

PERTH AND KINROSS COUNCIL

1 May 2013

**TREASURY ACTIVITY AND COMPLIANCE REPORT
– 2012/13 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 2013 and to report on compliance with the Council's Treasury Management Policy Statement (TMPS), Treasury Management Practices (TMP's) 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 2013. 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. However three members of the MPC voted for further quantitative easing.
- 2.2 Gross Domestic Product (GDP) fell by 0.3% in the last quarter of 2012. Contributing factors to this were a fall in mining and quarrying, and maintenance delays at the UK's largest North Sea oil field. In the UK Government's March budget forecasts for growth in 2013 and 2014 were both reduced.
- 2.3 There was a 2.1% monthly rise in UK retail sales in February which offset the 0.7% fall in January. Non-high street spending showed positive signs as well, with new car registrations going up by 7.9% in the year to February. The rate of inflation (Consumer Price Index) rose to 2.8% in February 2013, mainly attributed to increases in utility prices, recreational goods, motor fuels and air

transport. The largest downward contributions came from the smaller price increases for food, soft drinks and alcohol compared with price rises a year ago. UK unemployment rose by 7,000 to 2.52 million in the three months to January 2013. Pay growth remained subdued, with the headline measure of earnings falling to 1.2% in January 2013.

- 2.4 The housing market was supported by the Bank of England's Funding for Lending scheme which helped increase banks' credit availability and bring down mortgage rates. This is helping to support house prices, and both the Halifax and Nationwide reported monthly gains in February, rising by 0.5% and 0.2% respectively.
- 2.5 In February 2013, Moody's credit-rating agency down-graded the UK's credit rating from AAA to AA+, citing the continuing high levels of sovereign debt and the UK's low economic growth prospects. In addition, Fitch credit rating agency also put the UK sovereign rating on "negative watch" in anticipation of a subsequent down grade: this downgrade was confirmed on 19 April 2013, when they also reduced the UK's rating to AA+. However, the markets had anticipated such rating action, and thus far the downgrades have had little impact on the UK's cost of borrowing.
- 2.6 Internationally, the economic recovery in the US gathered momentum over the first quarter of 2013 with annualised GDP growth of around 3%. Further, the growth in private sector employment accelerated to a 3-month average of 200,000 in February. The expiry of the payroll tax cuts at the start of the year will reduce real household incomes, however the 0.4% rise in retail sales in February looks consistent with annual consumption growth of 2%. The Eurozone crisis continued, with a bailout package for Cyprus finally agreed by European Finance Ministers. This event has raised further fears about the safety of bank deposits in other periphery European countries. The underlying Eurozone economy is forecast to continue to contract.
- 2.7 The Public Works Loan Board's (PWLB) fixed interest rates, which are based on market prices and yields on UK gilts, remained broadly the same over the quarter and remain low for all borrowing periods. Variable rates, which generally move in line with Bank Rate expectations, also remained static. Interest rate movements are shown in the graph at Appendix I.

3. TREASURY ACTIVITY

- 3.1 A summary of the Council's treasury position and transactions is shown at Appendix II. This shows that the main activity during the quarter was the investment of short-term cashflow surpluses, mainly in notice deposit accounts. There were some fixed term investments for longer periods where the opportunity arose in line with cashflow forecasts and counterparty limits. There were no new fixed rate PWLB loans borrowed in the quarter, however, there were some repayments of maturing PWLB loans in March. The level of funds held on temporary loan by local bodies and trusts decreased over the

quarter, mostly relating to the repayment of all funds held by Tayside Fire Board as part of the transfer to the new Scottish Fire Authority. There were no short term borrowing transactions undertaken during the quarter.

- 3.2 The total amount of investments decreased over the quarter, closing at £39.6M compared with £54.775M at the end of the last quarter. This reduction was anticipated as a result of the increased cashflow requirements towards the end of the financial year, together with the repayment of longer term PWLB debt. The average rate of interest earned on investments outstanding at the end of the quarter increased from 1.77% to 1.93%, reflecting mostly fixed deposits as instant access funds were utilised during the quarter. The average lending period to Banks and Building Societies for fixed term deposits was 93 days, increasing from the previous quarter's average period of 75 days, however there were fewer deposits made in this quarter. This was in line with the need to place most deposits in notice and instant access funds to meet cashflow requirements. The average lending rate on fixed deposits decreased slightly from 0.6% in the previous quarter to 0.55% as fixed deposit rates generally fell.
- 3.3 Most of the investment transactions in the quarter were through the Council's instant access and notice deposit accounts, to meet daily cashflow requirements. The average interest rate on these accounts for the quarter increased from 0.64% to 0.7% as a result of more use being made of the 95-day notice account which pays a significantly higher rate of interest. All of the above investment activities reflect the Council's current investment strategy and cashflow requirements.
- 3.4 There was no temporary borrowing undertaken during the quarter. Funds held from associated bodies and organisations decreased over the quarter, from £2.3M to £1.5M. This can be mostly attributed to the repayment of all the funds held for Tayside Fire & Rescue to the new Scottish Fire Authority at the end of March. The average rate remained unchanged at 0.10%.

4. COMPLIANCE

- 4.1 For the quarter ending 31 March 2013, 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 prices. The Council's approved lending policy incorporates Sector Treasury Services' suggested maximum lending period for each counterparty. Appendix III shows the list of approved counterparties based on the current lending policy, as at April 2013.
- 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 2013 the average adjusted closing

cleared bank balance was £4,231.65 (credit). This is within the set target range of £50,000 (debit or credit).

5. TREASURY MANAGEMENT UPDATE

- 5.1 The Treasury Management policy and schedules have been amended to reflect recent changes in personnel. An updated TMP5 Schedule 5.2 (Treasury Management Organisational Chart) and Schedule 5.3 (Treasury Management Roles & Responsibilities) are shown at Appendix IV.

6. INVESTMENT STRATEGY COMPLIANCE AND PERFORMANCE

- 6.1 In essence, the Treasury Investment Strategy approved by the Council for 2012/13 (Report 12/78 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 and, consequently, investments must be made in accordance with cashflow requirements. The approved Strategy also seeks to reduce the level of investments during the current period of low investment returns and increased risks, subject to longer term funding requirements.
- 6.2 The strategy was applied in full over the quarter with no breaches in compliance with treasury limits, whilst liquidity was maintained by the use of instant access and notice deposit accounts as detailed in Section 3 above. The original Strategy also anticipated that investments would not exceed £50M during the year unless, for example, the Council undertook new long term borrowing. There was £10M new PWLB long term borrowing undertaken in the first quarter of the financial year, hence the level of investments exceeded the £50M level. However, the balance of investments reduced significantly towards the end of the final quarter.
- 6.3 There were no additional risks identified or borrowing in advance of need undertaken in the quarter.
- 6.4 The Investment Strategy also incorporates investments held by the Common Good Funds. All such investments during the quarter were in line with the approved strategy.
- 6.5 There were no Council funds, other than those relating to Charitable Trusts, held by external managers.
- 6.6 The Annual Property Investment Strategy for 2012/13 was also approved by the Council at its meeting on the 22 February 2012 (Report 12/78 refers) and has been complied with in full, with no breaches in compliance with permitted investment limits.

- 6.7 The budgeted income for 2012/13 was projected in the Annual Property Investment Strategy at £1,987,000. This is likely to be revised downward to £1,887,000 in light of the current economic and market conditions, however this has increased by £39,000 from the last projection.
- 6.8 There were neither additional risks identified nor new property investments entered into in the quarter. The strategy action plan for the rationalisation of the commercial property portfolio remains on programme.

7. ICELANDIC BANKS

- 7.1 The funds repaid by Glitnir in Icelandic Krona (ISK) remain in an escrow account in Iceland in accordance with the requirements of the Icelandic Central Bank. The estimated value of the ISK amounts to £211,000 as at 31 March 2013, which represents an increase of £23,000 from the previous valuation (31 March 2012). This increase relates to accrued interest on the funds (£8,000) and a favourable movement in the exchange rate over the year (£15,000). There have been no other developments over the quarter in respect of these funds.

8. PRUDENTIAL INDICATORS

- 8.1 The Prudential Indicators for the seven years 2013/14 to 2019/20 were approved by the Council at its meeting on 27 February 2013 (report 13/102 refers). These indicators, including 2012/13, have been reviewed and the latest estimates as at 31 March 2013 are shown at Appendix V.
- 8.2 It can be seen that all indicators are in line with expectations and all limits were complied with throughout the period, therefore no further revision is required at this stage. In particular, the Council's plans remain affordable, prudent and sustainable.

9. CONCLUSION AND RECOMMENDATIONS

- 9.1 The main activities during the quarter were the lending of surplus cashflow funds and the repayment of fixed term PWLB loans at maturity. A limited number of fixed investments were made in line with cashflow requirements, however, most of the investment activity related to increased use of instant access, notice accounts and Money Market Funds. This maintained liquidity during the quarter to meet an increased cashflow requirement. The Council adhered to its Investment Strategy and policies throughout the quarter.
- 9.2 The UK economy continued to give mixed signals. Inflation increased to 2.8%, and the Monetary Policy Committee maintained the Bank Rate at 0.5%. There was no further quantitative easing during the quarter.
- 9.3 The Prudential Indicators have been updated for the current year as well as the approved Indicators for the seven years to 2019/20, and all limits and indicators are in line with expectations.

9.4 It is recommended that the Committee:

1. Notes the content of this report, which is submitted in accordance with the Council's approved Treasury Management Practices.
2. Notes the revised Treasury Management Organisation Chart and Roles & Responsibilities, as detailed in Section 5 and Appendix IV to this report.

Author(s)

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Approved

Name	Designation	Signature
John Symon	Head of Finance	John Symon
Date – 23 April 2013		

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Council Text Phone Number 01738 442573

ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

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 Internal

4.1.1 The Chief Executive and all Executive Directors 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 Rates from 1 January to 31 March 2013.

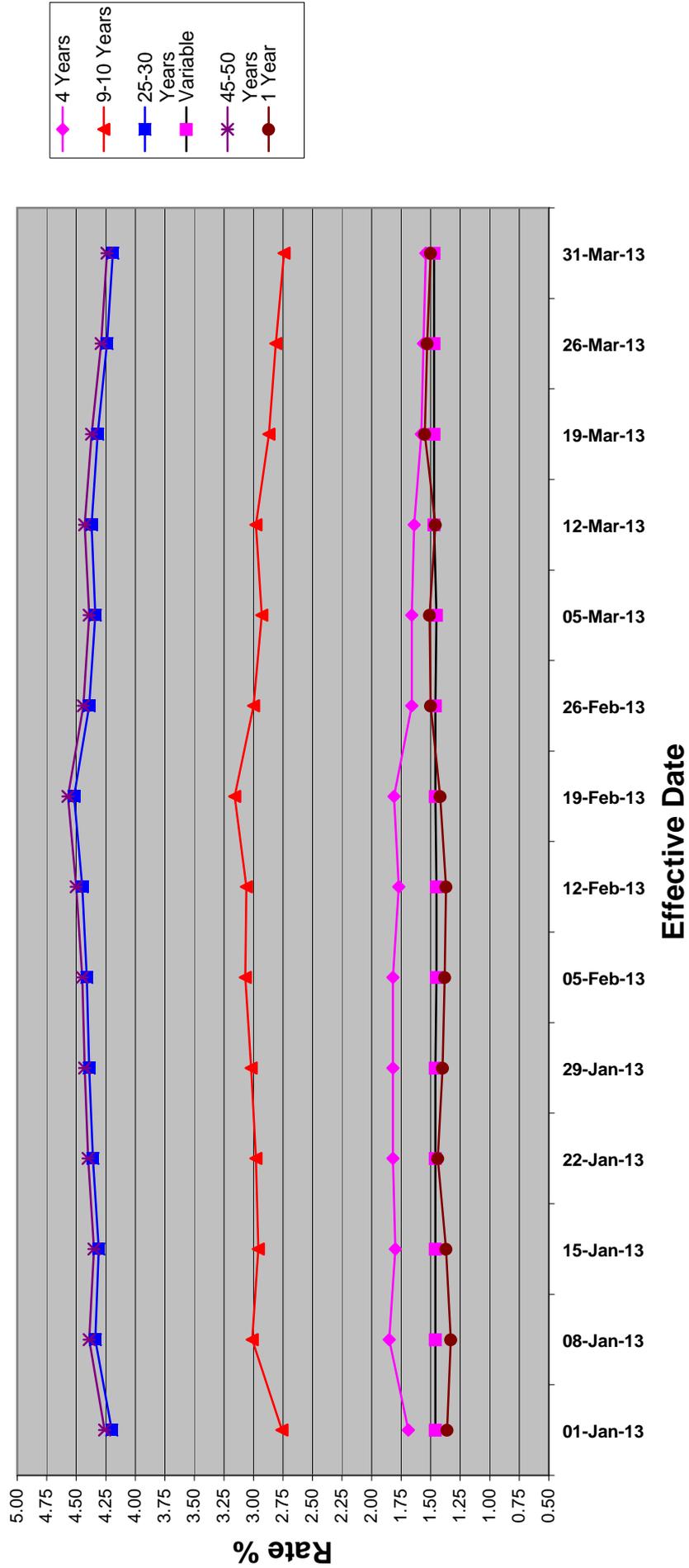
Appendix II – Summary of the Treasury Position and Transactions from 1 January to 31 March 2013.

Appendix III – Approved Investment Counterparty List.

Appendix IV – Revised Treasury Management Organisation Chart and Roles & Responsibilities.

Appendix V – Prudential Indicators 2012/13 to 2019/20.

**PWLB Fixed Maturity & Variable Interest Rates
From 1 January to
31st March
2013**



**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2013**

1 LENDING

(a) <u>Investments Outstanding</u>	Outstanding 30-Dec-12 £	Average Rate	Outstanding 31-Mar-13 £	Average Rate
Banks (Fixed Deposits)	44,050,000	2.09%	39,600,000	1.93%
Money Market Funds	5,725,000	0.48%	0	0.00%
Building Societies/Subsidiary Banks (Fixed)	5,000,000	0.48%	0	0.00%
Other Local Authorities	0	0.00%	0	0.00%
TOTAL	54,775,000	1.77%	39,600,000	1.93%

(b) Investment Transactions - 1st January to 31st March 2013

<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	3,362,500	0.60%	106	36,755.48
Building Soc/Subsidiary Banks	2	2,500,000	0.42%	56	3,230.82
	6	3,075,000	0.55%	93	39,986.30

<u>Instant/Notice Accounts</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access account	2,352,680	0.60%	1,281.34
95 day notice account	9,166,667	1.25%	19,143.84
Money Market Funds	6,342,944	0.45%	13,398.48
Other Local Authorities	282,600	0.50%	3.87
	4,536,223	0.70%	33,827.53

2 BORROWING

(a) Long Term Borrowing 1st January to 31st March 2013

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
None	0	0.00%	0
	0	0.00%	0

(b) Long Term Debt Repayments 1st January to 31st March 2013

	<u>No.</u>	<u>Average Rate (%)</u>	<u>Amount (£)</u>
PWLB - EIP Instalment	1	4.02%	80,645
PWLB - Maturity Loan - Scheduled Repayment	2	3.51%	8,000,000
	3	3.51%	8,080,645

(c) Long Term Debt Outstanding

	Outstanding 30-Dec-12 £	Average Rate	Outstanding 31-Mar-13 £	Average Rate
Public Works Loan Board	164,935,129	3.98%	156,854,484	4.00%
Money Market Loans (LOBO's)	43,200,000	4.59%	43,200,000	4.59%
Other Long Term Debt	290,000	0.75%	290,000	0.75%
TOTAL	208,425,129	4.10%	200,344,484	4.12%

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS APPENDIX II
FROM 1 JANUARY TO 31 MARCH 2013**

(d) Temporary Borrowing Outstanding

	Outstanding 30-Dec-12	Average Rate	Outstanding 31-Mar-13	Average Rate
	£		£	
Banks and Building Societies	0	0.00%	0	0.00%
Other Local Authorities and Corporations	0	0.00%	0	0.00%
Local Trusts & Investors	2,349,199	0.10%	1,497,691	0.10%
TOTAL	2,349,199	0.10%	1,497,691	0.10%

(e) Temporary Market Borrowing - 1st January to 31st March 2013

	No.	Average Amount (£)	Average Rate (%)	Average Term (Days)	Interest (£)
Temporary Market Borrowing	0	0	0.00%	0.0	0.00
	0	0	0.00%	0.0	0.00

PERTH AND KINROSS COUNCIL
APPROVED INVESTMENT COUNTERPARTY LIST

APPENDIX III

	<u>Country</u>	<u>Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note</u>
Category 1 - Principal UK Clearing Banks - max £10M per Counterparty unless semi-nationalised max £20M					
(Minimum rating required Fitch A, F1)					
Santander UK plc	UK	A, F1	In range	3 months	
Barclays Bank plc	UK	AA-, F1+	In range	3 months	
Lloyds Banking Group plc (incl HBOS and Bank Of Scotland) (1)	UK	AA-, F1+	Nationalised	12 months	Individual limit £20M
HSBC Bank plc	UK	AA, F1+	In range	12 months	
Royal Bank of Scotland plc (1)	UK	AA-, F1+	Nationalised	12 months	Individual limit £20M
Standard Chartered Bank	UK	AA-, F1	In range	12 months	

Category 2 - Foreign Banks & Institutions - max £7.5M per Counterparty

(Minimum rating required Fitch A, F1)

Australia and New Zealand Banking Group Lt	Aus	AA-, F1+	In Range	12 months	
Commonwealth Bank of Australia	Aus	AA, F1+	In Range	12 months	
National Australia Bank Ltd	Aus	AA, F1+	In Range	12 months	
Westpac Banking Corporation	Aus	AA, F1+	In Range	12 months	
Bank of Montreal	Can	AA-, F1+	No data	12 months	
Bank of Nova Scotia	Can	AA-, F1+	No data	12 months	
Canadian Imperial Bank of Commerce	Can	AA-, F1+	No data	12 months	
National Bank of Canada	Can	A+, F1	No data	6 months	
Royal Bank of Canada	Can	AA-, F1+	No data	12 months	
Toronto Dominion Bank	Can	AA-, F1+	No data	24 months	
Nordea Bank Finland plc	Finland	AA-, F1+	No data	6 months	
BNP Paribas	France	AA-, F1+	In Range	1 months	Sovereign Rating AA+
Credit Industriel et Commercial	France	AA-, F1+	No data	1 months	Sovereign Rating AA+
Deutsche Bank AG	Germany	AA-, F1+	In Range	6 months	
DZ Bank AG	Germany	A+, F1+	No data	3 months	
Landesbank Berlin AG	Germany	AA-, F1+	No data	3 months	
Landwirtschaftliche Rentenbank	Germany	AAA, F1+	No data	12 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*	Luxemburg	AA+, A-1+	No data	6 months	
Clearstream Banking	Luxemburg	AA, F1+	No data	24 months	
Bank Nederlandse Gemeenten	Netherland	AAA, F1+	No data	24 months	
Co-operatieve Centrale Raiffeisen	Netherland	AA+, F1+	In Range	12 months	
ING Bank NV	Netherland	A+, F1+	In Range	3 months	
DnB NOR Bank	Norway	A+, F1	No data	6 months	
DBS Bank Limited	Singapore	AA-, F1+	In Range	12 months	
Oversea-Chinese Banking Corp Ltd	Singapore	AA-, F1+	In Range	24 months	
United Overseas Bank Ltd	Singapore	AA-, F1+	In Range	24 months	
Nordea Bank AB	Sweden	AA-, F1+	In Range	12 months	
Skandinaviska Enskilda Banken AB	Sweden	A+, F1	In Range	6 months	
Swedbank AB	Sweden	A, F1	In Range	3 months	
Svenska Handelsbanken AB	Sweden	AA-, F1+	In Range	12 months	
Credit Suisse	Switzerland	AA-, F1+	In Range	3 months	
UBS AG	Switzerland	A+, F1+	In Range	3 months	
Bank of New York Mellon	USA	AA-, F1+	No data	1 month	Sovereign Rating AA+
HSBC Bank USA, National Association	USA	AA, F1+	No data	1 month	Sovereign Rating AA+
JP Morgan Chase Bank NA	USA	AA-, F1+	In Range	1 month	Sovereign Rating AA+
Northern Trust Company	USA	AA-, F1+	No data	1 month	Sovereign Rating AA+
State Street Bank and Trust Company	USA	A+, F1+	No data	1 month	Sovereign Rating AA+
Wells Fargo Bank NA	USA	AA-, F1+	In Range	1 month	Sovereign Rating AA+

Category 3 - Subsidiary Banks & Building Societies - max £5M per Counterparty

(Minimum rating required Fitch A, F1)

(parent bank shown in brackets)

Subsidiary Banks

Building Societies

Nationwide Building Society	UK	AA-, F1+	In range	6 months	
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Category 4 - Other Local Authorities - max £10M per Counterparty

As arranged

**PERTH AND KINROSS COUNCIL
APPROVED INVESTMENT COUNTERPARTY LIST**

APPENDIX III

	<u>Country</u>	<u>Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note</u>
<u>Category 5 Money Market Funds - max £10M per Counterparty</u>					
(Minimum rating required Fitch AAA)					
Prime Rate Sterling Liquidity Fund (Class 3)	UK	AAA			
Deutsche Bank Sterling Fund	UK	AAA			
Insight Sterling Liquidity Fund (Class 5)	UK	AAA			
Royal Bank of Scotland GTF Sterling Fund (Class 4)	UK	AAA			
Ignis Sterling Liquidity Fund	UK	AAA			

Note:

(1) - Banks are part/majority owned by the UK government

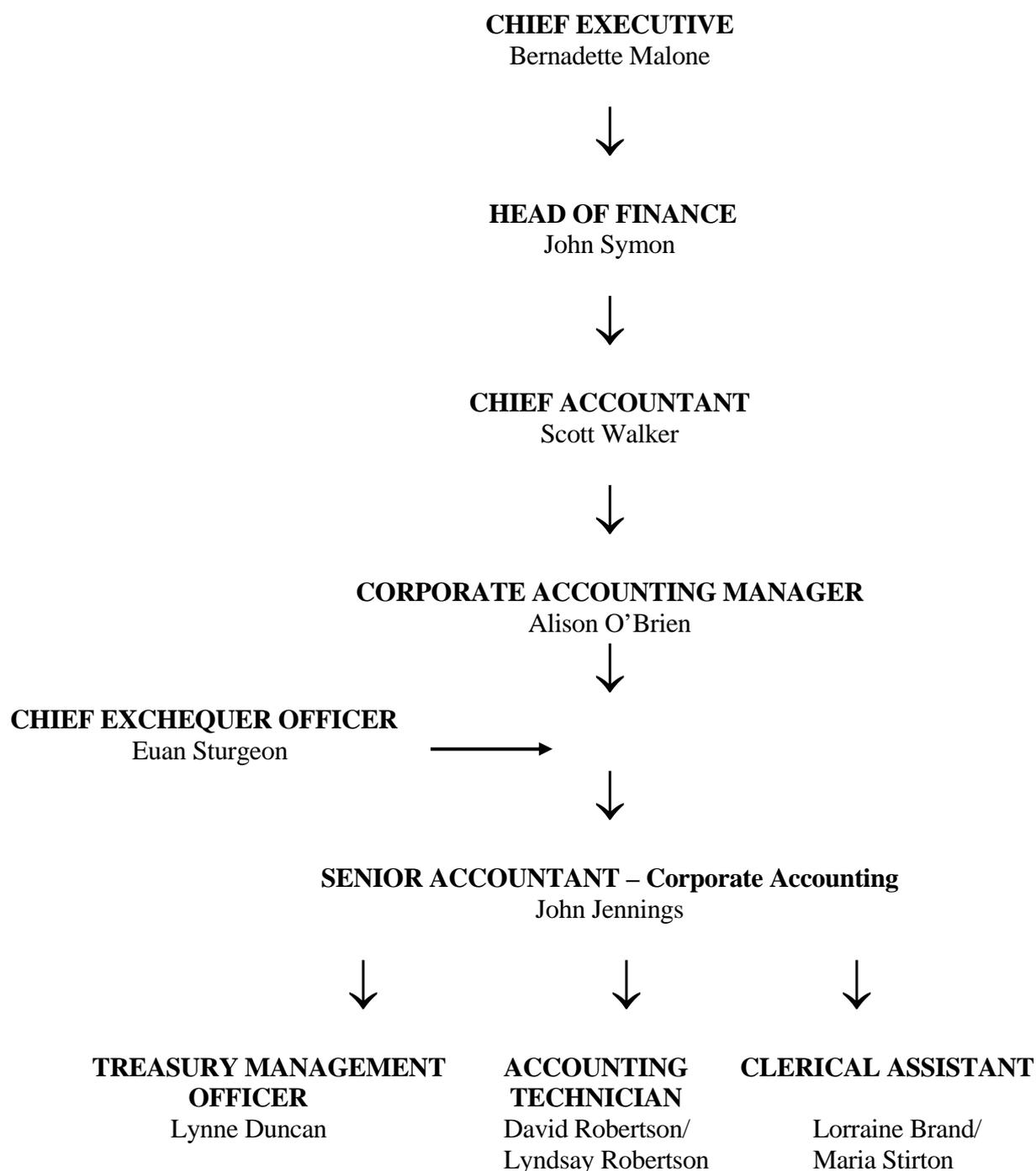
Note - all Sovereign credit ratings for above Countries are AAA unless stated otherwise.

* Standard & Poor's Rating

Last Updated: 09-Apr-13

SCHEDULE 5.2
Treasury Management Organisational Chart

The following personnel are directly involved in treasury management:



SCHEDULE 5.3

Treasury Management Roles & Responsibilities

<u>TITLE/NAME</u>	<u>ROLES/RESPONSIBILITIES</u>
CHIEF EXECUTIVE Bernadette Malone	Determination of Treasury policy and strategy Ensure Organisation of Treasury Management function is effective
HEAD OF FINANCE John Symon	Implementing the Treasury Management Practices Systems Document Ensuring compliance with policies, limitation and directions Advising Depute Chief Executive on market trends and options for borrowing strategy Managing the overall treasury function Advise on setting and monitoring of Prudential and Treasury Indicators Review Treasury Management performance Ensure Treasury Policy and Systems Document reviewed Ensuring appropriate division and segregation of duties Determination of daily borrowing, lending and investment policy Consider and approve long –term borrowing decisions as appropriate Overall strategic responsibility as Statutory Finance Officer
CHIEF ACCOUNTANT Scott Walker	Assist the Head of Finance in above responsibilities Ensure day to day activities comply with the Treasury Policy Statement Ensure adequate training is provided to relevant staff Supervise activities and administration of treasury management
CORPORATE ACCOUNTING MANAGER Alison O'Brien	Assisting Chief Accountant in above responsibilities Daily operational management of Treasury activities Arranging Borrowing and Lending (Dealing) as required
CHIEF EXCHEQUER OFFICER Euan Sturgeon	Authorising payments as required
SENIOR ACCOUNTANT - CORPORATE ACCOUNTING John Jennings	Assisting Corporate Accounting Manager in above responsibilities Ensure appropriate accounting records are maintained Supervise daily dealing and activities of Treasury Management Arranging Borrowing and Lending (Dealing) as required Administration and accounting for "Loans Fund" Prepare and monitor Prudential and Treasury Indicators Determination and projection of Loan Charges Supervise and review cashflow estimates and account reconciliations Producing regular reports on performance Monitoring performance and appointment of brokers,
TREASURY MANAGEMENT OFFICER Lynne Duncan	Dealing under direction and supervision Ensure proper administration of daily borrowing and lending activities Maintenance of Logotech Public Sector Treasury Management System Reconciliation of Financial Accounting ledgers to loan records Maintaining rolling 3 year cashflow estimates of the Council Production of all Management information Completion of all statistical and Government returns Supervising clerical staff involved in the Treasury function
CLERICAL ASSISTANT Lorraine Brand / Maria Stirton	Maintenance of manual records for internal control purposes Production of daily treasury and banking vouchers Reconciliation of broker confirmations to loan records Assisting the Treasury Management Officer as required
ACCOUNTING TECHNICIAN David Robertson / Lyndsay Robertson	Assist the Senior Accountant and Treasury Management Officer as required Provision of additional Treasury support in absence of key personnel

**PERTH AND KINROSS COUNCIL
ANALYSIS OF PRUDENTIAL INDICATORS
- Quarter ending 31st March 2013**

Appendix V

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 historical levels, and allow some headroom for movement in interest rates. The estimated Financing Costs below are based on monitoring figures as at April 2013.

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Prudential Limit - General Fund	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Estimated Ratio of Financing Costs to Revenue	8.22%	7.89%	8.10%	8.61%	9.20%	9.61%	10.00%	10.27%
Prudential Limit - HRA	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Estimated Ratio of Financing Costs to Revenue	17.36%	17.10%	17.98%	18.69%	19.95%	21.14%	21.49%	22.58%

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:

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	£	£	£	£	£	£	£	£
Council Tax (Band D equivalent annual increase)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Housing Rent (average weekly increase)	0.00	1.15	1.20	1.24	1.29	1.34	1.40	1.45

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:

	<u>Actual as at 31-Mar-13</u>	<u>Projected 31-Mar-13</u>	<u>Projected 31-Mar-14</u>	<u>Projected 31-Mar-15</u>	<u>Projected 31-Mar-16</u>	<u>Projected 31-Mar-17</u>	<u>Projected 31-Mar-18</u>	<u>Projected 31-Mar-19</u>	<u>Projected 31-Mar-20</u>
Net External Borrowing	295,111,099	295,111,099	282,726,872	290,915,528	311,740,480	337,872,370	340,230,888	347,781,946	354,538,164
Capital Financing Requirement	367,053,482	367,053,482	404,691,784	437,333,494	458,458,446	474,590,335	471,948,853	474,499,911	476,256,129

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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 2013):

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<u>Composite Programme</u>								
Current estimate	33,299,000	56,984,000	66,400,000	45,611,000	39,244,000	19,547,251	25,390,251	25,340,251
Original Budget Estimate	<u>33,299,000</u>	<u>54,232,000</u>	<u>63,871,000</u>	<u>45,428,000</u>	<u>39,225,000</u>	<u>23,290,000</u>	<u>29,133,000</u>	<u>29,083,000</u>
Movement in Estimated Capital Expenditure	<u>0</u>	<u>2,752,000</u>	<u>2,529,000</u>	<u>183,000</u>	<u>19,000</u>	<u>(3,742,749)</u>	<u>(3,742,749)</u>	<u>(3,742,749)</u>

The above movements represent movements on various schemes, from the Capital Budget Report on 14 February 2013.

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<u>PPP Programme</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,742,749</u>	<u>3,742,749</u>	<u>3,742,749</u>

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<u>HRA</u>								
Current estimate	8,760,000	19,486,000	14,736,000	14,096,000	10,937,000	8,685,000	8,685,000	8,685,000
Original Budget Estimate	<u>8,760,000</u>	<u>18,346,000</u>	<u>14,736,000</u>	<u>14,096,000</u>	<u>10,937,000</u>	<u>8,685,000</u>	<u>9,000,000</u>	<u>9,000,000</u>
Movement in Estimated Capital Expenditure	<u>0</u>	<u>1,140,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(315,000)</u>	<u>(315,000)</u>

The above movements represent movements on various schemes from the Housing Revenue Account report on 6 February 2013.

5 Estimate of Capital Financing Requirement

The estimate (as at April 2013) of the Capital Financing Requirement (ie new borrowing requirement for Capital Expenditure) for each year based on these plans is as follows:

<u>Estimate of Capital Financing Requirement (for the year)</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<u>Composite Programme</u>								
Current Estimated Capital Financing Requirement	17,964,000	37,231,000	38,113,000	29,324,000	25,609,000	6,145,251	11,988,251	11,938,251
Original Budget Estimate	<u>35,950,000</u>	<u>35,567,000</u>	<u>21,690,000</u>	<u>7,900,000</u>	<u>25,923,000</u>	<u>9,888,000</u>	<u>15,731,000</u>	<u>15,681,000</u>
Movement in Estimated Capital Financing Requirement	<u>(17,986,000)</u>	<u>1,664,000</u>	<u>16,423,000</u>	<u>21,424,000</u>	<u>(314,000)</u>	<u>(3,742,749)</u>	<u>(3,742,749)</u>	<u>(3,742,749)</u>

The above movements represent movements on various schemes, from the Capital Budget Report on 14 February 2013.

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	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
PPP Programme	0	0	0	0	0	3,742,749	3,742,749	3,742,749
HRA								
Current Estimated Capital Financing Requirement	4,195,000	15,264,000	10,847,000	9,698,000	6,244,000	3,463,000	3,463,000	3,463,000
Original Budget Estimate	9,089,000	9,218,000	8,260,000	7,379,000	4,423,000	3,463,000	5,000,000	5,000,000
Movement in Estimated Capital Financing Requirement	<u>(4,894,000)</u>	<u>6,046,000</u>	<u>2,587,000</u>	<u>2,319,000</u>	<u>1,821,000</u>	<u>0</u>	<u>(1,537,000)</u>	<u>(1,537,000)</u>

The above movements represent movements on various schemes from Housing Revenue Account report on 6 February 2013.

6 External Debt (Gross)

	<u>As at 31-Mar-13</u>	<u>Projected 31-Mar-13</u>	<u>Projected 31-Mar-14</u>	<u>Projected 31-Mar-15</u>	<u>Projected 31-Mar-16</u>	<u>Projected 31-Mar-17</u>	<u>Projected 31-Mar-18</u>	<u>Projected 31-Mar-19</u>	<u>Projected 31-Mar-20</u>
External Borrowing									
Public Works Loan Board	156,854,484	156,854,484	143,693,194	150,924,599	175,792,300	201,924,190	204,282,708	211,833,766	218,589,984
Market Bonds	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000
Special Loans	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000
Temporary Loans/Other Borrowing	1,497,691	1,497,691	997,691	697,691	397,691	397,691	397,691	397,691	397,691
Other Long Term Liabilities	132,877,813	132,877,813	129,154,876	125,412,127	121,669,378	121,669,378	121,669,378	121,669,378	121,669,378
Total Gross External Debt	<u>334,719,988</u>	<u>334,719,988</u>	<u>317,335,761</u>	<u>320,524,417</u>	<u>341,349,369</u>	<u>367,481,259</u>	<u>369,839,777</u>	<u>377,390,835</u>	<u>384,147,053</u>
Short Term Investments	(39,608,889)	(39,608,889)	(34,608,889)	(29,608,889)	(29,608,889)	(29,608,889)	(29,608,889)	(29,608,889)	(29,608,889)
Long Term Investments	0	0	0	0	0	0	0	0	0
Total Net External Debt	<u>295,111,099</u>	<u>295,111,099</u>	<u>282,726,872</u>	<u>290,915,528</u>	<u>311,740,480</u>	<u>337,872,370</u>	<u>340,230,888</u>	<u>347,781,946</u>	<u>354,538,164</u>
Note:									
Operational Boundary	335,000,000	335,000,000	318,000,000	321,000,000	342,000,000	368,000,000	370,000,000	378,000,000	385,000,000
Authorised Limit	449,000,000	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000	393,000,000

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)

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8 Interest Rate Exposures

<u>Fixed Interest Rate Debt</u>	Actual as at 31-Mar-13	Projected 31-Mar-13	Projected 31-Mar-14	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20
Total Fixed Rate Borrowing	295,022,297	295,022,297	278,138,070	281,626,726	302,751,678	328,883,568	331,242,086	338,793,144	345,549,362
Total Fixed Rate Investments	0	0	0	0	0	0	0	0	0
	<u>295,022,297</u>	<u>295,022,297</u>	<u>278,138,070</u>	<u>281,626,726</u>	<u>302,751,678</u>	<u>328,883,568</u>	<u>331,242,086</u>	<u>338,793,144</u>	<u>345,549,362</u>
Total Gross Borrowing	334,719,988	334,719,988	317,335,761	320,524,417	341,349,369	367,481,259	369,839,777	377,390,835	384,147,053
	<u>88.1%</u>	<u>88.1%</u>	<u>87.6%</u>	<u>87.9%</u>	<u>88.7%</u>	<u>89.5%</u>	<u>89.6%</u>	<u>89.8%</u>	<u>90.0%</u>
Upper limit on Fixed Interest Rate Debt	100%	100%	100%	100%	100%	100%	100%	100%	100%
<u>Variable Interest Rate Debt</u>	Actual as at 31-Mar-13	Projected 31-Mar-13	Projected 31-Mar-14	Projected 31-Mar-15	Projected 31-Mar-16	Projected 31-Mar-17	Projected 31-Mar-18	Projected 31-Mar-19	Projected 31-Mar-20
Total Variable Rate Borrowing	39,697,691	39,697,691	39,197,691	38,897,691	38,597,691	38,597,691	38,597,691	38,597,691	38,597,691
Total Variable Rate Investments	(39,608,889)	(39,608,889)	(34,608,889)	(29,608,889)	(29,608,889)	(29,608,889)	(29,608,889)	(29,608,889)	(29,608,889)
	<u>88,802</u>	<u>88,802</u>	<u>4,588,802</u>	<u>9,288,802</u>	<u>8,988,802</u>	<u>8,988,802</u>	<u>8,988,802</u>	<u>8,988,802</u>	<u>8,988,802</u>
Total Net Borrowing (including investments arising from short term cash balances)	295,111,099	295,111,099	282,726,872	290,915,528	311,740,480	337,872,370	340,230,888	347,781,946	354,538,164
	<u>0.0%</u>	<u>0.0%</u>	<u>1.6%</u>	<u>3.2%</u>	<u>2.9%</u>	<u>2.7%</u>	<u>2.6%</u>	<u>2.6%</u>	<u>2.5%</u>
Upper limit on Variable Interest Rate Debt	35%	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 2013, measured from the start of the financial year is as follows:

	<u>< 12 mths</u>	<u>12<24 mths</u>	<u>2<5 years</u>	<u>5<10 years</u>	<u>Over 10 years</u>
Total Debt Maturing (£)	17,091,474	12,884,229	39,312,809	68,140,197	157,593,588
% of Total Fixed Debt	5.8%	4.4%	13.3%	23.1%	53.4%
Lower Limit	0%	0%	0%	0%	10%
Upper Limit	35%	35%	50%	75%	95%

10 Principal Sums Invested Longer Than 364 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