

PERTH AND KINROSS COUNCIL

16 December 2015

**TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2015/16 QUARTER 2****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 September 2015 and to report on compliance with the Council's Treasury Management Policy Statement (TMPS); Treasury Management Practices (TMPs); the Investment Strategy and the Prudential Indicators 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 July to 30 September 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.

2. ECONOMIC BACKGROUND

- 2.1 The Bank of England Monetary Policy Committee (MPC) kept the Bank Rate at 0.5% throughout the quarter. The minutes from recent meetings showed that this was due to low inflation and economic growth being slow. 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 0.5% in the three months to September 2015. This is lower than the 0.7% in the previous quarter. This was mainly attributed to a reduction in construction output. Unemployment levels fell by 79,000 between June and August with 1.77million unemployed. However, average earnings (including bonuses) in the period from June to August 2015 rose by 3.0%. The Consumer Price Index (CPI) measure of inflation was -0.1% in September 2015, which was a fall from 0.0% in the previous month. The main reasons attributed to this fall were lower fuel prices and slower price increase in clothing. Retail sales volumes increased in September, with contributing factors being the increase in incomes and the rugby world cup.
- 2.3 Internationally, Eurozone GDP grew faster than expected in the second quarter. Following the European Central Bank's meeting in October, the interest rate remained unchanged at 0.05%. The ECB announced their Quantitative Easing programme in January 2015 and it began the programme in March. It will purchase £60bn of public and private sector assets per month between March

2015 and September 2016. In addition, the ECB announced that they will review the asset purchase programme in December 2015 with a view to extending the level of purchases.

- 2.4 US economic growth increased as a result of improved consumer spending, offsetting weak business spending. Non-farm payrolls rose by 142,000 in September, however this was much less than many economists had anticipated. The unemployment rate remained at 5.1%, which was a 7 year low. Therefore, the timing of the first increase in the Bank Rate remains in the balance, with an increase in December 2015 remaining a possibility.
- 2.5 China's annual GDP growth slowed to 6.9% over the quarter, below its 7% target, due to a downturn in investment and manufacturing. The people's Bank of China has lowered its interest rates, and is under pressure to cut rates further. To try to help the slowing economy, China also devalued its currency unexpectedly during the quarter. This was also intended to help combat the large falls seen in exports.
- 2.6 The Public Works Loan Board's (PWLB) fixed interest rates, which are based on yields on UK gilts, are shown in the graph at Appendix I. The rates fell 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, increased slightly towards the end of the period.

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 in the quarter of an instalment on a PWLB Equal Instalment of Principal (EIP) loan. There was one new PWLB fixed rate maturity loan of £10M borrowed for 50 years at a rate of 2.93%. This was borrowed under the PWLB Project rate (report 15/413 refers) on 24 August 2015 giving the Council a discount of 0.4% from the PWLB's standard rate.
- 3.2 The average period for fixed term deposits made in the quarter was 173 days, decreasing from the previous quarter's average period of 180 days. The average rate achieved in the quarter for fixed deposits decreased slightly from 0.67% in the previous quarter to 0.66%.
- 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 0.48% to 0.49%. 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 £80.9M compared with £57.1M at the end of the last quarter. This increase can partly be attributed to borrowing of the new PWLB loan as discussed above. The average rate of interest earned on investments outstanding at the end of the quarter increased marginally from 0.66% to 0.67%.
- 3.5 There were no short-term market loans borrowed. Funds held from associated bodies and organisations increased marginally over the quarter from £1.18M to £1.28M, in line with their own cash flow requirements. The average rate remained unchanged at 0.10%. Common Good Funds held on fixed deposit within the Loans Fund also increased from £1.778M to £1.796M, whilst the average rate increased to 0.77% from 0.72%.

4. COMPLIANCE

- 4.1 For the quarter ending 30 September 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).
- 4.2 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 November 2015. It should also be noted that banks based in the Eurozone have been reinstated on the Approved Counterparty List, due to the increased stability within the Eurozone.
- 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 September 2015 the average closing cleared bank balance was £720.28 (credit). This is within the set target range of £50,000 (debit or credit).

5. INVESTMENT STRATEGY COMPLIANCE AND PERFORMANCE

- 5.1 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 spread of investments thereby also spreading any risk. The Council also needs to ensure sufficient liquidity at all times 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.

- 5.2 There was £10M PWLB new borrowing during the quarter. However, by the end of September 2015, the level of investments stood at £81M after peaking at £90.5M on 16 September 2015 in the quarter. This increase in the level of investments reflects the timing of the Council's actual expenditure and receipts together with the new borrowing.
- 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 accounts and money market funds 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 which are not covered by this Investment Strategy.
- 5.7 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.
- 5.8 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.
- 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. PRUDENTIAL INDICATORS

- 6.1 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 2 December 2015 (report 15/552 refers).
- 6.2 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.
- 6.3 Overall, the Council's plans remain affordable, prudent and sustainable over the medium term.

7. LOAN TO PERTH & KINROSS CREDIT UNION

- 7.1 The last Treasury Activity and Compliance report to the Council (report 15/413 refers) outlined a request for a loan by Perth & Kinross Credit Union (PKCU) which was approved by the Council. However, the Board of PKCU subsequently declined to accept the offer of a loan as it was no longer required. The Board did, however, wish to express their appreciation of the support offered by the Council.

8. CONCLUSION AND RECOMMENDATIONS

- 8.1 UK GDP grew by 0.5% in the quarter to September 2015, whilst CPI inflation fell to -0.1% in September. Unemployment levels decreased slightly whilst average earnings increased. Retail sales also increased in September 2015. The Monetary Policy Committee maintained the Bank Rate at 0.5%, and there was no further quantitative easing.
- 8.2 Activities during the quarter included the investment of surplus cashflow funds, and the repayment of an instalment of a PWLB (EIP) loan. A fixed rate PWLB maturity loan was also borrowed at the Project rate for £10M for 50 years. The investment activity included investment in fixed deposits and the use of instant access accounts and money market funds to meet cashflow requirements. Banks within the Eurozone, where they met the Council's lending criteria, were reinstated to the Counterparty list.
- 8.3 The Council adhered to its Investment Strategy and policies throughout the quarter, with no breaches in compliance.
- 8.4 It is recommended that the Council notes the content of this report, which is submitted in accordance with the Council's approved Treasury Management Practices.

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Approved

Name	Designation	Date
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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

1.1. Corporate Plan

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

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

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

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

2.2. Workforce

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

2.3. Asset Management (land, property, IT)

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

3. Assessments

3.1. Equality Impact Assessment

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

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

3.2 Strategic Environmental Assessment

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

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

3.3 Sustainability

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

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

4. Consultation

4.1 The Chief Executive, and the Council's Treasury advisors, 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

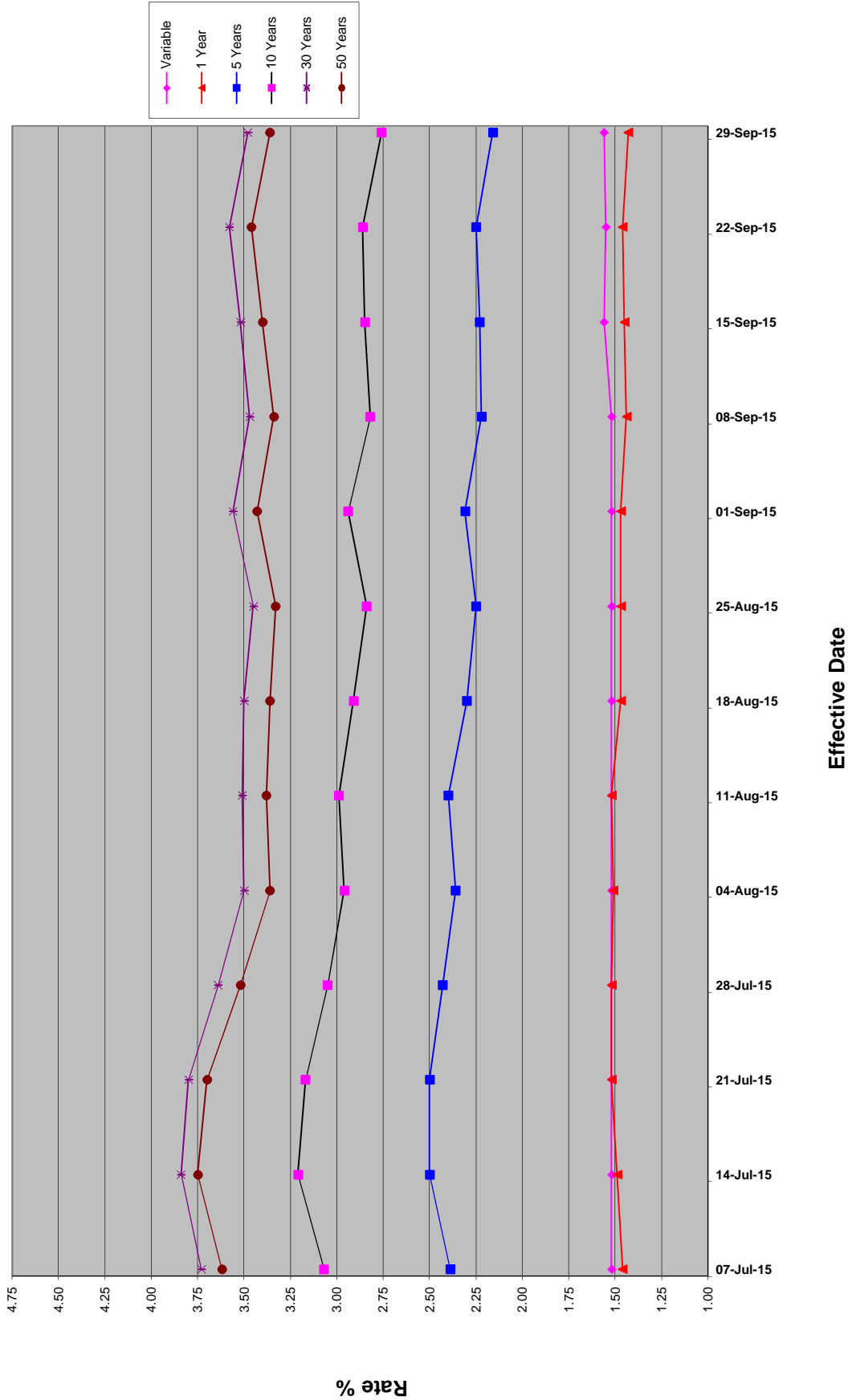
Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 1 July 2015 to 30 September 2015.

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

Appendix III – Approved Investment Counterparty List.

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

**PWLB Fixed Maturity & Variable Interest Rates
From 1 July 2015 to
30 September 2015**



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JULY TO 30 SEPTEMBER 2015**

1 INVESTMENTS

(a) Investment Transactions - 1st July to 30th September 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	7	4,071,429	0.69%	166	90,963.70
Foreign Banks and Institutions	4	4,375,000	0.62%	184	54,735.62
Building Soc/Subsidiary Banks	1	1,500,000	0.60%	188	4,635.62
Other Local Authorities	0	0	0.00%	0	0.00
	<u>12</u>	<u>3,958,333</u>	<u>0.66%</u>	<u>173</u>	<u>150,334.93</u>

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access accounts	1,721,987	0.45%	4,757.47
Money Market Funds	4,628,952	0.49%	8,591.09
	<u>3,784,361</u>	<u>0.49%</u>	<u>13,348.56</u>

(b) Investments Outstanding

	<u>Outstanding 30-Jun-15 £</u>	<u>Average Rate</u>	<u>Outstanding 30-Sep-15 £</u>	<u>Average Rate</u>
Banks	27,500,000	0.74%	43,576,771	0.73%
Foreign Banks and Institutions	12,500,000	0.61%	20,000,000	0.62%
Money Market Funds	3,560,000	0.48%	10,845,000	0.52%
Building Societies/Subsidiary Banks	13,500,000	0.59%	6,500,000	0.65%
Other Local Authorities	0	0.00%	0	0.00%
TOTAL	<u>57,060,000</u>	<u>0.66%</u>	<u>80,921,771</u>	<u>0.67%</u>

2 BORROWING

(a) Long Term Borrowing 1st July to 30th September 2015

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Average Life (years)</u>	<u>Amount (£)</u>
PWLB - Maturity Loans	1	2.93%	50.0	10,000,000
	<u>1</u>	<u>2.93%</u>	<u>50.00</u>	<u>10,000,000</u>

(b) Long Term Debt Repayments 1st July to 30th September 2015

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - EIP loan instalments	1	4.02%	80,645
	<u>1</u>	<u>4.02%</u>	<u>80,645</u>

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JULY TO 30 SEPTEMBER 2015**

(c) Long Term Debt Outstanding

	<u>Outstanding 30-Jun-15</u> £	<u>Average Rate</u>	<u>Outstanding 30-Sep-15</u> £	<u>Average Rate</u>
Public Works Loan Board	191,531,903	4.08%	201,451,258	4.02%
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	662,892	0.00%	634,448	0.00%
TOTAL	240,394,795	4.11%	250,285,706	4.06%

(d) Short Term Market Borrowing - 1st July to 30th September 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
	0	0	0.00%	0.0	0.00

(e) Short Term Local Borrowing Outstanding

	<u>Outstanding 30-Jun-15</u> £	<u>Average Rate</u>	<u>Outstanding 30-Sep-15</u> £	<u>Average Rate</u>
Other Local Authorities	0	0.00%	0	0.00%
Common Good Funds	1,778,000	0.72%	1,796,000	0.77%
Local Trusts & Investors	1,184,408	0.10%	1,276,244	0.10%
TOTAL	2,962,408	0.47%	3,072,244	0.49%

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	In range	6 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	
BNP Paribas Fortis 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	In range	6 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	In range	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
Societe Generale	France	A, F1	In range	1 month	Sovereign Rating AA
Bayern LB	Germany	A+, F1+	No data	3 months	
DZ Bank AG	Germany	AA-, F1+	No data	12 months	
Landesbank Baden Wuerttemberg	Germany	A+, F1+	No data	6 months	
Landesbank Hessen-Thueringen Girozentral (Helaba)	Germany	A+, F1+	In range	12 months	
Landwirtschaftliche Rentenbank	Germany	AAA, F1+	No data	24 months	
NRW Bank	Germany	AAA, F1+	No data	24 months	
Bank Nederlandse Gemeenten	Netherland	AAA, F1+	No data	24 months	
Cooperative Centrale Raiffeisen Boerenleenbank	Netherland	AA-, F1+	In range	12 Months	
ING Bank	Netherland	A+, F1+	In range	6 Months	
Nederlandse Waterchapsbank NV (1)	Netherland	AA+, A-1+	No data	24 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	

APPROVED INVESTMENT COUNTERPARTY LIST

<u>Country</u>	<u>Fitch Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note (2)</u>
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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
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Nationwide Building Society	UK	A, F1	No data	6 months
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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)

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		
Deutsche Bank Sterling Fund	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: 18-Nov-15

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th September 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 2nd December 2015.

	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% 8.53%	12.50% 8.72%	12.50% 9.50%	12.50% 10.14%	12.50% 10.34%	12.50% 10.67%
Prudential Limit - HRA Estimated Ratio of Financing Costs to Revenue	25.00% 20.03%	25.00% 21.39%	25.00% 21.95%	25.00% 21.44%	25.00% 20.89%	25.00% 20.21%

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-Sep-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	295,988,000	338,162,000	367,107,000	389,553,000	395,599,000	395,135,000	395,464,000
Capital Financing Requirement	407,023,000	424,038,000	486,726,000	517,691,000	520,435,000	515,141,000	500,632,000
Gross External Borrowing	376,910,000	368,162,000	387,107,000	404,553,000	405,599,000	405,135,000	405,464,000

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th September 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 2nd December 2015:

Composite Programme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	50,107,000	89,603,000	64,548,000	34,314,000	27,901,000	17,866,000
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	(16,448,000)	6,149,000	21,380,000	8,495,000	(215,000)	2,016,000

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 2 December 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 estimate	20,383,000	16,413,000	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	(231,000)	2,116,000	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 2 December 2015.

5 Estimate of Capital Financing Requirement

The estimate (as at December 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	13,847,000	67,611,000	47,227,000	20,736,000	14,615,000	5,363,000
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	(18,119,000)	6,338,000	19,531,000	8,350,000	351,000	2,013,000

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 2 December 2015

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 30th September 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	15,437,000	12,769,000	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	(901,000)	2,116,000	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 monitoring figures for SP&R meeting on 2 December 2015

6 External Debt (Gross and Net)

External Borrowing	As at 30-Sep-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	201,451,258	194,870,613	223,209,323	245,048,033	250,386,743	254,425,453	259,464,163
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	1,796,000	1,796,000	1,796,000	1,796,000	1,796,000	1,796,000	1,796,000
Temporary Loans/Other Borrowing	1,910,691	1,606,002	1,449,112	1,292,222	1,235,332	968,444	939,999
Other Long Term Liabilities	123,552,000	121,689,000	117,453,000	113,217,000	108,981,000	104,745,000	100,064,000
Total Gross External Debt	376,909,949	368,161,615	387,107,435	404,553,255	405,599,075	405,134,897	405,464,162
Short Term Investments	(80,921,771)	(30,000,000)	(20,000,000)	(15,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Long Term Investments	0	0	0	0	0	0	0
Total Net External Debt	295,988,178	338,161,615	367,107,435	389,553,255	395,599,075	395,134,897	395,464,162
Note:							
Operational Boundary	377,000,000	368,000,000	387,000,000	405,000,000	406,000,000	405,000,000	405,000,000
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 September 2015

8 Interest Rate Exposures

	Actual as at 30-Sep-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	335,003,258	326,559,613	340,662,323	358,265,033	359,367,743	359,170,453	359,528,163
Total Fixed Rate Investments	0	0	0	0	0	0	0
	335,003,258	326,559,613	340,662,323	358,265,033	359,367,743	359,170,453	359,528,163
Total Gross Borrowing	376,909,949	368,161,615	387,107,435	404,553,255	405,599,075	405,134,897	405,464,162
	88.9%	88.7%	88.0%	88.6%	88.6%	88.7%	88.7%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%

	Actual as at 30-Sep-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	41,906,691	41,602,002	46,445,112	46,288,222	46,231,332	45,964,444	45,935,999
Total Variable Rate Investments	(80,921,771)	(30,000,000)	(20,000,000)	(15,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
	(39,015,080)	11,602,002	26,445,112	31,288,222	36,231,332	35,964,444	35,935,999
Total Net Borrowing (including investments arising from short term cash balances)	295,988,178	338,161,615	367,107,435	389,553,255	395,599,075	395,134,897	395,464,162
	-13.2%	3.4%	7.2%	8.0%	9.2%	9.1%	9.1%
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 30th September 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 (£)	20,413,735	15,954,180	43,362,538	57,126,897	198,780,355	335,637,705
% of Total Fixed Debt	6.1%	4.8%	12.9%	17.0%	59.2%	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.