u>52,753,411</u>	<u>0.64%</u>

2 BORROWING

(a) Long Term Borrowing 1st April to 30th June 2014

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Average Life (years)</u>	<u>Amount (£)</u>
Local Authority Bond (3 years)	0	0.00%		0
PWLB - Maturity Loans	4	3.86%	34	25,000,000
	<u>4</u>	<u>3.86%</u>	<u>34</u>	<u>25,000,000</u>

(b) Long Term Debt Repayments 1st April to 30th June 2014

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - EIP loan instalments	0	0.00%	0
PWLB - Maturity Loan - Scheduled Repayments	0	0.00%	0
	<u>0</u>	<u>0.00%</u>	<u>0</u>

(c) Long Term Debt Outstanding

	<u>Outstanding 31-Mar-14</u>	<u>Average Rate</u>	<u>Outstanding 30-Jun-14</u>	<u>Average Rate</u>
	<u>£</u>		<u>£</u>	
Public Works Loan Board	148,693,194	4.15%	173,693,194	4.11%
Money Market Loans (LOBO's)	43,200,000	4.59%	43,200,000	4.59%
Local Authority Bond	5,000,000	1.45%	5,000,000	1.45%
Other Long Term Debt	290,000	0.75%	290,000	0.75%
TOTAL	<u>197,183,194</u>	<u>4.17%</u>	<u>222,183,194</u>	<u>4.14%</u>

SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS **APPENDIX II**
FROM 1 APRIL TO 30 JUNE 2014

(d) Short Term Market Borrowing - 1st April to 30th June 2014

	No.	Average Amount (£)	Average Rate (%)	Average Term (Days)	Interest (£)
Short Term Market Borrowing	1	3,560,000	0.30%	10.0	292.60
	<u>1</u>	<u>3,560,000</u>	<u>0.30%</u>	<u>10.0</u>	<u>292.60</u>

(e) Short Term Borrowing Outstanding

	Outstanding 31-Mar-14 £	Average Rate	Outstanding 30-Jun-14 £	Average Rate
Banks and Building Societies	0	0.00%	0	0.00%
Other Local Authorities and Corporations	0	0.00%	0	0.00%
Local Trusts & Investors	1,383,170	0.10%	1,747,576	0.10%
TOTAL	<u>1,383,170</u>	<u>0.10%</u>	<u>1,747,576</u>	<u>0.10%</u>

APPROVED INVESTMENT COUNTERPARTY LIST

	<u>Country</u>	<u>Fitch Credit Rating</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	6 months	
Citibank International	UK	A, F1	Monitoring	3 months	
Close Brothers	UK	A, F1	No data	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	6 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+	No data	12 months	
Commonwealth Bank of Australia	Aus	AA-, F1+	No data	12 months	
Macquarie Bank Ltd	Aus	A, F1	No data	6 months	
National Australia Bank Ltd	Aus	AA-, F1+	No data	12 months	
Westpac Banking Corporation	Aus	AA-, F1+	No data	12 months	
BNP Paribas Fortis Bank	Belgium	A+, F1	No data	1 month	Sovereign Rating AA
KBC Bank	Belgium	A-, F1	No data	1 month	Sovereign Rating AA
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	12 months	
Danske Bank	Denmark	A, F1	No data	3 months	
Nordea Bank Finland plc	Finland	AA-, F1+	No data	12 months	
Pohjola Bank	Finland	A+, F1	No data	12 months	
BNP Paribas	France	A+, F1	In range	1 month	Sovereign Rating AA+
Credit Agricole Corporate and Investment Bank	France	A, F1	No data	1 month	Sovereign Rating AA+
Credit Industriel et Commercial	France	A+, F1	No data	1 month	Sovereign Rating AA+
Credit Agricole SA	France	A, F1	In range	1 month	Sovereign Rating AA+
Bayern LB	Germany	A+, F1+	No data	6 months	
Deutsche Bank AG	Germany	A+, F1+	In range	6 months	
DZ Bank AG	Germany	A+, F1+	No data	12 months	
Landesbank Baden Wuerttemberg	Germany	A+, F1+	No data	6 months	
Landesbank Hessen-Thueringen Girozentral (Helaba)	Germany	A+, F1+	No data	6 months	
Landwirtschaftliche Rentenbank	Germany	AAA, F1+	No data	24 months	
Norddeutsche Landesbank Girozentrale	Germany	A, F1	No data	3 months	
NRW Bank	Germany	AAA, F1+	No data	24 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 (1)	Luxemburg	AA+, A-1+	No data	24 months	
Clearstream Banking	Luxemburg	AA, F1+	No data	24 months	
Bank Nederlandse Gemeenten	Netherlands	AAA, F1+	No data	24 months	
Cooperative Centrale Raiffeisen Boerenleenbank	Netherlands	AA-, F1+	In range	12 months	
ING Bank	Netherlands	A+, F1+	In range	6 months	
Nederlandse Waterchapsbank NV (1)	Netherlands	AA+, A-1+	No data	24 months	
DnB Bank (1)	Norway	A+, A-1	No data	6 months	
DBS Bank Limited	Singapore	AA-, F1+	No data	12 months	
Oversea Chinese Banking Corp Ltd	Singapore	AA-, F1+	No data	12 months	
United Overseas Bank Ltd	Singapore	AA-, F1+	No data	12 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	6 months	
UBS AG	Switzerland	A, F1	In range	6 months	
Bank of America, NA	USA	A, F1	Monitoring	3 months	
Bank of New York Mellon	USA	AA-, F1+	No data	12 months	
BOKF, NA	USA	A, F1	No data	6 months	
Citibank, NA	USA	A, F1	Monitoring	3 months	
HSBC Bank USA, NA	USA	AA-, F1+	No data	12 months	
JP Morgan Chase Bank, NA	USA	A+, F1	In range	12 months	
Northern Trust Company	USA	AA-, F1+	No data	12 months	
State Street Bank and Trust Company	USA	AA-, F1+	No data	12 months	
US Bancorp	USA	AA-, F1+	No data	12 months	
Wells Fargo Bank, NA	USA	AA-, F1+	In range	12 months	

APPROVED INVESTMENT COUNTERPARTY LIST

<u>Country</u>	<u>Fitch Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note (2)</u>
----------------	----------------------------	------------------	------------------------	-----------------

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

(Minimum rating required Fitch A, F1)

(parent bank shown in brackets)

Subsidiary Banks

Cater Allen plc (unconditionally guaranteed by Santander UK plc)	UK	A, F1	No data	6 months
--	----	-------	---------	----------

Building Societies

Coventry Building Society	UK	A, F1	No data	3 months
Nationwide Building Society	UK	A, F1	No data	6 months

Category 4 - Other Local Authorities - max £10M per Counterparty

As arranged

Category 5 Money Market Funds - max £10M per Counterparty

(Minimum rating required Fitch AAA)

Federated Sterling Liquidity Fund (Class 3)	UK	AAA		
Deutsche Bank Sterling Fund	UK	AAA		
Insight Sterling Liquidity Fund (Class 5)	UK	AAA		
Ignis Sterling Liquidity Fund	UK	AAA		
Aberdeen Asset Management	UK	AAA		

Note:

- (1) - Standard & Poor's credit ratings shown, as no Fitch credit rating available
- (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: 10-Sep-14

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2014

Appendix IV

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 June 2014.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
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	8.30%	8.60%	9.14%	9.69%	10.11%	10.18%	10.47%
Prudential Limit - HRA	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Estimated Ratio of Financing Costs to Revenue	18.77%	19.82%	20.44%	20.07%	18.84%	18.10%	17.41%

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:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£	£	£	£	£	£	£
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)	1.20	1.25	1.30	1.35	1.41	1.46	1.52

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 30-Jun-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	Projected 31-Mar-21
Net External Borrowing	300,335,000	325,304,000	333,593,000	353,782,000	352,420,000	347,967,000	344,956,000	334,845,000
Capital Financing Requirement	384,047,000	423,925,000	450,250,000	474,476,000	493,321,000	489,126,000	486,175,000	471,249,000
Gross External Borrowing	353,089,000	355,304,000	358,593,000	373,782,000	372,420,000	367,967,000	364,956,000	354,845,000

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

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2014

Appendix IV

4 Estimates of Capital Expenditure

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

Composite Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	63,808,000	67,360,000	57,368,000	49,957,000	28,696,000	28,950,000	15,655,000
Original Budget Estimate	53,005,000	69,293,000	53,685,000	24,978,000	29,202,000	29,129,000	15,433,000
Movement in Estimated Capital Expenditure	10,803,000	(1,933,000)	3,683,000	24,979,000	(506,000)	(179,000)	222,000

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 26 February 2014, and based on the Capital Budget report on 13 February 2014
The latest estimates are per the Capital Monitoring approved at the Strategic Policy & Resources committee meeting on 1 October 2014

PPP Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Original Budget and Current Estimate	0	0	0	0	0	0	0

HRA Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	18,525,000	16,059,000	10,751,000	8,685,000	8,966,000	10,000,000	10,000,000
Original Budget Estimate	19,064,000	13,931,000	10,751,000	8,685,000	8,966,000	10,000,000	10,000,000
Movement in Estimated Capital Expenditure	(539,000)	2,128,000	0	0	0	0	0

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 26 February 2014, and based on the HRA Budget report on 29 January 2014.
The latest estimates are per the Capital Monitoring approved at the Strategic Policy & Resources committee meeting on 1 October 2014

5 Estimate of Capital Financing Requirement

The estimate (as at June 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	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current Estimated Capital Financing Requirement	41,180,000	29,341,000	39,601,000	35,493,000	15,094,000	14,848,000	3,155,000
Original Budget Estimate	33,215,000	45,031,000	37,397,000	10,587,000	15,600,000	15,027,000	2,933,000
Movement in Estimated Capital Financing Requirement	7,965,000	(15,690,000)	2,204,000	24,906,000	(506,000)	(179,000)	222,000

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 26 February 2014, and based on the Capital Budget report on 13 February 2014
The latest estimates are per the Capital Monitoring approved at the Strategic Policy & Resources committee meeting on 1 October 2014

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2014

Appendix IV

PPP Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Original Budget and Current Estimate	0	0	0	0	0	0	0

HRA Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current Estimated Capital Financing Requirement	14,310,000	10,630,000	5,850,000	3,175,000	2,621,000	5,000,000	5,000,000
Original Budget Estimate	14,788,000	8,502,000	5,850,000	3,175,000	2,621,000	5,000,000	5,000,000
Movement in Estimated Capital Financing Requirement	(478,000)	2,128,000	0	0	0	0	0

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 26 February 2014, and based on the HRA Budget report on 29 January 2014. The latest estimates are per the Capital Monitoring approved at the Strategic Policy & Resources committee meeting on 1 October 2014

6 External Debt (Gross and Net)

External Borrowing	As at 30-Jun-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	Projected 31-Mar-21
Public Works Loan Board	173,693,194	179,531,904	186,870,614	211,209,324	214,048,034	213,886,744	215,225,454	209,564,164
Market Bonds	48,200,000	48,568,250	48,568,250	43,568,250	43,568,250	43,568,250	43,568,250	43,568,250
Special Loans	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000
Temporary Loans/Other Borrowing	1,747,576	1,500,000	1,300,000	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000
Other Long Term Liabilities	129,158,100	125,414,100	121,564,100	117,614,100	113,514,100	109,222,100	104,872,100	100,422,100
Total Gross External Debt	353,088,869	355,304,253	358,592,963	373,781,673	372,420,383	367,967,093	364,955,803	354,844,513
Short Term Investments	(52,753,411)	(30,000,000)	(25,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Long Term Investments	0	0	0	0	0	0	0	0
Total Net External Debt	300,335,458	325,304,253	333,592,963	353,781,673	352,420,383	347,967,093	344,955,803	334,844,513
Note:								
Operational Boundary	353,000,000	355,000,000	359,000,000	374,000,000	372,000,000	368,000,000	365,000,000	355,000,000
Authorised Limit	399,000,000	399,000,000	399,000,000	399,000,000	399,000,000	399,000,000	399,000,000	399,000,000

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 2014

Appendix IV

8 Interest Rate Exposures

	Actual as at 30-Jun-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	Projected 31-Mar-21
Fixed Interest Rate Debt								
Total Fixed Rate Borrowing	312,851,294	315,314,254	318,802,964	329,191,674	327,930,384	323,477,094	320,465,804	310,354,514
Total Fixed Rate Investments	0	0	0	0	0	0	0	0
	312,851,294	315,314,254	318,802,964	329,191,674	327,930,384	323,477,094	320,465,804	310,354,514
Total Gross Borrowing	353,088,869	355,304,253	358,592,963	373,781,673	372,420,383	367,967,093	364,955,803	354,844,513
	88.6%	88.7%	88.9%	88.1%	88.1%	87.9%	87.8%	87.5%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%	100%

	Actual as at 30-Jun-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	Projected 31-Mar-21
Variable Interest Rate Debt								
Total Variable Rate Borrowing	40,237,576	39,990,000	39,790,000	44,590,000	44,490,000	44,490,000	44,490,000	44,490,000
Total Variable Rate Investments	(52,753,411)	(30,000,000)	(25,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
	(12,515,835)	9,990,000	14,790,000	24,590,000	24,490,000	24,490,000	24,490,000	24,490,000
Total Net Borrowing (including investments arising from short term cash balances)	300,335,458	325,304,253	333,592,963	353,781,673	352,420,383	347,967,093	344,955,803	334,844,513
	-4.2%	3.1%	4.4%	7.0%	6.9%	7.0%	7.1%	7.3%
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 2014, 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 (£)	13,026,955	23,526,955	41,580,864	61,182,835	173,533,686	312,851,294
% of Total Fixed Debt	4.2%	7.5%	13.3%	19.6%	55.5%	100.0%
Lower Limit	0%	0%	0%	0%	10%	
Upper Limit	35%	35%	50%	75%	95%	

10 Principal Sums Invested Longer Than 365 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.