

PERTH AND KINROSS COUNCIL

7 October 2015

**TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2015/16 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 2015 and to report on compliance with the Council's Treasury Management Policy Statement (TMPS), Treasury Management Practices (TMPs) 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 2015. 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 UK Gross Domestic Product (GDP) grew by 0.7% in the three months to June 2015. This is slightly higher than the 0.4% in the previous quarter. Unemployment levels rose by 15,000 from the previous quarter with 1.85million unemployed. This was the first quarterly rise since April 2013. However, average earnings in the period from March to May 2015 rose to 3.2%, the largest increase in 5 years. The Consumer Price Index (CPI) measure of inflation was 0% in June 2015, which was down from 0.1% in May. The main reasons attributed were falls in clothing and food prices. Retail sales volumes reduced by 0.2% in June, after consumers bought less household goods, food and petrol.
- 2.3 Internationally, the major development over the quarter was the deterioration of the financial position of Greece, and its potential impact on the Eurozone as a whole, resulting in Greece defaulting on its debt repayments due in June. The outcome of the referendum held in Greece gave rise to further market

volatility as uncertainty regarding their banking structure and their continuation in the Eurozone grew. Ultimately an agreement was reached for an 86 billion euro bail out over 3 years.

- 2.4 In the Eurozone, the quantitative easing programme continued. The programme of 60 billion euro monthly bond purchases started in March 2015 and is intended to run until September 2016. This already has had a positive effect in helping a recovery in consumer and business confidence, and an improvement in economic growth. However, the Eurozone continues to face several issues which may impact this economic recovery.
- 2.5 The US economy showed improvement over the quarter, with unemployment falling and GDP growing, however the rate of inflation remained low. Many economists are predicting that the US will start increasing interest rates by the end of 2015.
- 2.6 The Public Works Loan Board's (PWLB) fixed interest rates measured on a weekly basis, which are based on yields on UK gilts, are shown in the graph at Appendix I. The rates increased slightly over the quarter as a whole, however, there were periods of volatility on a day to day basis. Variable rates, which generally move in line with Bank Rate expectations, remained static. The first increase in the Bank Rate is not now anticipated until the first half of 2016.

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, with fixed term investments undertaken where possible in line with cashflow requirements, and instant access accounts used for short-term liquidity. There was one PWLB repayment of a fixed maturity loan (£3M) and no new borrowing undertaken in this quarter. There were also no short term market loans borrowed during the quarter.
- 3.2 The average period for fixed term deposits made in the quarter was 180 days, increasing from the previous quarter's average period of 137 days. With a positive cashflow at the start of the new financial year, there was an increase in fixed deposits from the previous quarter. The average rate achieved in the quarter for fixed deposits increased from 0.56% in the previous quarter to 0.67%, reflecting the longer periods of investments made.
- 3.3 However, most of the investment transactions in the quarter were through the Council's instant access deposit accounts and money market funds, to meet daily cashflow requirements and to remain within counterparty limits. The average interest rate achieved on these accounts over the quarter increased from 0.41% to 0.48%. 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 £57.1M compared with £56.5M at the end of the last quarter. This slight increase can be attributed to the effect of Council tax receipts recommencing, partly offset by the repayment of a PWLB loan. The average rate of interest earned on investments outstanding at the end of the quarter decreased marginally from 0.68% to 0.66%.
- 3.5 There was no new PWLB borrowing over the quarter. However, the Council received an interest free loan of £350,000 from the Scottish Government in respect of the Empty Property Loan Fund. This is described in Section 7. There was a repayment of a PWLB loan for £3M, which had reached maturity. This was a 5 year loan borrowed at 2.39%.
- 3.6 There were no short-term market loans borrowed. Funds held from associated bodies and organisations decreased marginally over the quarter from £1.4M to £1.18M, in line with the Trust's own cash flow requirements. The average rate remained unchanged at 0.10%. Common Good Funds held on fixed deposit increased from £1.728M to £1.778M with an average rate of 0.72%.

4. PWLB PROJECT RATE

- 4.1 During the quarter, the Scottish Government invited applications to receive an additional discount on borrowing from the Public Works Loan Board. At present, the Council receives a discount of 0.2% off their standard interest rate (the "Certainty Rate") on all its borrowing from the PWLB. However, the "Project Rate" has a discount of 0.4% from the PWLB's standard rate.
- 4.2 The Scottish Government initially allowed the Council to apply for up to £7.964M of borrowing at the Project Rate. Applications to access this borrowing required a business case to be made identifying an infrastructure project which supported local and national growth, and which was to commence in the current year. The Project Rate is not available to refinance existing borrowing which is due to mature, and therefore, must relate to new borrowing.
- 4.3 The Council submitted a business case for borrowing for the Perth Transport Futures Phase 1 (A9/A85 to Bertha Park) at the Project Rate. The initial application was successful. However, as the full allocation for Scotland had not been allocated, the Council was invited to submit a further bid for borrowing at the Project Rate. Consequently, an application for "up to £20M" for the Perth Transport Futures Phase 1 project was made, and the full amount was subsequently approved.
- 4.4 Accordingly, the Council can now borrow £20M from the PWLB at a discount of 0.4% from the standard rate, which represents a saving in interest of £40,000 per annum compared to the Certainty Rate. The timing of this borrowing will be considered in view of prevailing interest rates, and will be reported to a future meeting of the Council.

5. COMPLIANCE

- 5.1 For the quarter ending 30 June 2015, 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).
- 5.2 TMP4 requires that a working list of specific approved counterparties (including lending limits) is maintained by the Head of Finance and updated regularly for any movements in credit ratings, Credit Default Swap (CDS) prices and other factors including press coverage of emerging issues. 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 2015. It should also be noted that whilst the Council has never placed deposits with any bank based in the Eurozone, due to the increased risks surrounding Greece, all banks based within the Eurozone have been removed from the Approved Counterparty List.
- 5.3 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 2015 the average closing cleared bank balance was £12,562.66 (credit). This is within the set target range of £50,000 (debit or credit).

6. INVESTMENT STRATEGY COMPLIANCE AND PERFORMANCE

- 6.1 The Treasury Investment Strategy approved by the Council at its meeting on 25 February 2015 for 2015/16 (Report 15/92 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 in order to meet its obligations as they fall due 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 £70,000,000 unless new borrowing was undertaken early in the year.
- 6.2 Other than the Scottish Government's Empty Property Loan Fund, there was no borrowing during the quarter. However, by the end of June 2015, the level of investments stood at £57M after peaking at £73.5M on 15 June 2015 in the quarter. This increase in the level of investments reflects the timing of actual expenditure compared to cashflow estimates which were based on averages over the period.

- 6.3 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 accounts and money market funds as detailed in Section 3 above.
- 6.4 There were no additional risks identified or borrowing in advance of need undertaken in the quarter.
- 6.5 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.
- 6.6 The only Council funds held by external managers related to Council administered Charitable Trusts which are not covered by this Investment Strategy.
- 6.7 The Annual Property Investment Strategy for 2015/16 was also approved by the Council at its meeting on the 25 February 2015 (Report 15/92 refers) and has been complied with in full, with no breaches in compliance with permitted investment limits.
- 6.8 The budgeted income for 2015/16 for Commercial Property investments is £1,798,600. The latest projection for 2015/16 is £1,898,217 which reflects an increase of £99,617 from the budget.
- 6.9 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.

7. EMPTY PROPERTY LOAN FUND

- 7.1 In April 2015 a successful application was made to the Scottish Government's Empty Property Loan Fund initiative and the Council received an interest free loan of £350,000. The loan is repayable in two instalments, with 60% (£210,000) repayable in March 2020 and the remaining 40% (£140,000) in April 2025. Under the terms of the loan, it must be used for providing interest free loans to owners of long term empty properties to bring the properties up to the Repairing Standard, which are then made available for letting at affordable rent levels (ie at or below the Local Housing Allowance rent levels set by the Scottish Government) for a period of 5 years or sold for an amount not exceeding the Scottish Government Open Market Shared Equity Scheme valuation. It is anticipated that around £250,000 of the fund would be lent for larger city centre developments, which would be considered on a case by case basis, with the remaining £100,000 lent for individual properties.
- 7.2 Details of how the scheme for individual properties would operate in the Perth & Kinross area have been developed by the Director (Environment). Accordingly, a brochure has been prepared to promote the scheme and outline the conditions applicable to any loan given out under the initiative,

which is included at Appendix V. All loans are to be offered for an amount between £5,000 and £15,000 for individual properties on interest free terms for periods up to 5 years, or for larger projects up to 9 years. The loans would be secured on the properties. The owners must use the loan to bring the property up to a lettable (“Repairing”) standard agreed by the Council, and to then make the property available for letting or sale at affordable levels. The anticipated result will be to decrease the number of empty properties in Perth & Kinross and increase the number of affordable housing units.

- 7.3 It is proposed that the Council approve the Empty Loan Fund Scheme as detailed above, and authorise the Director Environment to offer loans to property owners who meet the criteria under the scheme.

8. LOAN TO PERTH & KINROSS CREDIT UNION

- 8.1 Perth & Kinross Council (PKCU) was registered in March 2014 and opened to members from April 2015. The Council has previously provided a range of financial support to PKCU to assist it becoming established, in addition to further support since it became operational.
- 8.2 One of the types of loan PKCU offer to its members is a “Freedom Loan”, which is designed to assist those with the greatest difficulties accessing finance from mainstream commercial lenders. These loans give the borrower an opportunity to apply for a top-up on their loan after half of the original advance has been repaid. Since their introduction, there has been a large uptake of these loans, which exceeds the original amount set aside by PKCU for such loans. To date, all agreed repayments have been made by the borrowers, with no defaults arising thus far.
- 8.3 With significant demand continuing for Freedom Loans, PKCU has requested additional funding from the Council of £25,000, in order to provide them with added liquidity, comfort and security. This request is subject to approval of the PKCU Board who meet on 8 October 2015. It is therefore proposed that the Council offer an interest free loan of up to £25,000 to PKCU for this purpose, in tranches to be agreed with PKCU by the Head of Finance. Each tranche would be repayable in a single instalment after five years.
- 8.4 Under current accounting requirements, this proposed loan would be deemed a “soft loan” (ie at below market rates). An “impairment” charge would be calculated in the year the loan is advanced, which represents the loss of interest to the Council on offering such a loan. It is estimated that a charge of around £4,900 would arise based on the terms of the loan outlined above, with such charges being met by Housing & Community Care. In subsequent years, this charge would be reversed over the duration of the loan until it has been repaid in full, and therefore has a neutral affect over the life of the loan. However, in the event of any default by PKCU in making the loan repayment to the Council, the resulting impairment charges would be met by Housing & Community Care.

9 CRIEFF BUSINESS IMPROVEMENT DISTRICT (BID)

- 9.1 A BID company has been set-up in Crieff from 1 September 2015. The company, Crieff Succeeds BID Limited, is responsible for the delivery of improvement projects and additional services in the Crieff business area. These projects and services are to be funded by the application of a mandatory levy on all businesses in the area, and is to be paid to the Council by the businesses on top of their Non Domestic Rates (NDR). The Council, therefore, acts as an agent in the collection of the levy on behalf of the BID company, which is then paid over to the company as it is collected by the Council.
- 9.2 It is anticipated that invoices will be issued in October 2015 to all the businesses in Crieff included in the Improvement District, with payment receipts anticipated to commence from November 2015. Therefore, in order to assist the company to start operating and to recruit a BID Manager in advance of the income receipts commencing, the company had requested financial assistance of £3,500 as a further contribution from the Council and £10,000 by way of a loan from the Council, repayable in full by 31 March 2016. It is proposed, however, that a loan of £13,500 is made to Crieff Succeeds BID Limited to allow the company to start operating and progress the recruitment of the BID manager. It is further proposed that the loan will be interest free, and repayable in full on or before 31 March 2016.

10. PRUDENTIAL INDICATORS

- 10.1 The Prudential Indicators for the six years 2015/16 to 2020/21 were approved by the Council at its meeting on 25 February 2015 (report 15/92 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 2014/20 approved by the Strategic Policy & Resources on 23 September 2015 (report 15/396 refers).
- 10.2 It can be seen that all indicators are broadly in line with expectations and all limits were complied with throughout the period and they remain within the Prudential limits. However, it should be noted that within the External Debt indicator (No.6), the estimated Operational Boundary is very close to the Authorised Limit. This assumes all borrowing on current estimates will be undertaken, and these indicators will therefore be closely monitored.
- 10.3 Overall, the Council's plans remain affordable, prudent and sustainable over the medium term.

11. CONCLUSION AND RECOMMENDATIONS

- 11.1 The UK economy continued to show positive economic growth, with GDP growth of 0.7% in the quarter to 30 June 2015, whilst CPI inflation remained at 0% in June. However, unemployment did increase slightly. Annual earnings showed increased growth, whilst retail sales decreased by 0.2% in June

2015. The Monetary Policy Committee maintained the Bank Rate at 0.5%, and there was no further quantitative easing.

11.2 Activities during the quarter included the investment of surplus cashflow funds, and repayment of a PWLB loan. The investment activity included investment in fixed deposits and the use of instant access accounts and money market funds to meet cashflow requirements. The only long term borrowing was in relation to the Empty Property Loan Fund from the Scottish Government.

11.3 The Council adhered to its Investment Strategy and policies throughout the quarter, with no breaches in compliance. It is also proposed that a loan is made to the Perth & Kinross Credit Union to support the demand for loans to its members. The Prudential Indicators have been applied for the years up to 2020/21, with all limits and indicators in line with expectations.

11.4 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 the Empty Property Loan Fund scheme as detailed at Section 7, and authorises the payment of loans to property owners who meet the conditions of the scheme,
3. Approves an interest free loan of up to £25,000 to Perth & Kinross Credit Union, in tranches to be agreed with PKCU by the Head of Finance and repayable in single instalments after 5 years, as detailed in Section 8.
4. Approves an interest free loan of £13,500 to Crieff Succeeds BID Limited, payable immediately and repayable by 31 March 2016, as detailed in Section 9.

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	24 September 2015

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Council Text Phone Number 01738 442573

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, Capita Asset 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 2015 to 30 June 2015.

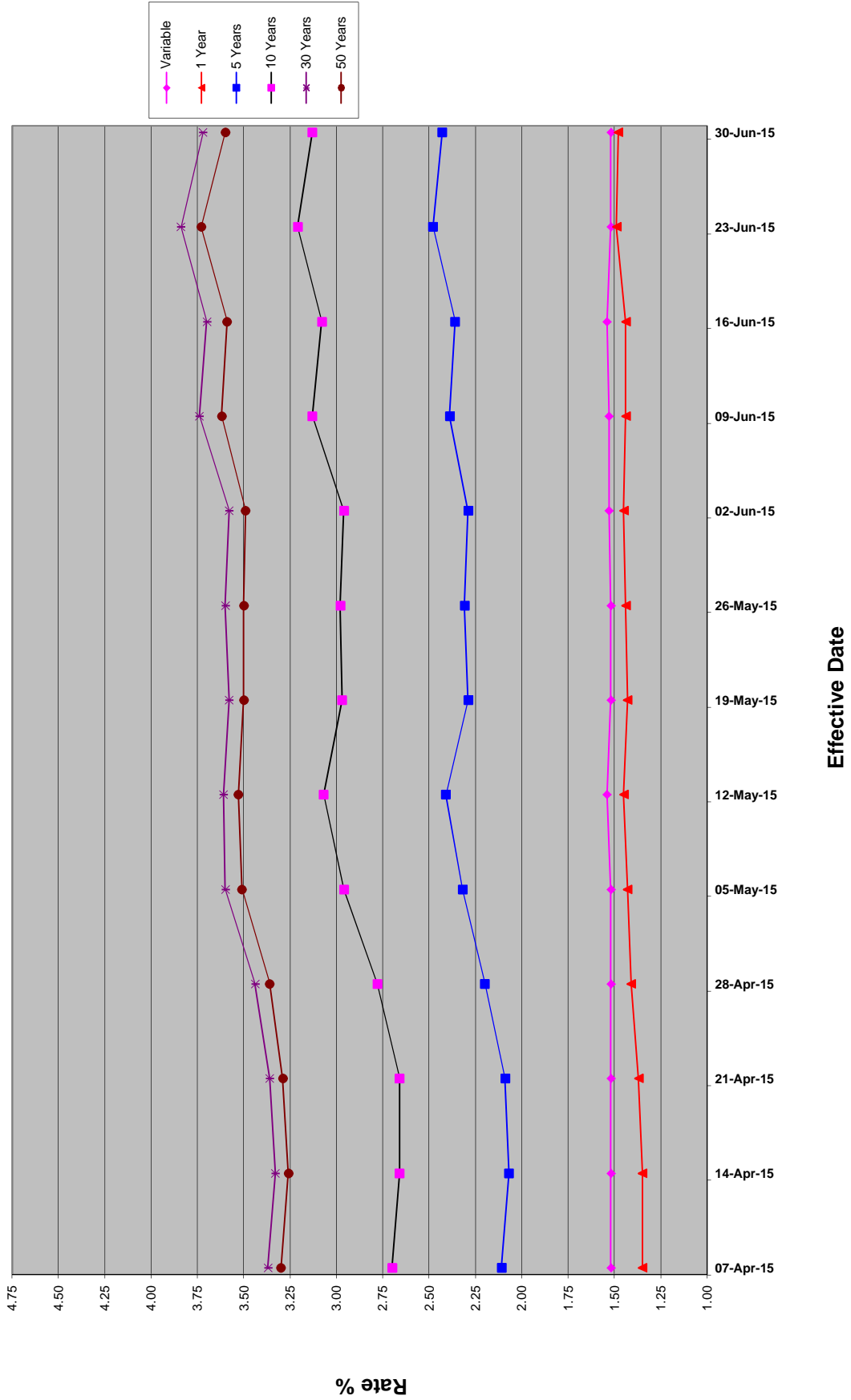
Appendix II – Summary of the Treasury Position and Transactions from 1 April to 30 June 2015.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Analysis of Prudential Indicators Quarter ending 30 June 2015.

Appendix V – Empty Property Loan Scheme Brochure.

PWLB Fixed Maturity & Variable Interest Rates
From 1 April 2015 to
30 June 2015



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 APRIL TO 30 JUNE 2015**

1 INVESTMENTS

(a) Investment Transactions - 1st April to 30th June 2015

<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	6	3,750,000	0.71%	196	96,054.79
Foreign Banks and Institutions	1	2,500,000	0.60%	183	7,520.55
Building Soc/Subsidiary Banks	2	5,000,000	0.59%	142	23,758.90
Other Local Authorities	0	0	0.00%	0	0.00
	<u>9</u>	<u>3,888,889</u>	<u>0.67%</u>	<u>180</u>	<u>127,334.25</u>

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access accounts	59,588	0.25%	12.58
Money Market Funds	4,499,487	0.48%	9,349.24
	<u>3,617,589</u>	<u>0.48%</u>	<u>9,361.82</u>

(b) Investments Outstanding

	<u>Outstanding 31-Mar-15 £</u>	<u>Average Rate</u>	<u>Outstanding 30-Jun-15 £</u>	<u>Average Rate</u>
Banks	20,062,062	0.86%	27,500,000	0.74%
Foreign Banks and Institutions	12,500,000	0.61%	12,500,000	0.61%
Money Market Funds	425,000	0.47%	3,560,000	0.48%
Building Societies/Subsidiary Banks	8,500,000	0.64%	13,500,000	0.59%
Other Local Authorities	15,000,000	0.53%	0	0.00%
TOTAL	<u>56,487,062</u>	<u>0.68%</u>	<u>57,060,000</u>	<u>0.66%</u>

2 BORROWING

(a) Long Term Borrowing 1st April to 30th June 2015

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Average Life (years)</u>	<u>Amount (£)</u>
Scottish Government	1	0.00%	9.00	350,000
	<u>1</u>	<u>0.00%</u>	<u>9.00</u>	<u>350,000</u>

(b) Long Term Debt Repayments 1st April to 30th June 2015

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - Maturity Loan - Scheduled Repayments	1	2.39%	3,000,000
	<u>1</u>	<u>2.39%</u>	<u>3,000,000</u>

(c) Long Term Debt Outstanding

	<u>Outstanding 31-Mar-15 £</u>	<u>Average Rate</u>	<u>Outstanding 30-Jun-15 £</u>	<u>Average Rate</u>
Public Works Loan Board	194,531,903	4.06%	191,531,903	4.08%
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	312,892	0.00%	662,892	0.00%
TOTAL	<u>243,044,795</u>	<u>4.10%</u>	<u>240,394,795</u>	<u>4.11%</u>

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 APRIL TO 30 JUNE 2015**

(d) Short Term Market Borrowing - 1st April to 30th June 2015

	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Interest (£)</u>
Short Term Market Borrowing	0	0	0.00%	0.0	0.00
	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.0</u>	<u>0.00</u>

(e) Short Term Local Borrowing Outstanding

	<u>Outstanding 31-Mar-15</u>	<u>Average Rate</u>	<u>Outstanding 30-Jun-15</u>	<u>Average Rate</u>
	<u>£</u>		<u>£</u>	
Other Local Authorities	0	0.00%	0	0.00%
Common Good Funds	1,728,000	0.73%	1,778,000	0.72%
Local Trusts & Investors	1,403,949	0.10%	1,184,408	0.10%
TOTAL	<u><u>3,131,949</u></u>	<u><u>0.45%</u></u>	<u><u>2,962,408</u></u>	<u><u>0.47%</u></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 £20M per Counterparty					
(Minimum rating required Fitch A, F1)					
Barclays Bank plc	UK	A, F1	In range	6 months	
Close Brothers	UK	A, F1	No data	6 months	
Goldman Sachs International Bank	UK	A, F1	Monitoring	3 months	
HSBC Bank plc	UK	AA-, F1+	In range	12 months	
Lloyds Banking Group plc (incl HBOS and Bank Of Scotland) (3)	UK	A+, F1	In range	6 months	
Royal Bank of Scotland plc (inc Nat West) (3)	UK	BBB+, F2	Nationalised	12 months	
Santander UK plc (inc Cater Allen)	UK	A, F1	No data	6 months	
Standard Chartered Bank	UK	AA-, F1+	Monitoring	6 months	

Category 2 - Foreign Banks & Institutions - max £10M 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	
Macquarie Bank Ltd	Aus	A, F1	Monitoring	3 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	12 months	
Danske Bank	Denmark	A, F1	In range	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	12 months	
Swedbank AB	Sweden	A+, F1	No data	12 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	No data	6 months	
Bank of New York Mellon	USA	AA, F1+	No data	24 months	
Citibank, NA	USA	A+, F1	In range	6 months	
JP Morgan Chase Bank, NA	USA	AA-, F1+	In range	12 months	
Wells Fargo Bank, NA	USA	AA, F1+	In range	24 months	

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	
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Building Societies

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

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

As arranged

APPROVED INVESTMENT COUNTERPARTY LIST

	<u>Country</u>	<u>Fitch Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note (2)</u>
<u>Category 5 Money Market Funds - max £10M per Counterparty</u>					
(Minimum rating required Fitch AAA)					
Aberdeen Asset Management	UK	AAA			
Federated Sterling Liquidity Fund (Class 3)	UK	AAA			
Insight Sterling Liquidity Fund (Class 5)	UK	AAA			
Standard Life Investments Liquidity Fund (formerly Ignis)	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: 15-Sep-15

ANALYSIS OF PRUDENTIAL INDICATORS - Quarter ending 30th June 2015

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 for SP&R meeting on 23rd September 2015 (pre-agenda).

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Prudential Limit - General Fund Estimated Ratio of Financing Costs to Revenue	12.50% 8.56%	12.50% 8.92%	12.50% 9.79%	12.50% 10.26%	12.50% 10.31%	12.50% 10.59%
Prudential Limit - HRA Estimated Ratio of Financing Costs to Revenue	25.00% 20.18%	25.00% 21.79%	25.00% 22.48%	25.00% 21.85%	25.00% 21.16%	25.00% 20.34%

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:

	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
Housing Rent (average weekly increase)	1.25	1.29	1.34	1.40	1.45	1.51

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-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	315,455,000	339,388,000	388,734,000	403,179,000	398,125,000	393,061,000	389,090,000
Capital Financing Requirement	412,629,000	432,090,000	504,537,000	530,114,000	526,095,000	521,256,000	507,245,000
Gross External Borrowing	372,515,000	379,388,000	418,734,000	428,179,000	418,125,000	413,061,000	409,090,000

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2015

4 Estimates of Capital Expenditure

The total estimated Capital Expenditure contained within the Council's Budgets for each year is as follows, based on monitoring figures for SP&R meeting on 23rd September 2015:

Composite Programme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	56,633,000	98,218,000	54,524,000	27,577,000	27,700,000	17,806,000
Original Budget Estimate	66,555,000	83,454,000	43,168,000	25,819,000	28,116,000	15,850,000
Movement in Estimated Capital Expenditure	(9,922,000)	14,764,000	11,356,000	1,758,000	(416,000)	1,956,000

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 25 February 2015, and based on the Capital Budget report on 11 February 2015
The latest estimates for Capital Monitoring are based on monitoring figures for SP&R meeting on 23 September 2015 (pre-agenda)

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

HRA Programme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	19,932,000	16,864,000	11,105,000	8,931,000	9,220,000	10,000,000
Original Budget Estimate	20,614,000	14,297,000	9,540,000	8,981,000	9,255,000	10,000,000
Movement in Estimated Capital Expenditure	(682,000)	2,567,000	1,565,000	(50,000)	(35,000)	0

The Original Budget Estimates are those used per the HRA Budget report to 2019/20 on 28 January 2015, whilst 2020/21 is included as an estimated provision.
The latest estimates are per the Capital Monitoring to be approved at the Strategic Policy & Resources committee meeting on 23 September 2015.

5 Estimate of Capital Financing Requirement

The estimate (as at Sept 2015) of the Capital Financing Requirement (ie new borrowing requirement for Capital Expenditure) for each year based on these plans is as follows:

Composite Programme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current Estimated Capital Financing Requirement	19,665,000	76,979,000	39,004,000	14,114,000	14,414,000	5,303,000
Original Budget Estimate	31,966,000	61,273,000	27,696,000	12,386,000	14,264,000	3,350,000
Movement in Estimated Capital Financing Requirement	(12,301,000)	15,706,000	11,308,000	1,728,000	150,000	1,953,000

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 25 February 2015, and based on the Capital Budget report on 11 February 2015
The latest estimates for Capital Monitoring are based on monitoring figures for SP&R meeting on 23 September 2015 (pre-agenda)

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th June 2015

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

HRA Programme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current Estimated Capital Financing Requirement	15,236,000	13,220,000	6,989,000	4,157,000	3,797,000	4,500,000
Original Budget Estimate	16,338,000	10,653,000	5,424,000	4,207,000	3,832,000	4,500,000
Movement in Estimated Capital Financing Requirement	(1,102,000)	2,567,000	1,565,000	(50,000)	(35,000)	0

The Original Budget Estimates are those used per the HRA Budget report to 2019/20 on 28 January 2015, whilst 2020/21 is included as an estimated provision. The latest estimates for Capital Monitoring are based on on monitoring figures for SP&R meeting on 23 September 2015 (pre-agenda)

6 External Debt (Gross and Net)

External Borrowing	As at 30-Jun-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	191,531,903	202,370,613	251,109,323	264,948,033	259,186,743	258,625,453	259,364,163
Market Bonds	48,200,000	48,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000
Special Loans	1,778,000	1,778,000	1,778,000	1,778,000	1,778,000	1,778,000	1,778,000
Temporary Loans/Other Borrowing	1,847,300	1,606,002	1,449,112	1,292,222	1,235,333	968,444	940,000
Other Long Term Liabilities	129,158,100	125,433,100	121,197,100	116,961,100	112,725,100	108,489,100	103,808,100
Total Gross External Debt	372,515,303	379,387,715	418,733,535	428,179,355	418,125,176	413,060,997	409,090,263
Short Term Investments	(57,060,000)	(40,000,000)	(30,000,000)	(25,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Long Term Investments	0	0	0	0	0	0	0
Total Net External Debt	315,455,303	339,387,715	388,733,535	403,179,355	398,125,176	393,060,997	389,090,263
Note:							
Operational Boundary	373,000,000	379,000,000	419,000,000	428,000,000	418,000,000	413,000,000	409,000,000
Authorised Limit	429,000,000	429,000,000	429,000,000	429,000,000	429,000,000	429,000,000	429,000,000

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 2015

8 Interest Rate Exposures

	Actual as at 30-Jun-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	330,690,003	337,803,713	372,306,423	381,909,133	371,911,843	367,114,553	363,172,263
Total Fixed Rate Investments	0	0	0	0	0	0	0
	330,690,003	337,803,713	372,306,423	381,909,133	371,911,843	367,114,553	363,172,263
Total Gross Borrowing	372,515,303	379,387,715	418,733,535	428,179,355	418,125,176	413,060,997	409,090,263
	88.8%	89.0%	88.9%	89.2%	88.9%	88.9%	88.8%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%

	Actual as at 30-Jun-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	41,825,300	41,584,002	46,427,112	46,270,222	46,213,333	45,946,444	45,918,000
Total Variable Rate Investments	(57,060,000)	(40,000,000)	(30,000,000)	(25,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
	(15,234,700)	1,584,002	16,427,112	21,270,222	26,213,333	25,946,444	25,918,000
Total Net Borrowing (including investments arising from short term cash balances)	315,455,303	339,387,715	388,733,535	403,179,355	398,125,176	393,060,997	389,090,263
	-4.8%	0.5%	4.2%	5.3%	6.6%	6.6%	6.7%
Upper limit on Variable Interest Rate Debt	35%	35%	35%	35%	35%	35%	35%

9 Maturity Structure

The maturity structure for the Council's fixed rate debt, as at 31st March 2015, 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 (£)	20,442,180	15,954,180	43,362,538	57,126,897	194,467,100	331,352,895
% of Total Fixed Debt	6.2%	4.8%	13.1%	17.2%	58.7%	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.



EMPTY PROPERTY LOAN SCHEME

Perth and Kinross Council has a limited number of interest free loans available to owners of long-term empty properties to bring them up to a lettable standard. These loans can also be used for the conversion of unused commercial properties into residential use.

This booklet contains:

- Information on who can apply and how the scheme works
- An application form
- Details of what further information the Council requires
- Terms and Conditions of the Loan Scheme

Who is the loan for?

The loan is for anyone who owns a property that has been empty for over 6 months, that meets the eligibility criteria (set out below in the 'Empty Property Loans Terms and Conditions' section) and who wants to carry out renovation works.

Benefits of the scheme

- Refurbish your property – better condition, better value
- Makes good use of a property which is currently costing you money
- Tenants pay bills, rent and Council tax
- At the end of the affordable renting period, the property is yours to do what you like with
- As an alternative the property can be sold on completion of the works and the loan repaid

How does the loan work?

- Loans will be used to carry out works to bring the property up to a lettable standard (known as the 'Repairing Standard') Refurbished properties, if rented out, must be rented out at a level of rent no greater than the Local Housing Allowance level for the relevant property size for a minimum of 5 years
- Owners should be aware that loan repayments must be made as agreed, regardless of whether the property is let to a tenant or not.
- Alternatively the properties can be sold on completion at a selling price no higher than the threshold price set for the Scottish Government Open Market Shared Equity Scheme and the loan will be repaid at the point of sale.
- The loan will be secured as a legal charge against the property similar to the security required on a mortgage
- Loans are interest free unless you default on any of the conditions. In these circumstances interest will be charged at Bank of England base rate plus 5% on all outstanding amounts

How much is the loan for and what will it cover?

- For individual properties, loans will be offered for amounts between £5,000 and £15,000 dependent on the extent of works required and subject to the other requirements of the Scheme.
- Loans at higher levels will be considered for larger projects. The Council will advise you on the works which are necessary to bring the property up to the Repairing Standard.
- The loan also includes some costs for setting up and administering the loan, but these will be explained to you.

How are the works organised?

You will need to have the works and the costs agreed with the Council before your loan is approved. For individual properties one quote from a bona fide contractor will be acceptable and for larger projects two quotes will be required. You select and engage a contractor to carry out the works and it will be your responsibility to check that they are carried out to a satisfactory standard or employ an architect or clerk of works to oversee the project on your behalf. In addition, the Council must be satisfied that the works have been completed to a satisfactory standard before the loan can be paid.

How is the loan paid?

You will be expected to complete the works within 6 months of the issue of your loan agreement. Perth & Kinross Council will pay the loan amount to you on completion of the agreed works to the required standard.

How do I find out more?

If you would be interested in being considered for a loan for your long-term empty property, please contact the Vacant Property Development Officer for a discussion and to arrange a site visit. Telephone Isobel Butt, Vacant Property Development Officer on 01738 475955 or email ijbutt@pkc.gov.uk or Katrina Morrison Vacant Property Support Assistant Kmmorrison@pkc.gov.uk telephone 01738 476561.

What happens once the works are done?

- A condition of the loan is that, after being refurbished, the property is either rented out at no more than the Local Housing Allowance rate for a minimum of five years or sold at a selling price no higher than the relevant maximum threshold price for the Perth & Kinross area as set out by the Scottish Government Open Market Shared Equity Scheme.

- Rents will be agreed on a case-by-case basis according to local market and other conditions, however typical Local Housing Allowance monthly rents and Maximum Sales Prices permitted under the Scheme are set out in the table below.

	Maximum Monthly Rental	Maximum Sales Price
1 bedroom	£357	£90,000
2 bedrooms	£459	£110,000
3 bedrooms	£595	£155,000
4 bedrooms	£794	£190,000

NB. The maximum figures above are for 2015/16 and are subject to annual changes. Refer to current LHA rates via the Perth and Kinross Council website <http://www.pkc.gov.uk/article/4663/Local-Housing-Allowance-Rates> and for maximum sales prices to <http://www.gov.scot/Publications/2014/04/3387/17>

- The loan will be repaid typically over a five year period but with the opportunity for a longer payback period on a case by case basis.

	Local Housing Allowance	Loan Repayments	Remaining Income
1 bedroom	£357	£166.67	£190.33
2 bedrooms	£459	£166.57	£292.33
3 bedrooms	£595	£166.67	£428.33
4 bedrooms	£794	£166.67	£627.33

NB. This example demonstrates monthly rental income using 2015/16 LHA rates and the repayment of a £10,000 loan over a 5 year period.

How will my property be rented out?

You can manage the property yourself or have your chosen letting agent manage the property

What types of property are we looking for?

We are particularly looking for properties that meet local housing demand. These include:

- 1 and 2 bedroom properties.
- Properties where the works needed to bring it up to the Repairing Standard will cost between £5,000 and £15,000 per unit
- The minimum amount of equity that the owner must have in the property should be double that of the loan amount. For example if the loan is for £10,000 then the equity required in the property would be a minimum of £20,000.



Empty Homes Loan Scheme

Application Form

Please refer to the loan scheme leaflet when completing this application form

Your details

Name:	<input type="text"/>		
Phone:	<input type="text"/>	Email:	<input type="text"/>
Mobile:	<input type="text"/>		
Address:	<input type="text"/>		

Empty property address

Street:	<input type="text"/>
Town:	<input type="text"/>
Postcode:	<input type="text"/>

Empty property details

Is the property?	A house <input type="checkbox"/>	A flat <input type="checkbox"/>	Other <input type="checkbox"/>	(if other, please give details)	
				<input type="text"/>	
Numbers of bedrooms:	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 or more <input type="checkbox"/>

Who owns the property?

When, approximately, did you become the owner of the property?

How long has the property been empty?

What caused the property to become empty?

Please summarise the work that is needed to bring the property up to a habitable standard

If you have a schedule of works that the Council does not already have a copy of, please enclose a copy with your application.

Have you obtained quotes for the work?

Yes If yes, please give details below and submit copies of the quotes with your application:

	Contractor name	Quoted cost
Quote 1 :		£
Quote 2:		£

No *Please note that we cannot progress your application until you have obtained the quotes and submitted copies to us.*

If your property has been empty for over 2 years or more then you may be eligible for a reduced rate of VAT (currently 5%). If eligible have you discussed this with the contractors that you gained quotes from?

Yes No N/A

Please see VAT Discount leaflet

If the cost of the works is greater than the loan offered can you provide evidence that you have or are able to secure funding to cover the difference?

Yes No

If yes what evidence have you provided with this application?

Bank statement Offer of commercial loan Other (Please specify)

Please note that this is a condition of loan – if the answer is no then you are not eligible for a loan under the Council's empty property loan scheme.

Checklist

Please tick to confirm which of the following documents are submitted with your application:

- Schedule of Works
- One quote for the works
- Letter from mortgage lender confirming outstanding mortgage amount
- RICS valuation of the property
- Confirmation from your mortgage lender confirming their agreement to enter the Scheme
- Proof of any shortfall funding from savings/commercial loan/ other

Please sign to confirm that:

I accept that the costs of the legal and other checks required to assess my loan application will be passed onto me (details of which are shown in Section 3 of the accompanying notes). I also accept that in the event of being offered and accepting a loan, the cost of securing the loan to the property will be passed onto me. I am aware that these costs can be incorporated into the loan.

Signed: Dated:

I certify that the confirmation provided by me in this form is accurate to the best of my knowledge.

Signed: Dated:

Print Name

Please return your completed form to:

Vacant Property Development Officer
The Environment Service
Perth & Kinross Council
Pullar House
35 Kinnoull Street
PERTH
PH1 5GD

What happens next?

The Vacant Property Development Officer will contact you to confirm receipt of your application and discuss the next steps.

Perth & Kinross Homes Loan Scheme

Information required in order for the Council to make a formal offer of loan

- **Proof of ownership (PKC will check this for a nominal fee)**

- **Landlord registration details**

- **Works information**
 - List/schedule of works required (informed from a valuation report, where appropriate, and agreed by the Vacant Property Development Officer). To include all necessary safety checks, Energy Performance Certificate, etc. that are required to be able to rent the refurbished property).
 - Quote for the works listed in the schedule, and details of your preferred contractor.
 - If the works will cost more than the amount of the loan, confirmation that you have access to funds to complete the remainder of the work.
 - Information on whether any consents are required (e.g. building warrant, planning application).
 - Estimated start and completion dates.

- **Equity information on the property/asset on which the loan is to be secured:**
 1. RICS surveyor's report confirming valuation
 2. Letter(s) from lender(s) confirming amount owed on the property and their agreement to your participation in the Scheme

- **Repayments information**
 - Agreement of repayment timeframe.

Empty Homes Loans Terms and Conditions

This note contains important information about the empty homes loan scheme, including:

- Detailed loan criteria;
- The information the Council needs to collect about you and your property to enable assessment of whether the property and proposal meets the criteria;
- The costs involved in submitting an application.

Please read this note before submitting an application. **It is your responsibility to weigh up the costs of the application against any risks that you or your property fail to meet the retired criteria.**

If you have any questions about the contents of this note, please contact the Vacant Property Development Officer on 01738 475955 or email ijbutt@pkc.gov.uk.

Section 1: Detailed loan criteria

Property type

- To be eligible for a loan, a property must have been empty for a minimum of 6 months prior to the date of application..
- Loans will only be granted in areas and for types of property for which Perth & Kinross Council considers there is a demonstrable demand
- There will be a focus on 1-2 bedroom properties .
- There must be a minimum equity of twice the amount of loan in the property (this provides the Council with security for the loan).
- Larger projects will also be considered in areas and of a type for which Perth & Kinross Council considers there is demonstrable demand.

Property condition

- The property must fail to meet at least one aspect of the Repairing Standard (the legal minimum standards required for privately renting a property) at the date of the application
- On completion of the renovation works the property must meet the Repairing Standard.

Eligible works

Any renovation works required to bring the property up to the Repairing (or higher) Standard. These could include (but are not limited to):

1. replacement or upgrading of kitchens and bathrooms
2. replacement windows/doors
3. fixing or replacing floor coverings
4. central heating installation/upgrade
5. thermal efficiency works
6. repair to fabric of the building
7. repairs to prevent dampness

Other costs which may be included in the loan

- Other costs associated with bringing the property up to the Repairing Standard, e.g. electrical and gas safety checks, fitting smoke alarms, and getting an Energy Performance Certificate.
- Professional and other costs associated with gaining any necessary consents for the works, e.g. architects fees, building warrant application costs.
- Costs associated with the loan application process, e.g. title and property checks, legal costs of securing the loan against the property, etc. (details of these costs are set out in section 3).

Works exceeding the amount of the loan

- If the projected costs of the necessary works are more than the amount of the loan, the applicant must provide evidence that they have access to funding to cover the additional costs.

Larger Projects

- Loans for larger projects will be considered on a case by case basis
- Contact the Vacant Property Development Officer to discuss your project in the first instance.

Timescale

- The works must be able to be completed within 6 months of the signing of the loan agreement. Larger projects will be considered on a case by case basis.

Following renovations the property can either be let or sold subject to the following conditions:-

Renting the Property

The property must be let out at a rent less than or equal to the Local Housing Allowance level for the relevant size of property in Perth & Kinross for a minimum of five years

- If you choose a letting agent, be aware that they charge a fee for management services. You will also need to pay for any necessary maintenance or repair throughout the duration of the lease.

Selling the property

- On completion of the works the property can be sold at affordable levels as set out by the Scottish Government Shared Equity Scheme <http://www.gov.scot/Publications/2014/04/3387/17>. The loan will be repaid with the proceeds of the sale.

Loan repayments

- The loan is interest-free but if you fail to make repayments by the due dates, interest will be charged at 5% over Bank of England Base Rate from the date on which the payment becomes due until the date on which it is paid.
- The loan will be repaid typically over a five year period but with the opportunity for a shorter or longer payback period on a case-by-case basis.
- The standard repayment method is equal payments once a month for 5 years. For a £10,000 loan this would result in a monthly payment of £166.67.
- The loan will be secured against the property in the same way as a mortgage.

Identifying and costing works

- The Council will agree a schedule of works with you that are required for bringing the property up to the Repairing Standard.
- You must provide one quote from a bona fide contractor for the work specified in the schedule or two quotes for larger projects
- It is up to the owner to decide whether to proceed with the works based on the quotes/costing – a loan application can be withdrawn at any time prior to acceptance of the offer

Section 2: Information about you and your property

Legal and Financial Checks

- You must be the owner of the property in order to apply for a loan. Any joint owners must also consent to the loan and be jointly and severally liable for the loan
- The Council will confirm that the property is in your ownership via:
 - Title check with the Registers of Scotland – you will be responsible for any costs incurred by the Council for these checks
 - Proof of your identity, e.g. passport, drivers licence
 - Proof of current address, e.g. recent utility bills
- The Council needs to be able to confirm that there is a minimum level of equity in the property of twice the amount of the requested loan. The amount of equity will be determined via the following processes:
 - A search known as a Legal Report. This details the loans taken out on the property and any inhibitions on the property.
 - Letter from mortgage lender(s) detailing amount of any mortgage loan remaining on the property.
 - Surveyor's valuation (an estimate provided by an estate agent will not be sufficient).
- If the total cost of works is higher than the expected maximum loan amount, the Council will need to see evidence that you have access to sufficient additional funding to ensure that the works are completed. This may take the form of a letter from the bank or other financial provider.

Landlord registration

- If the property is to be rented out, you must register as a landlord with Perth & Kinross Council. This is a legal requirement in Scotland and we cannot offer you a loan until you are registered.
- Registration costs £55, plus £11 for each property you wish to rent. There is a 10% discount if you register online.
- The purpose of landlord registration is to check whether an individual is a 'fit and proper' person to act as a landlord. The vast majority of registrations are approved, except where there is evidence that an individual has acted unlawfully and there are significant concerns about their ability to be a landlord. This could include, for example, criminal convictions or persistent complaints from tenants about bad practice.
- More information about Landlord Registration is available at www.scotland.gov.uk/Topics/Built-Environment/Housing/privaterent/landlords/registration

Section 3: Cost of loan

Applying for a loan

The Council cannot make an offer of loan until the legal and financial checks detailed above have been carried out. While the Council does not charge for its services in arranging these checks or assessing the application, the checks have costs associated with them.

- Legal Report, £50 for a property registered in the Land Register, £55 for a property recorded in the older Sasine Register.

If your loan is successful, these costs could be incorporated into the loan.

Applicants should assess whether they are eligible for the scheme before taking their application forward. Please note that any of the above costs will be the applicant's responsibility if the loan requirements are not met.

Legal arrangements for the loan

Once your loan has been approved and agreed there will be other legal costs of approximately £60 for securing the loan against the property. This cost can be incorporated into the loan.

Section 4: Other considerations

You should note that you will need to gain approval from your mortgage lender and insurance provider to rent the property out. You may be required to change your home insurance to landlord insurance. Contact your mortgage lender and insurer for more information on this before you proceed any further with your application.

If you have any questions about the issues raised in this note, please contact Isobel Butt, Vacant Property Development Officer on 01738 475955 or email ijbutt@pkc.gov.uk or Katrina Morrison Vacant Property Support Assistant Kmmorrison@pkc.gov.uk telephone 01738 476561.

Please note that we can provide information about the loan scheme but cannot provide legal or financial advice, and it is recommended that you seek independent advice before submitting an application.

FOR INTERNAL USE ONLY

Applicant name: INSERT NAME HERE
Empty property address: INSERT ADDRESS HERE
Reference number: INSERT REFERENCE HERE

Empty Homes Loan Scheme

Application Checklist

Assessment of whether the application meets the loan scheme criteria

Section 1: Suitability of property for loan

Property Type

Is the property an appropriate size and location to receive a loan?

Notes

Pre-application

• Site visit completed?

• Schedule of works completed?

• Works to be managed by:

Owner

Agent

• Property to be rented through:

Owner

Agent

Notes

Application Form

• Form submitted?

• Form complete?

• Title deeds

• Proof of identity checked?

• Letter from lender submitted?

Notes

Landlord Registration

• Submitted?

• Approved?

Consents

Building Warrant

Required?

Approved?

Applicant name: INSERT NAME HERE

Empty property address: INSERT ADDRESS HERE
Reference number: INSERT REFERENCE HERE

Planning Permission

Required? Approved?

Section 2: Developing details of loan and rental

Offer in principle made?

Officer in principle accepted?

Where property to be managed by owner:

• Owner registered property with deposit guarantee scheme?

• Is a letting agent being used? (If yes, give details)

• Has a mid-market rent been agreed? (If yes, give details)

Where property to be managed by Agent

• Has the owner agreed management, maintenance, voids etc.?

• Has a mid-market rent been agreed? (If yes, give details)

Loan repayment schedule

• Schedule agreed?

Section 3: Formal offer and agreement

Offer made?

Date of offer:

Offer accepted?

Loan agreement signed?

Declarations signed

Date:

Date works due to start:

Date works due to complete:

Loan payments to be made to:

Applicant name: INSERT NAME HERE
Empty property address: INSERT ADDRESS HERE
Reference number: INSERT REFERENCE HERE

Section 4: Works and payment

Works started?	<input type="text" value="Y/N"/>	Date:	<input type="text"/>
Works completed?	<input type="text" value="Y/N"/>	Date:	<input type="text"/>
Works checked and acceptable?	<input type="text" value="Y/N"/>	Date:	<input type="text"/>
Invoice received?	<input type="text" value="Y/N"/>	Date:	<input type="text"/>
Payment made?	<input type="text" value="Y/N"/>	Date:	<input type="text"/>

Section 5: Repayment

Repayment amounts:

No of repayments:

Date repayments started:

Notes/adjustments defaults:

Date repayments completed:

Applicant name: INSERT NAME HERE
Empty property address: INSERT ADDRESS HERE
Reference number: INSERT REFERENCE HERE

Planning/Building Warrant/Listed Building Consent

- Required?
- Received?

Notes

Estimated costs of work

Owner managing works

- 2 like-for-like quotes submitted?
- Cost?
 Quote 1: Quote 2:

Agent managing works

- Surveyor's costings received?
- Cost?
- Are the costs within the acceptable loan range?

If costs are above acceptable range:

- Can the applicant meet the additional costs?
- Evidence provided that applicant can meet costs

Notes

Equity

- Title search completed?
- Legal Report received?
- Any additional issues/debts/inhibitions raised by Legal Report?
- Valuation received?
- Value of property?
- Current value of loans secured on the property?
- Equity in property: Amount As % total value
- Sufficient equity to progress application?

Is property suitable to make an offer of loan?