

PERTH AND KINROSS COUNCIL**18 May 2016****TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2015/16 QUARTER 4****Report by Head of Finance****PURPOSE OF REPORT**

The purpose of this report is to provide a summary of Loans Fund transactions for the quarter ending 31 March 2016 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 January to 31 March 2016. 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. This was due to a combination of low inflation and weak economic output. 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 0.6% in the three months to December 2015, up slightly from 0.4% in the previous quarter, with strong consumer demand contributing to this growth. Unemployment levels reduced further, with employment rising by 116,000 in the 3 months to January. However, the unemployment rate remained unchanged at 5.1% in January 2016, whilst average earnings were also little changed. The Consumer Price Index (CPI) measure of inflation was constant at 0.3% in January and February 2016. Low oil prices mean that fuel costs have continued to remain low, resulting in a decrease in transport costs. However, this was offset by increases in food prices.
- 2.3 Internationally, Eurozone GDP grew at the low rate of 0.3% in the quarter to December 2015. At its meeting in March 2016 the European Central Bank announced an increase in their monthly asset purchasing programme from 60 billion euro to 80 billion euro, in order to stimulate economic growth. They also cut their deposit rate to minus 0.4%.

- 2.4 In US the bank rate remained at between 0.25% and 0.50%. The US economy showed moderate economic growth over the quarter. Non-farm payrolls rose at a reduced level of 168,000 in January 2016, before recovering to increase at an average of 225,000 in February and March. However, the unemployment rate remained unchanged at 5.0% as more people joined the labour market.
- 2.5 The Public Works Loan Board's (PWLB) Standard fixed interest rates, which are based on yields on UK gilts, are shown in the graph at Appendix I. The rates decreased over the quarter before ending the quarter close to historically low levels. The opportunity arose to undertake long term borrowing as detailed in paragraph 3.1 below. Variable rates, which generally move in line with Bank Rate expectations, continued to remain 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, one fixed-rate loan of £5M which had reached maturity, at a rate of 3.56%, and an instalment on an Equal Instalment of Principal (EIP) loan of £80,645. There was also a further instalment of £28,445 repaid on the Salix interest-free loan in the quarter. In addition, there was a new fixed rate PWLB maturity loan of £10M borrowed at a rate of 2.72% for a period of 50 years. This was borrowed under the PWLB Project rate (report 15/413 refers) on 11 February 2016.
- 3.2 The average period for fixed term deposits made in the quarter was 169 days, decreasing from the previous quarter's average period of 183 days. This decrease was attributed to short term lending to another local authority in line with their own cashflow requirements over the financial year end. The average rate achieved in the quarter for fixed deposits decreased slightly to 0.69% compared to 0.72% in the previous quarter, which reflects the shorter duration of deposits made.
- 3.3 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. However, the level of such investments reduced to an average amount of £2.7M from £3.7M in the last quarter, reflecting the overall reduced level of Council investments. The average interest rate achieved on these accounts over the quarter increased to 0.53% from 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 £57M compared with £71.6M at the end of the last quarter. This decrease can be attributed to the increased cashflow requirements in the final quarter of the financial year. The average rate of interest earned on investments outstanding at the end of the quarter increased to 0.75% from 0.70%.

- 3.5 There were three short-term market loans borrowed in the quarter to meet immediate cashflow requirements. These were borrowed for the shortest time possible for an average of 12 days and at an average rate of 0.37%. Common Good Funds held on fixed deposit within the Loans Fund remained at £1.821M, whilst the average rate reduced to 0.74% from 0.77% as a result of some of the deposits being placed for a shorter duration. Funds held from associated bodies and organisations decreased over the quarter from £1.2M to £675K, in line with their own cash flow requirements. The average rate remained unchanged at 0.10%.

4. COMPLIANCE

- 4.1 For the quarter ending 31 March 2016, 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 continuously updated 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 April 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 March 2016 the average closing cleared bank balance was £11,853.40 (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 for 2015/16 approved by the Council at its meeting on 25 February 2015 (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 and 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 quarter, there was also a £5M repayment of PWLB borrowing, with a further £11.5M repaid in the previous quarter. Consequently, by the end of March 2016, the level of investments had reduced to £57M after peaking in the quarter at £84.1M on 5 January 2016. This decrease in the level of investments reflects an increase in the Council's actual expenditure, including the repayment of the PWLB loan, over the quarter to the financial year-end.
- 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 was £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. 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 2015/21 and the Housing Investment Programme 2015/20 approved by the Strategic Policy & Resources Committee on 20 April 2016 (report 16/180 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. CONCLUSION AND RECOMMENDATIONS

7.1 UK GDP grew by 0.6% in the quarter to December 2015, whilst CPI inflation stood at 0.3% in February 2016. Unemployment levels decreased whilst average earnings remained static. The Monetary Policy Committee maintained the Bank Rate at 0.5%, and there was no further quantitative easing.

7.2 Activities during the quarter included the investment of surplus cashflow funds, the repayment of a maturing PWLB loan, repayment of an instalment of an EIP loan, new PWLB borrowing 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. The level of investments reduced steadily over the quarter in line with the Council's increased cashflow requirements.

7.3 The Council adhered to its Investment Strategy and policies throughout the quarter, with no breaches in compliance. All Prudential Indicators are also in line with expectations and remain within limits with no breaches.

7.4 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.

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	18 April 2016

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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

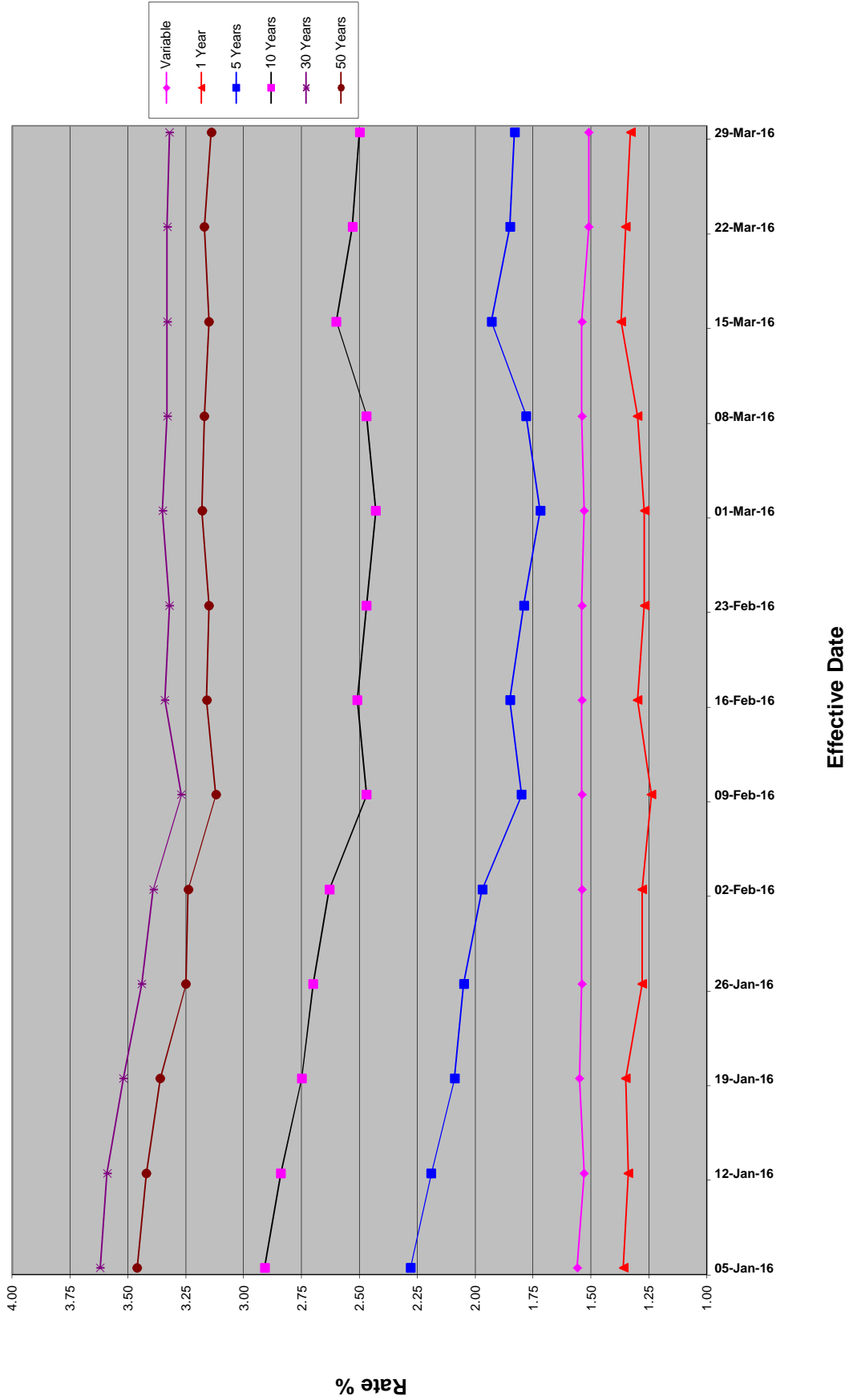
Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 1 January 2016 to 31 March 2016.

Appendix II – Summary of the Treasury Position and Transactions from 1 January to 31 March 2016.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Analysis of Prudential Indicators – Quarter ending 31 March 2016.

PWLB Fixed Maturity & Variable Interest Rates
From 1 January 2016 to
31 March 2016



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2016**

1 INVESTMENTS

(a) Investment Transactions - 1st January to 31st March 2016

<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	54,293.15
Foreign Banks and Institutions	1	5,000,000	0.65%	182	16,205.48
Building Soc/Subsidiary Banks	0	0	0.00%	0	0.00
Other Local Authorities	1	2,000,000	0.50%	30	821.92
	<u>6</u>	<u>3,666,667</u>	<u>0.69%</u>	<u>169</u>	<u>71,320.55</u>

<u>Instant/Notice Accounts & Money Market Funds</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access/Notice accounts	861,485	0.64%	17,337.30
Money Market Funds	3,780,618	0.52%	6,445.38
	<u>2,744,114</u>	<u>0.53%</u>	<u>23,782.68</u>

(b) Investments Outstanding

	<u>Outstanding 31-Dec-15 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-16 £</u>	<u>Average Rate</u>
Banks	42,455,862	0.75%	40,558,256	0.79%
Foreign Banks and Institutions	20,000,000	0.63%	9,000,000	0.64%
Money Market Funds	2,600,000	0.50%	500,000	0.54%
Building Societies/Subsidiary Banks	6,500,000	0.68%	5,000,000	0.71%
Other Local Authorities	0	0.00%	2,000,000	0.50%
TOTAL	<u>71,555,862</u>	<u>0.70%</u>	<u>57,058,256</u>	<u>0.75%</u>

2 BORROWING

(a) Long Term Borrowing 1st January to 31st March 2016

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Average Life (years)</u>	<u>Amount (£)</u>
PWLB - Maturity Loans	1	2.72%	50.0	10,000,000
	<u>1</u>	<u>0.00%</u>	<u>0.00</u>	<u>10,000,000</u>

(b) Long Term Debt Repayments 1st January to 31st March 2016

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - EIP loan instalments	1	4.02%	80,645
PWLB - Maturity Loan - Scheduled Repayments	1	3.56%	5,000,000
Salix Finance Ltd -Scheduled Repayments	1	0.00%	28,445
	<u>3</u>	<u>3.55%</u>	<u>5,109,090</u>

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2016**

(c) Long Term Debt Outstanding

	<u>Outstanding 31-Dec-15</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-16</u>	<u>Average Rate</u>
	£		£	
Public Works Loan Board	189,951,258	4.08%	194,870,613	4.03%
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%	606,003	0.00%
TOTAL	238,785,706	4.11%	243,676,616	4.07%

(d) Short Term Market Borrowing - 1st January to 31st March 2016

	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Interest (£)</u>
Short Term Market Borrowing	3	3,383,333	0.37%	11.7	1,198.42
	3	3,383,333	0.37%	11.7	1,198.42

(e) Short Term Local Borrowing Outstanding

	<u>Outstanding 31-Dec-15</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-16</u>	<u>Average Rate</u>
	£		£	
Other Local Authorities	10,000,000	0.35%	2,150,000	0.45%
Common Good Funds	1,821,000	0.77%	1,821,000	0.74%
Local Trusts & Investors	1,226,223	0.10%	675,159	0.10%
TOTAL	13,047,223	0.39%	4,646,159	0.51%

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	Monitoring	3 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+	Monitoring	6 months	
Lloyds Banking Group plc (incl HBOS and Bank Of Scotland) (3)	UK	A+, F1	Monitoring	3 months	£30million overall limit
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+	Monitoring	6 months	
Commonwealth Bank of Australia	Aus	AA-, F1+	Monitoring	6 months	
Macquarie Bank Ltd	Aus	A, F1	No data	6 months	
National Australia Bank Ltd	Aus	AA-, F1+	Monitoring	6 months	
Westpac Banking Corporation	Aus	AA-, F1+	Monitoring	6 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	AA-, F1+	No data	24 months	
NRW Bank	Germany	AAA, F1+	No data	24 months	
ABN AMRO Bank	Netherland	A, F1	No data	6 months	
Bank Nederlandse Gemeenten	Netherland	AA+, F1+	No data	24 months	
Cooperative Rabobank	Netherland	AA-, F1+	In range	12 Months	
ING Bank	Netherland	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	
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	

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	
Nationwide Building Society	UK	A, F1	No data	6 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 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-Apr-16

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 2016

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 approved at the SP&R meeting on 20 April 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% 8.56%	12.50% 8.54%	12.50% 9.13%	12.50% 9.75%	12.50% 9.99%	12.50% 10.37%
Prudential Limit - HRA Estimated Ratio of Financing Costs to Revenue	25.00% 20.03%	25.00% 21.00%	25.00% 21.70%	25.00% 21.76%	25.00% 22.00%	25.00% 21.89%

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-Mar-16	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	313,886,000	313,886,000	332,831,000	350,277,000	358,687,000	364,881,000	374,573,000
Capital Financing Requirement	414,367,000	414,367,000	458,921,000	509,678,000	528,746,000	530,150,000	544,842,000
Gross External Borrowing	370,944,000	370,944,000	379,890,000	392,335,000	395,746,000	401,940,000	411,631,000

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 2016

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 approved at the SP&R committee on 20 April 2016:

Composite Programme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	45,219,000	74,988,000	78,145,000	46,831,000	29,942,000	20,087,000
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	(21,336,000)	(8,466,000)	34,977,000	21,012,000	1,826,000	4,237,000

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 approved at the SP&R committee on 20 April 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	17,115,000	19,681,000	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	(3,499,000)	5,384,000	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 approved at the Strategic Policy & Resources committee on 20 April 2016.

5 Estimate of Capital Financing Requirement

The estimate (as at April 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	9,839,000	45,650,000	58,612,000	32,157,000	20,285,000	7,584,000
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	(22,127,000)	(15,623,000)	30,916,000	19,771,000	6,021,000	4,234,000

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 approved at the SP&R committee on 20 April 2016

ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 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 Estimated Capital Financing Requirement	12,232,000	15,490,000	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	(4,106,000)	4,837,000	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 on monitoring figures approved at the SP&R committee on 20 April 2016

6 External Debt (Gross and Net)

External Borrowing	As at 31-Mar-16	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	194,870,613	194,870,613	213,209,323	230,048,033	237,751,017	248,448,031	262,848,940
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	606,003	606,003	549,113	492,223	435,333	168,445	140,000
Temporary Loans/Other Borrowing	2,825,159	2,825,159	2,725,159	2,625,159	2,625,159	2,625,159	2,625,159
Other Long Term Liabilities	122,621,000	122,621,000	118,385,000	114,149,000	109,913,000	105,677,000	100,996,000
Total Gross External Debt	370,943,775	370,943,775	379,889,595	392,335,415	395,745,509	401,939,635	411,631,099
Short Term Investments	(57,058,256)	(57,058,256)	(47,058,256)	(42,058,256)	(37,058,256)	(37,058,256)	(37,058,256)
Long Term Investments	0	0	0	0	0	0	0
Total Net External Debt	313,885,519	313,885,519	332,831,339	350,277,159	358,687,253	364,881,379	374,572,843
Note:							
Operational Boundary	371,000,000	371,000,000	380,000,000	392,000,000	396,000,000	402,000,000	412,000,000
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 March 2016

8 Interest Rate Exposures

	Actual as at 31-Mar-16	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	328,097,616	328,097,616	332,143,436	344,689,256	348,099,350	354,293,476	363,984,940
Total Fixed Rate Investments	0	0	0	0	0	0	0
	328,097,616	328,097,616	332,143,436	344,689,256	348,099,350	354,293,476	363,984,940
Total Gross Borrowing	370,943,775	370,943,775	379,889,595	392,335,415	395,745,509	401,939,635	411,631,099
	88.4%	88.4%	87.4%	87.9%	88.0%	88.1%	88.4%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%

	Actual as at 31-Mar-16	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	42,846,159	42,846,159	47,746,159	47,646,159	47,646,159	47,646,159	47,646,159
Total Variable Rate Investments	(57,058,256)	(57,058,256)	(47,058,256)	(42,058,256)	(37,058,256)	(37,058,256)	(37,058,256)
	(14,212,097)	(14,212,097)	687,903	5,587,903	10,587,903	10,587,903	10,587,903
Total Net Borrowing (including investments arising from short term cash balances)	313,885,519	313,885,519	332,831,339	350,277,159	358,687,253	364,881,379	374,572,843
	-4.5%	-4.5%	0.2%	1.6%	3.0%	2.9%	2.8%
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 2016, 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 (£)	1,040,090	15,954,180	47,759,828	57,126,897	206,245,065	328,126,060
% of Total Fixed Debt	0.3%	4.9%	14.6%	17.4%	62.9%	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.