

PERTH AND KINROSS COUNCIL

24 February 2016

TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2015/16 QUARTER 3

Report by the Head of Finance

PURPOSE OF REPORT

The purpose of this report is to provide a summary of Loans Fund transactions for the quarter ending 31 December 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 October to 31 December 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 weak industrial output, and slowing economic growth. 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. Forecasts for UK GDP growth for the quarter to December 2015 are that it will reduce to 0.4%, with the main contributing factor being poor performance in the services sector which accounts for the largest proportion of UK economic activity. Unemployment levels further reduced to 5.2% in October and 5.1% in November 2015, whilst average earnings (including bonuses) increased by 2% in the year to November, which was less than the 2.4% in October. The Consumer Price Index (CPI) measure of inflation was 0.1% in November and only increased to 0.2% in December, with movements in transport costs (particularly air fares) contributing to the rise, whilst this was offset by falling petrol and clothing prices. Retail sales volumes continued to increase, however retail sales values fell in the Christmas period.

- 2.3 Internationally, Eurozone GDP grew faster than expected. Following the European Central Bank's meeting in December 2015 it was announced that their asset purchasing programme would be extended until March 2017, however the amount of monthly purchases was unchanged whilst the deposit facility rate was cut by 10 bp (basis points).
- 2.4 US economic growth increased as a result of improved consumer spending, offsetting weak business spending. Non-farm payrolls rose by 211,000 in November and 292,000 in December. However, the unemployment rate remained unchanged at 5.0%. The Bank Rate was increased to 0.50% at the Federal Reserve's meeting in December, signalling the start of a tightening in US monetary policy.
- 2.5 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 increased only very slightly over the quarter but remained at historically low levels. Variable rates, which generally move in line with Bank Rate expectations, remained fairly static.

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 and notice accounts used for short-term liquidity. There were two PWLB repayments in the quarter of fixed-rate loans which had reached maturity, totalling £11.5m at an average rate of 3.05%.
- 3.2 The average period for fixed term deposits made in the quarter was 183 days, increasing from the previous quarter's average period of 173 days. The average rate achieved in the quarter for fixed deposits increased slightly from 0.66% in the previous quarter to 0.72%, however, the number of deposits made decreased from 12 to 5.
- 3.3 However, most of the investment transactions in the quarter were through the Council's instant access and notice 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 0.49% to 0.51%. 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 decreased over the quarter, closing at £71.6M compared with £80.9M at the end of the last quarter. This decrease can be attributed to the approach of year end, the PWLB payment described above and cashflow requirements increasing. The average rate of interest earned on investments outstanding at the end of the quarter increased from 0.67% to 0.70%.

3.5 There were five short-term market loans borrowed to meet cashflow requirements. These were borrowed for the shortest time possible for an average of 18 days and at an average rate of 0.36%. Funds held from associated bodies and organisations decreased marginally over the quarter from £1.28M to £1.23M, 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 increased from £1.796M to £1.821M, whilst the average rate remained unchanged at 0.77%.

4. COMPLIANCE

4.1 For the quarter ending 31 December 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 January 2016.

4.3 A further requirement of TMP4 is that of cashflow performance measurement, which is expressed as the average closing cleared bank balance for the period. For the quarter ending 31 December 2015 the average closing cleared bank balance was £14,168.65 (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 Whilst there was £10M of new borrowing in the previous quarter, there were £11.5M of PWLB repayments during the current quarter. Consequently, by the end of December 2015, the level of investments had reduced to £71.6M after

peaking at £87.3M on 15 October 2015 in the quarter. This decrease in the level of investments reflects an increase in the Council's actual expenditure and the repayment of the PWLB loans.

- 5.3 The Investment Strategy was applied in full over the quarter with no breaches in compliance with treasury limits, whilst liquidity was maintained by the extensive use of instant access and notice accounts, money market funds and short term borrowing 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 unchanged at £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 AMENDMENT TO REASURY POLICY

- 6.1 At present, under the approved investment policy, the individual counterparty limits apply to all banks within the same group, and therefore the amounts deposited with each bank within the group are aggregated and cannot exceed the single counterparty limit. However, there are instances where banks within a single group operate under their own UK banking licence, and are therefore fully regulated by the Financial Conduct Authority (FCA) on their own merits. In addition, depositors have the full protections available from the Financial Services Compensation Scheme (FSCS), as these apply to the individual bank operating under the licence.
- 6.2 It is therefore proposed to amend the policy to treat banks operating under their own UK banking licence as an individual counterparty with its own individual limit. However, to avoid an over concentration of deposits within one group, it is further proposed that the total amount deposited within one group will not exceed £30M. As each bank on the Council's lending list is assessed

by its individual credit rating and credit default swap rates, this would increase the Council's ability to place further deposits with highly rated banks operating in the UK, without increasing the Council's exposure to risk.

7. PRUDENTIAL INDICATORS

- 7.1 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 Committee on 10 February 2016 (report 16/46 refers).
- 7.2 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.
- 7.3 Overall, the Council's plans remain affordable, prudent and sustainable over the medium term.

8. CONCLUSION AND RECOMMENDATIONS

- 8.1 UK GDP grew by 0.5% in the quarter to September 2015, whilst CPI inflation stood at 0.1% in November. The next quarterly figures will be released later this month and it is anticipated that growth will reduce to 0.4%. Unemployment levels decreased whilst average earnings increased slightly. 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, the repayment of two maturing fixed maturity PWLB loans and short term borrowing. The investment activity consisted of investment in fixed deposits and the use of instant access and notice accounts and money market funds to meet cashflow requirements.
- 8.3 The Council adhered to its Investment Strategy and policies throughout the quarter, with no breaches in compliance. It is proposed to increase the limits applicable to UK banks who operate under their own banking licence within a group, thereby increasing the Council's ability to place further deposits with such banks without increasing risk.
- 8.4 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 proposed amendment to the Approved Lending & Investment Policy as detailed at Section 6 of this report.

Author(s)

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Approved

Name	Designation	Date
John Symon	Head of Finance	9 February 2016

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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

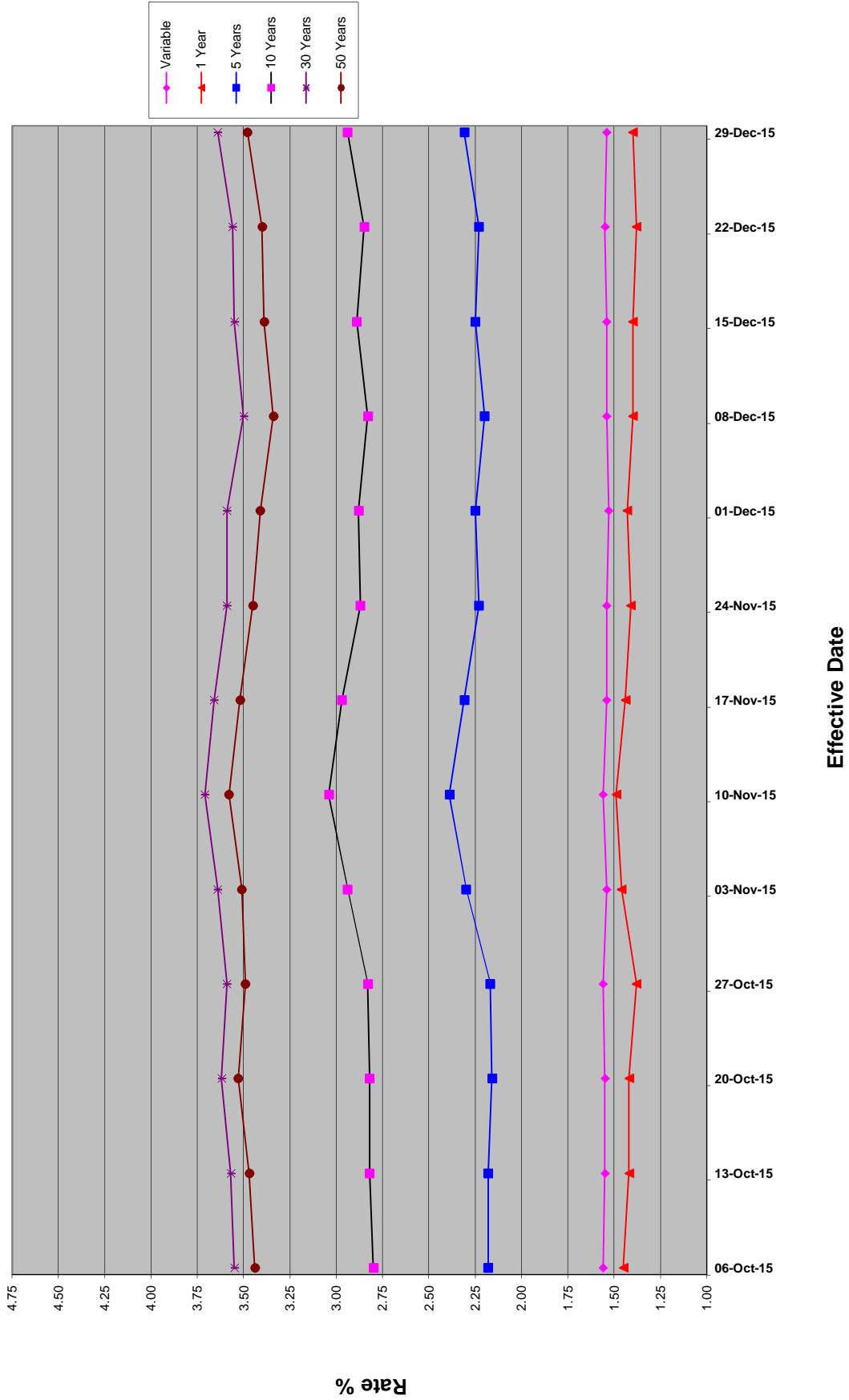
Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 1 October 2015 to 31 December 2015.

Appendix II – Summary of the Treasury Position and Transactions from 1 October to 31 December 2015.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Analysis of Prudential Indicators Quarter ending 31 December 2015.

**PWLB Fixed Maturity & Variable Interest Rates
From 1 October 2015 to
31 December 2015**



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 OCTOBER TO 31 DECEMBER 2015**

1 INVESTMENTS

(a) Investment Transactions - 1st October to 31st December 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	4	3,750,000	0.72%	183	54,147.95
Foreign Banks and Institutions	0	0	0.00%	0	0.00
Building Soc/Subsidiary Banks	1	5,000,000	0.71%	182	17,701.37
Other Local Authorities	0	0	0.00%	0	0.00
	<u>5</u>	<u>4,000,000</u>	<u>0.72%</u>	<u>183</u>	<u>71,849.32</u>

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access accounts	288,979	0.58%	4,183.65
Money Market Funds	5,038,932	0.51%	11,200.53
	<u>3,719,500</u>	<u>0.51%</u>	<u>15,384.18</u>

(b) Investments Outstanding

	<u>Outstanding 30-Sep-15 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Dec-15 £</u>	<u>Average Rate</u>
Banks	43,576,771	0.73%	42,455,862	0.75%
Foreign Banks and Institutions	20,000,000	0.62%	20,000,000	0.63%
Money Market Funds	10,845,000	0.52%	2,600,000	0.50%
Building Societies/Subsidiary Banks	6,500,000	0.65%	6,500,000	0.68%
Other Local Authorities	0	0.00%	0	0.00%
TOTAL	<u>80,921,771</u>	<u>0.67%</u>	<u>71,555,862</u>	<u>0.70%</u>

2 BORROWING

(a) Long Term Borrowing 1st October to 31st December 2015

<u>No.</u>	<u>Average Rate (%)</u>	<u>Average Life (years)</u>	<u>Amount (£)</u>
<u>0</u>	<u>0.00%</u>	<u>0.00</u>	<u>0</u>

(b) Long Term Debt Repayments 1st October to 31st December 2015

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - Maturity Loan - Scheduled Repayments	2	3.05%	11,500,000
	<u>2</u>	<u>3.05%</u>	<u>11,500,000</u>

(c) Long Term Debt Outstanding

	<u>Outstanding 30-Sep-15 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Dec-15 £</u>	<u>Average Rate</u>
Public Works Loan Board	201,451,258	4.02%	189,951,258	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	634,448	0.00%	634,448	0.00%
TOTAL	<u>250,285,706</u>	<u>4.06%</u>	<u>238,785,706</u>	<u>4.11%</u>

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 OCTOBER TO 31 DECEMBER 2015**

(d) Short Term Market Borrowing - 1st October to 31st December 2015

	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Interest (£)</u>
Short Term Market Borrowing	5	4,480,000	0.36%	18.0	3,891.23
	5	4,480,000	0.36%	18.0	3,891.23

(e) Short Term Local Borrowing Outstanding

	<u>Outstanding 30-Sep-15 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Dec-15 £</u>	<u>Average Rate</u>
Other Local Authorities	0	0.00%	10,000,000	0.35%
Common Good Funds	1,796,000	0.77%	1,821,000	0.77%
Local Trusts & Investors	1,276,244	0.10%	1,226,223	0.10%
TOTAL	3,072,244	0.49%	13,047,223	0.39%

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	

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	
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
DZ Bank AG	Germany	AA-, F1+	No data	12 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	Netherlands	AAA, F1+	No data	24 months	
Cooperative Centrale Raiffeisen Boerenleenbank	Netherlands	AA-, F1+	In range	12 Months	
ING Bank	Netherlands	A, F1	In range	6 Months	
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	Monitoring	3 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: 29-Jan-16

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st December 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 10 February 2016.

	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% 7.33%	12.50% 8.56%	12.50% 9.27%	12.50% 9.81%	12.50% 9.95%	12.50% 10.25%
Prudential Limit - HRA Estimated Ratio of Financing Costs to Revenue	25.00% 19.98%	25.00% 20.63%	25.00% 21.23%	25.00% 21.60%	25.00% 21.97%	25.00% 21.84%

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 31-Dec-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	302,898,000	318,188,000	347,133,000	364,579,000	373,885,000	373,592,000	381,320,000
Capital Financing Requirement	406,092,000	417,759,000	484,278,000	522,176,000	528,711,000	523,628,000	536,356,000
Gross External Borrowing	374,454,000	358,188,000	377,133,000	389,579,000	393,885,000	393,592,000	401,320,000

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st December 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 10 February 2016:

Composite Programme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	48,861,000	91,840,000	65,478,000	34,378,000	27,965,000	17,916,000
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	(17,694,000)	8,386,000	22,310,000	8,559,000	(151,000)	2,066,000

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 10 February 2016

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	18,255,000	18,541,000	15,605,000	13,431,000	9,220,000	24,443,000
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	(2,359,000)	4,244,000	6,065,000	4,450,000	(35,000)	14,443,000

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 10 February 2016.

5 Estimate of Capital Financing Requirement

The estimate (as at February 2016) 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	13,018,000	69,056,000	46,061,000	19,704,000	13,583,000	5,413,000
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	(18,948,000)	7,783,000	18,365,000	7,318,000	(681,000)	2,063,000

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 10 February 2016

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st 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 Estimated Capital Financing Requirement	13,158,000	14,350,000	12,198,000	9,644,000	5,345,000	20,246,000
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	(3,180,000)	3,697,000	6,774,000	5,437,000	1,513,000	15,746,000

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 10 February 2016

6 External Debt (Gross and Net)

External Borrowing	As at 31-Dec-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	189,951,258	184,870,613	213,209,323	230,048,033	238,646,756	242,856,926	255,294,392
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	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000
Project Borrowing	634,448	606,003	549,113	492,223	435,333	168,445	140,000
Temporary Loans/Other Borrowing	11,226,223	1,000,000	900,000	800,000	800,000	800,000	800,000
Other Long Term Liabilities	122,621,000	121,690,000	117,454,000	113,218,000	108,982,000	104,746,000	100,065,000
Total Gross External Debt	374,453,929	358,187,616	377,133,436	389,579,256	393,885,089	393,592,371	401,320,392
Short Term Investments	(71,555,861)	(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	302,898,068	318,187,616	347,133,436	364,579,256	373,885,089	373,592,371	381,320,392
Note:							
Operational Boundary	374,000,000	358,000,000	377,000,000	390,000,000	394,000,000	394,000,000	401,000,000
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 31st December 2015

8 Interest Rate Exposures

	Actual as at 31-Dec-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	323,206,706	317,166,616	331,212,436	343,758,256	348,064,089	347,771,371	355,499,392
Total Fixed Rate Investments	0	0	0	0	0	0	0
	323,206,706	317,166,616	331,212,436	343,758,256	348,064,089	347,771,371	355,499,392
Total Gross Borrowing	374,453,929	358,187,616	377,133,436	389,579,256	393,885,089	393,592,371	401,320,392
	86.3%	88.5%	87.8%	88.2%	88.4%	88.4%	88.6%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%

9 Maturity Structure

The maturity structure for the Council's fixed rate debt, as at 31st December 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 (£)	6,040,090	15,954,180	47,759,828	57,126,897	196,325,710	323,206,706
% of Total Fixed Debt	1.9%	4.9%	14.8%	17.7%	60.7%	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.