

PERTH AND KINROSS COUNCIL**13 MAY 2015****TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2014/15 QUARTER 4****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 March 2015 and to report on compliance with the Council's Treasury Management Policy Statement (TMPS), Treasury Management Practices (TMPs) and the Investment Strategy for the same period.

1. BACKGROUND / MAIN ISSUES

- 1.1 Treasury Management Practice 6 (TMP6 - Reporting Requirements & Management Information Arrangements) requires that Loans Fund borrowing and lending activities are reported quarterly to the Council. This report covers the period from 1 January to 31 March 2015. TMP6 also requires that compliance with the approved TMPs, Treasury Policies and Investment Strategy are reported quarterly and this report also covers compliance for the period. The Prudential Indicators are also monitored throughout the year and reported as part of the quarterly Treasury Activity and Compliance report. Accordingly, this report covers the Council's approved Prudential Indicators for the quarter.

2. ECONOMIC BACKGROUND

- 2.1 The Bank of England Monetary Policy Committee (MPC) kept the Bank Rate at 0.5% throughout the quarter. The MPC also held the quantitative easing programme (aimed at encouraging economic activity) at a total of £375 billion.
- 2.2 UK Gross Domestic Product (GDP) grew by 0.5% in the three months to December 2014. This is slightly lower than the 0.7% in the previous quarter, however, it is forecast to increase in the three months to March 2015. Employment levels continued to recover and the unemployment rate has reduced further, standing at 5.7% (around 1.86 million people) by January 2015. The Consumer Price Index (CPI) measure of inflation decreased to 0.3% in January (from 0.5%), before falling to 0% in February and March and so remains significantly below the MPC's target of 2%. This was attributed to lower prices for oil, food and computer goods. However, average earnings in the three months to January rose by 1.8% compared to the previous year, and so improving household disposable income. Retail sales rose at a rate of 0.7% in February, equating to 5.7% on an annual basis. This was also partly attributed to the recovery in the housing market which increased sales of products like furniture.

- 2.3 Internationally, the American economy continued to improve, with increasing GDP and employment levels. There were some signs that Eurozone GDP growth has improved, with the ECB commencing its programme of monthly asset purchases (totalling €1.1trn euros over 18 months) in March in order to stimulate growth. This has also caused the value of the euro and bond yields to fall. However, the ongoing debt crisis in Greece continues to worry investors. The country has only a short time to produce a credible list of reforms that will satisfy its creditors and secure the additional bail-out payment it requires to meet its short-term financial obligations. However, even if successful, Greece still faces the ongoing challenge of finding a long term solution to the size of its unsustainable debt burden.
- 2.4 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. These ended the quarter at broadly the same level as at the start of the quarter. However, over the course of the quarter, the graph shows that there was significant volatility in the rates. Variable rates, which generally move in line with Bank Rate expectations, remained static. The first increase in the Bank Rate had been expected in the second half of 2015, however, following recent economic data, it is not now anticipated until the first half of 2016.

3. TREASURY ACTIVITY

- 3.1 A summary of the Council's treasury position and transactions is shown at Appendix II. This shows the investment of short-term cashflow surpluses during the quarter, with an increase in notice deposit account investments, and a decrease in fixed term investments undertaken in the quarter in line with cashflow requirements towards the end of the financial year. A long term fixed maturity loan of £5M was borrowed from the PWLB in the quarter, for a term of 50 years. There was also a repayment in the quarter of a PWLB loan of £5M which had reached its maturity date and an instalment paid on a PWLB Equal Instalment of Principal (EIP) loan. There was one short term market loan borrowed in the quarter, for a period of 14 days at 0.3% to cover short term cash flows at the start of March.
- 3.2 The average period for fixed term deposits made in the quarter was 137 days, reducing from the previous quarter's average period of 167 days. This reflects the fact fewer deals were undertaken and were for a shorter period as available funds reduced up to the end of the financial year. The average rate achieved in the quarter for fixed deposits reduced from 0.63% in the previous quarter to 0.56%, reflecting the shorter periods of investments made.
- 3.3 However, most of the investment transactions in the current 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 reduced from 0.49% to 0.41%, reflecting a reduction in rates available on instant access accounts. 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 £56.5M compared with £64.1M at the end of the last quarter. This decrease can be attributed to increased expenditure levels in the last quarter and reduced levels of income receivable in February and March. The average rate of interest earned on investments outstanding at the end of the quarter increased marginally from 0.64% to 0.68%.
- 3.5 On 30th January 2015, a long term fixed rate loan of £5M was borrowed from the PWLB when rates had reduced to their lowest level for the financial year during a period of market volatility. The term of the loan is 50 years at an interest rate of 2.93%. Whilst the Council's immediate cashflow remained positive, this loan was undertaken whilst long term rates were at very low levels, and longer term forecasts all show rates gradually increasing over the next few years. Therefore, it is anticipated this loan will give rise to annual savings in interest compared to deferring the borrowing until the date it is actually required. There was also a long term PWLB loan of £5M which was repaid at its maturity during the quarter. The loan was borrowed for 6 years at 3.29%. In addition, there was an instalment paid on an EIP loan during the quarter.
- 3.6 There was one short-term market loan of £3M borrowed at 0.3% for a period of 14 days. Funds held from associated bodies and organisations increased marginally over the quarter from £1.36M to £1.40M, in line with the Trust's own cashflow requirements. The average rate remained unchanged at 0.10%. Common Good Funds held on fixed deposit remained at £1.728M with an average rate of 0.72%.

4. COMPLIANCE

- 4.1 For the quarter ending 31 March 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 and updated regularly for any movements in credit ratings or Credit Default Swap (CDS) prices. The Council's approved lending policy incorporates Capita's suggested maximum lending period for each counterparty. Appendix III shows the list of approved counterparties based on the current lending policy, as at April 2015.
- 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 2015 the average closing cleared bank balance was £15,146.33 (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 26 February 2014 for 2014/15 (Report 14/77 refers) sought to ensure security over principal sums invested, whilst obtaining optimum returns consistent with this approach. Therefore, the only Permitted Investments are in low risk organisations. The limits for each Permitted Investment and individual counterparty ensure a good spread of investments thereby also spreading any risk. The Council also needs to ensure good liquidity at all times in order to meet its obligations as they fall due and consequently investments must be made in accordance with cashflow requirements. The current approved Strategy was based on the assumption that the level of investments would increase in the first half of the year, however, they were not expected to exceed £50,000,000 unless new borrowing was undertaken early in the year.
- 5.2 As outlined above, £5M was borrowed during the quarter, with a further £50M borrowed over the previous quarters. By the end of March 2015, the level of investments had therefore continued to exceed the above assumption, and stood at £56.5M after peaking at £76.9M on 15 January 2015 in the current quarter.
- 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 2014/15 was also approved by the Council at its meeting on the 26 February 2014 (Report 14/77 refers) and has been complied with in full, with no breaches in compliance with permitted investment limits.
- 5.8 The budgeted income for 2014/15 for Commercial Property investments is £1,798,600. The latest projection for 2014/15 is £1,684,937 which reflects a decrease of £113,663 from the budget. This decrease arises due to retrospective rental adjustments for the St. Johns Centre in Perth.
- 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. ICELANDIC BANKS

- 6.1 Following the repayment of the funds held in an escrow account by the Glitnir Winding Up Board in the quarter, as detailed in the last Quarterly report (report 15/93 refers), the only remaining issue outstanding was settlement of the overpayment claim made by Glitnir last year (report 14/300 refers).
- 6.2 This claim arose following a decision of the Icelandic Supreme Court in October 2013, which determined the exchange rates that are to be applied in bankruptcy proceedings. Consequently, in applying these exchange rates to the original settlement made in March 2012, Glitnir made a claim against the Council for an overpayment of £18,000. Following negotiations with Glitnir a settlement of £11,481 was agreed and paid in the quarter. This includes a 25% “discount” off the claim to reflect the avoidance of risk and delay should the matter have gone to further court proceedings in Iceland, as well as favourable movements in the exchange rates since the claim was first made.
- 6.3 As a result of the participation in the currency auction and settlement of this claim, the balance of Icelandic Krona (ISK) held in the escrow account now only amounts to £160 (at current exchange rates). This balance arose due to rounding in the amount that could be submitted to the auction. Consequently, the Council is no longer participating in further debt recovery actions in respect of this balance, as such actions are no longer cost-effective.

7. PRUDENTIAL INDICATORS

- 7.1 The Prudential Indicators for the seven years 2014/15 to 2020/21 were approved by the Council at its meeting on 26 February 2014 (report 14/77 refers). These indicators have been reviewed and the latest estimates are shown at Appendix IV. The indicators are based on the latest capital expenditure estimates in the Composite Capital Budget 2014/21 and the Housing Investment Programme 2014/20 approved by the Housing and Health Committee on 28 January 2015 (report 15/50 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 comfortably within the Prudential limits.
- 7.3 Overall, the Council's plans remain affordable, prudent and sustainable over the medium term, however, these indicators will continue to be monitored closely.

8. CONCLUSION AND RECOMMENDATIONS

- 8.1 The UK economy continued to show positive economic growth, with GDP of 0.5% in the last quarter to 31 December 2014, whilst CPI inflation fell to 0% in February and unemployment continued to fall. Annual earnings showed increased growth, whilst retail sales increased by 0.7% in February 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, as well as long term borrowing and repayment. The investment activity mostly related to use of instant access accounts and money market funds, with less funds placed in fixed deposits, due to cashflow requirements. As longer term rates fell early in the quarter, the opportunity was taken to undertake further long term borrowing. The previous Treasury Strategy had been to forego longer term borrowing in order to reduce investment balances, and since this outcome has been achieved, the Strategy has been to undertake the required borrowing in advance of the anticipated increase in longer term rates.
- 8.3 The Council adhered to its Investment Strategy and policies throughout the quarter, with no breaches in compliance. The Prudential Indicators have been updated for the years up to 2020/21, with all limits and indicators in line with expectations.
- 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

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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

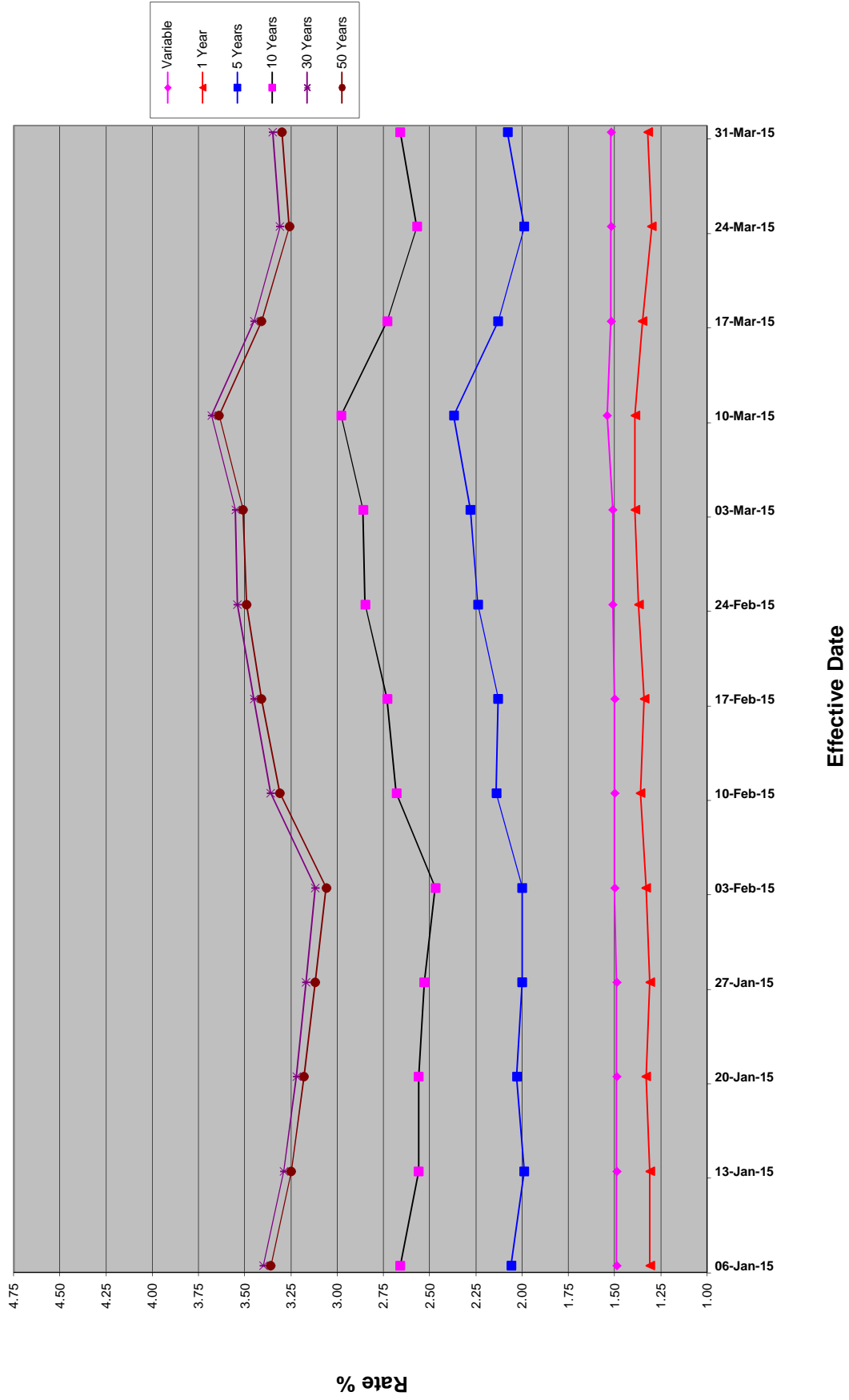
Appendix I – PWLB Fixed Maturity & Variable Interest Rates from 1 January 2015 to 31 March 2015.

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

Appendix III – Approved Investment Counterparty List.

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

PWLB Fixed Maturity & Variable Interest Rates
From 1 January 2015 to
31 March 2015



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2015**

1 INVESTMENTS

(a) Investment Transactions - 1st January to 31st March 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>
Foreign Banks and Institutions	2	5,000,000	0.61%	182	30,416.44
Building Soc/Subsidiary Banks	1	3,500,000	0.60%	183	10,528.77
Other Local Authorities	2	5,000,000	0.50%	77	10,547.95
	<u>5</u>	<u>4,700,000</u>	<u>0.56%</u>	<u>137</u>	<u>51,493.15</u>

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access accounts	1,004,759	0.35%	955.01
Money Market Funds	5,564,983	0.47%	10,948.76
	<u>3,284,871</u>	<u>0.41%</u>	<u>11,903.77</u>

(b) Investments Outstanding

	<u>Outstanding 31-Dec-14 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-15 £</u>	<u>Average Rate</u>
Banks	31,687,507	0.73%	20,062,062	0.86%
Foreign Banks and Institutions	12,500,000	0.53%	12,500,000	0.61%
Money Market Funds	870,000	0.47%	425,000	0.47%
Building Societies/Subsidiary Banks	10,000,000	0.57%	8,500,000	0.64%
Other Local Authorities	9,000,000	0.56%	15,000,000	0.53%
TOTAL	<u>64,057,507</u>	<u>0.64%</u>	<u>56,487,062</u>	<u>0.68%</u>

2 BORROWING

(a) Long Term Borrowing 1st January to 31st March 2015

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Average Life (years)</u>	<u>Amount (£)</u>
PWLB - Maturity Loans	1	2.93%	50.0	5,000,000
	<u>1</u>	<u>2.93%</u>	<u>50.0</u>	<u>5,000,000</u>

(b) Long Term Debt Repayments 1st January to 31st March 2015

	<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	3.29%	5,000,000
	<u>2</u>	<u>3.30%</u>	<u>5,080,645</u>

(c) Long Term Debt Outstanding

	<u>Outstanding 31-Dec-14 £</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-15 £</u>	<u>Average Rate</u>
Public Works Loan Board	194,612,548	4.09%	194,531,903	4.06%
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	341,337	0.00%	312,892	0.00%
TOTAL	<u>243,153,885</u>	<u>4.12%</u>	<u>243,044,795</u>	<u>4.10%</u>

SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2015

(d) Short Term Market Borrowing - 1st January to 31st March 2015

	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Interest (£)</u>
Short Term Market Borrowing	1	3,000,000	0.30%	14.0	345.21
	1	3,000,000	0.30%	14.0	345.21

(e) Short Term Local Borrowing Outstanding

	<u>Outstanding 31-Dec-14</u>	<u>Average Rate</u>	<u>Outstanding 31-Mar-15</u>	<u>Average Rate</u>
	£		£	
Other Local Authorities	5,000,000	0.50%	0	0.00%
Common Good Funds	1,728,000	0.72%	1,728,000	0.73%
Local Trusts & Investors	1,361,149	0.10%	1,403,949	0.10%

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	
Citibank International	UK	A, F1	Monitoring	3 months	
Close Brothers	UK	A, F1	No data	6 months	
Clydesdale Bank	UK	A, F1	No data	3 months	
Goldman Sachs International Bank	UK	A, F1	Monitoring	3 months	
Lloyds Banking Group plc (incl HBOS and Bank Of Scotland) (3)	UK	A, F1	Nationalised	12 months	
HSBC Bank plc	UK	AA-, F1+	In range	12 months	
Merrill Lynch International	UK	A, F1	No data	6 months	
Morgan Stanley & Co International Bank (1)	UK	A, A-1	Monitoring	3 months	
Royal Bank of Scotland plc (inc Nat West) (3)	UK	A, F1	Nationalised	12 months	
Santander UK plc (inc Cater Allen)	UK	A, F1	No data	6 months	
Standard Chartered Bank	UK	AA-, F1+	In range	12 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
KBC Bank	Belgium	A-, F1	No data	1 month	Sovereign Rating AA
Bank of Montreal	Can	AA-, F1+	No data	12 months	
Bank of Nova Scotia	Can	AA-, F1+	No data	12 months	
Canadian Imperial Bank of Commerce	Can	AA-, F1+	No data	12 months	
National Bank of Canada	Can	A+, F1	No data	6 months	
Royal Bank of Canada	Can	AA, F1+	No data	12 months	
Toronto Dominion Bank	Can	AA-, F1+	No data	12 months	
Danske Bank	Denmark	A, F1	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
Bayern LB	Germany	A+, F1+	No data	6 months	
Deutsche Bank AG	Germany	A+, F1+	In range	6 months	
DZ Bank AG	Germany	AA-, F1+	No data	12 months	
Landesbank Baden Wuerttemberg	Germany	A+, F1+	No data	12 months	
Landesbank Hessen-Thueringen Girozentral (Helaba)	Germany	A+, F1+	In range	6 months	
Landwirtschaftliche Rentenbank	Germany	AAA, F1+	No data	24 months	
NRW Bank	Germany	AAA, F1+	No data	24 months	
Hong Kong and Shanghai Banking Corporation Ltd	Hong Kong	AA-, F1+	No data	1 Month	Sovereign Rating AA+
Banque et Caisse d'Epargne de l'Etat (1)	Luxemburg	AA+, A-1+	No data	24 months	
Clearstream Banking	Luxemburg	AA, F1+	No data	24 months	
Bank Nederlandse Germeenten	Netherlands	AAA, F1+	No data	24 months	
Cooperative Centrale Raiffeisen Boerenleenbank	Netherlands	AA-, F1+	In range	12 months	
ING Bank	Netherlands	A+, F1+	In range	6 Months	
Nederlandse Waterchapsbank NV (1)	Netherlands	AA+, A-1+	No data	24 Months	
DnB Bank (1)	Norway	A+, A-1	No data	12 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	6 months	
Svenska Handelsbanken AB	Sweden	AA-, F1+	No data	12 months	
Credit Suisse	Switzerland	A, F1	In range	6 months	
UBS AG	Switzerland	A, F1	In range	6 months	
Bank of America, NA	USA	A, F1	No data	6 months	
Bank of New York Mellon	USA	AA-, F1+	No data	12 months	
BOKF, NA	USA	A, F1	No data	6 months	
Citibank, NA	USA	A, F1	Monitoring	3 months	
HSBC Bank USA, NA	USA	AA-, F1+	No data	12 months	
JP Morgan Chase Bank, NA	USA	A+, F1	In range	12 months	
Northern Trust Company	USA	AA-, F1+	No data	12 months	
State Street Bank and Trust Company	USA	AA-, F1+	No data	12 months	
US Bancorp	USA	AA-, F1+	No data	12 months	
Wells Fargo Bank, NA	USA	AA-, F1+	In range	12 months	

APPROVED INVESTMENT COUNTERPARTY LIST

	<u>Country</u>	<u>Fitch Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note (2)</u>
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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
Leeds Building Society	UK	A-, F1	No data	3 months
Nationwide Building Society	UK	A, F1	No data	6 months
Yorkshire Building Society	UK	A-, F1	No data	3 months

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

As arranged

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

(Minimum rating required Fitch AAA)

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

Note:

- (1) - Standard & Poor's credit ratings shown, as no Fitch credit rating available
- (2) - All Sovereign credit ratings for above Countries are AAA, unless stated otherwise.
- (3) - Banks are part/majority owned by the UK government

Last Updated: 15-Apr-15

ANALYSIS OF PRUDENTIAL INDICATORS

- Quarter ending 31st March 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 as at April 2015.

	2014/15	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% 8.35%	12.50% 8.76%	12.50% 9.27%	12.50% 9.90%	12.50% 10.37%	12.50% 10.44%	12.50% 10.75%
Prudential Limit - HRA Estimated Ratio of Financing Costs to Revenue	25.00% 18.76%	25.00% 19.52%	25.00% 20.22%	25.00% 20.07%	25.00% 19.52%	25.00% 19.05%	25.00% 18.19%

2 Incremental Council Tax/Housing Rent from proposed capital and revenue plans

Estimated incremental Council Tax and Housing Rent resulting from the totality of the Council's capital and revenue plans are as follows:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Council Tax (Band D equivalent annual increase)	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00
Housing Rent (average weekly increase)	1.20	1.25	1.29	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-15	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20	Projected 31-Mar-21
Net External Borrowing	318,848,000	318,848,000	330,918,000	338,567,000	352,848,000	361,938,000	356,670,000	351,630,000
Capital Financing Requirement	383,853,000	414,303,000	446,079,000	504,015,000	518,528,000	512,722,000	507,568,000	492,602,000
Gross External Borrowing	375,335,000	375,335,000	365,918,000	368,567,000	377,848,000	381,938,000	376,670,000	371,630,000

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- Quarter ending 31st March 2015

4 Estimates of Capital Expenditure

The total estimated Capital Expenditure contained within the Council's Budgets for each year is as follows (as at April 2015):

Composite Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	56,060,000	65,696,000	87,842,000	44,613,000	25,689,000	27,831,000	16,516,000
Original Budget Estimate	53,005,000	69,293,000	53,685,000	24,978,000	29,202,000	29,129,000	15,433,000
Movement in Estimated Capital Expenditure	3,055,000	(3,597,000)	34,157,000	19,635,000	(3,513,000)	(1,298,000)	1,083,000

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 26 February 2014, and based on the Capital Budget report on 13 February 2014
The latest estimates are per the Capital Monitoring approved at the Strategic Policy & Resources committee meeting on 22 April 2015

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

HRA Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current estimate	14,615,000	21,696,000	14,297,000	9,540,000	8,981,000	9,255,000	10,000,000
Original Budget Estimate	17,836,000	20,514,000	14,297,000	9,540,000	8,981,000	9,255,000	10,000,000
Movement in Estimated Capital Expenditure	(3,221,000)	1,182,000	0	0	0	0	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 approved at the Strategic Policy & Resources committee meeting on 22 April 2015.

5 Estimate of Capital Financing Requirement

The estimate (as at April 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	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current Estimated Capital Financing Requirement	32,864,000	30,523,000	65,549,000	29,157,000	12,256,000	13,979,000	4,016,000
Original Budget Estimate	33,215,000	45,031,000	37,397,000	10,587,000	15,600,000	15,027,000	2,933,000
Movement in Estimated Capital Financing Requirement	(351,000)	(14,508,000)	28,152,000	18,570,000	(3,344,000)	(1,048,000)	1,083,000

The Original Budget Estimates are those used per the Treasury Strategy & Prudential Indicator report on 26 February 2014, and based on the Capital Budget report on 13 February 2014
The latest estimates are per the Capital Monitoring approved at the Strategic Policy & Resources committee meeting on 22 April 2015

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- Quarter ending 31st March 2015

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

HRA Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current Estimated Capital Financing Requirement	9,044,000	17,420,000	10,653,000	5,424,000	4,207,000	3,832,000	4,500,000
Original Budget Estimate	12,603,000	16,238,000	10,653,000	5,424,000	4,207,000	3,832,000	4,500,000
Movement in Estimated Capital Financing Requirement	(3,559,000)	1,182,000	0	0	0	0	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 approved at the Strategic Policy & Resources committee meeting on 22 April 2015

6 External Debt (Gross and Net)

External Borrowing	As at 31-Mar-15	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20	Projected 31-Mar-21
Public Works Loan Board	194,531,903	194,531,903	189,370,613	201,209,323	214,748,033	223,186,743	222,325,453	221,764,163
Market Bonds	48,200,000	48,200,000	48,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000
Special Loans	1,728,000	1,728,000	1,583,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Temporary Loans/Other Borrowing	1,716,841	1,716,841	1,456,002	1,299,112	1,142,223	1,085,334	1,028,445	1,000,000
Other Long Term Liabilities	129,158,100	129,158,100	125,308,100	121,358,100	117,258,100	112,966,100	108,616,100	104,166,100
Total Gross External Debt	375,334,844	375,334,844	365,917,715	368,566,535	377,848,356	381,938,177	376,669,998	371,630,263
Short Term Investments	(56,487,062)	(56,487,062)	(35,000,000)	(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	0
Total Net External Debt	318,847,782	318,847,782	330,917,715	338,566,535	352,848,356	361,938,177	356,669,998	351,630,263
Note: Operational Boundary Authorised Limit	375,000,000 399,000,000	375,000,000 399,000,000	366,000,000 429,000,000	369,000,000 429,000,000	378,000,000 429,000,000	382,000,000 429,000,000	377,000,000 429,000,000	372,000,000 429,000,000

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 2015

Appendix IV

8 Interest Rate Exposures

	Actual as at 31-Mar-15	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20	Projected 31-Mar-21
Fixed Interest Rate Debt								
Total Fixed Rate Borrowing	333,690,003	333,690,003	324,678,713	322,567,423	332,006,133	336,152,843	330,941,553	325,930,263
Total Fixed Rate Investments	0	0	0	0	0	0	0	0
	333,690,003	333,690,003	324,678,713	322,567,423	332,006,133	336,152,843	330,941,553	325,930,263
Total Gross Borrowing	375,334,844	375,334,844	365,917,715	368,566,535	377,848,356	381,938,177	376,669,998	371,630,263
	88.9%	88.9%	88.7%	87.5%	87.9%	88.0%	87.9%	87.7%
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%	100%

	Actual as at 31-Mar-15	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20	Projected 31-Mar-21
Variable Interest Rate Debt								
Total Variable Rate Borrowing	41,644,841	41,644,841	41,239,002	45,999,112	45,842,223	45,785,334	45,728,445	45,700,000
Total Variable Rate Investments	(56,487,062)	(56,487,062)	(35,000,000)	(30,000,000)	(25,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
	(14,842,221)	(14,842,221)	6,239,002	15,999,112	20,842,223	25,785,334	25,728,445	25,700,000
Total Net Borrowing (including investments arising from short term cash balances)	318,847,782	318,847,782	330,917,715	338,566,535	352,848,356	361,938,177	356,669,998	351,630,263
	-4.7%	-4.7%	1.9%	4.7%	5.9%	7.1%	7.2%	7.3%
Upper limit on Variable Interest Rate Debt	35%	35%	35%	35%	35%	35%	35%	35%

9 Maturity Structure

The maturity structure for the Council's fixed rate debt, as at 31st March 2015, measured from the start of the financial year is as follows:

	< 12 mths	12<24 mths	2<5 years	5<10 years	Over 10 years	Total
Total Debt Maturing (£)	4,083,845	23,583,845	41,751,531	61,211,280	203,372,396	334,002,895
% of Total Fixed Debt	1.2%	7.1%	12.5%	18.3%	60.9%	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.