

## **EAST AYRSHIRE COUNCIL**

### **GOVERNANCE & SCRUTINY – 23 SEPTEMBER 2011**

#### **ANNUAL TREASURY MANAGEMENT REPORT 2010/11**

##### **Report by Executive Director of Finance and Corporate Support**

## **1 PURPOSE OF REPORT**

- 1.1 The purpose of the report is to provide Members with a summary of the treasury activity for the financial year ended 31 March 2011; along with an update on Treasury activity, and performance against the agreed strategy in 2011/12.

## **2 BACKGROUND INFORMATION**

- 2.1 Treasury management activity is underpinned by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (“the Code”). This requires the Council to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year.
- 2.2 Treasury management is defined as “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.3 The Code of Practice identifies as good practice the production of an annual report to Members from the Officer with statutory responsibility for the financial management of the Council’s affairs, covering the activities and performance with regard to treasury management. This report sets out information in respect of:
- Economic background 2010/11;
  - Borrowing requirement and debt management;
  - Investment activity;
  - Compliance with prudential indicators;
  - Current treasury performance against 2011/12 strategy.

## **3 ECONOMIC BACKGROUND IN 2010/11**

- 3.1 At the time of setting the treasury strategy for 2010/11, interest rates were forecast to remain low in response to the fragile state of the UK economy. Spending cuts and tax increases seemed inevitable if after the General Election the new government had a clear majority. The markets had, at the

time, viewed a hung parliament as potentially disruptive particularly if combined with a failure to articulate a credible plan to reduce government borrowing. The outlook for growth was uncertain due to consumers and corporate bodies alike trimming their spending and financial institutions exercising restraint in new lending.

- 3.2 The economy's two headline indicators moved in opposite directions – growth was lacklustre whilst inflation spiked sharply higher. The economy grew by just 1.3% in calendar year 2010; the forecast for 2011 was revised down to 1.7% by the Office of Budget Responsibility in March 2011. Higher commodity, energy and food prices and the increase in VAT to 20% pushed the February 2011 annual inflation figure to 4.4%. The Bank of England base rate was held at 0.5% as the economy grappled with uneven growth and the austerity measures set out in the coalition government's Comprehensive Spending Review. Significant cuts were made to public expenditure across the UK including Scotland.
- 3.3 The US Federal Reserve kept rates on hold at 0.25% following a slowdown in American growth. The European Central Bank maintained rates at 1%, with the markets expecting, at that time, a rate rise in early spring.
- 3.4 The credit crisis migrated from banks to the sovereign ratings of European countries. The ratings of Ireland and Portugal were downgraded to the 'triple-B' category whilst the rating of Greece was downgraded to sub-investment (or 'junk') grade. The sovereign rating of Spain was also downgraded but remained in the 'double-A' category. The results from the EU Bank Stress Tests, co-ordinated by the Committee of European Banking Supervisors during the first quarter of 2010, highlighted that only seven out of the 91 institutions failed the 'adverse scenario' tests. The tests were a helpful step forward, but there were doubts if they were far-reaching or demanding enough. The main UK banks' (Barclays, HSBC, Lloyds and RBS) Tier 1 ratios all remained above 9% under both the 'benchmark scenario' and the 'adverse scenario' stress tests.
- 3.5 Government lending such as Gilts benefitted from the decisive Comprehensive Spending Review (CSR) plans as well as from their relative 'safe haven' status in the face of European sovereign weakness. 5-year and 10-year gilt yields fell to lows of 1.44% and 2.83% respectively. However yields rose in the final quarter across all gilt maturities amid concern that higher inflation would become embedded and greatly diminish the real rate of return for fixed income investors.
- 3.6 During the year money market rates increased marginally at the shorter end (overnight to 3 months). 6 - 12 month rates increased between 0.25% to 0.30% over the 12-month period reflecting the expectation that the Bank Rate would be raised later in 2011.

## 4 TREASURY MANAGEMENT OUTTURN 31 MARCH 2011

4.1 The Council's debt and investment position was as follows:

Fixed Rate Debt	31 March 2011		31 March 2010	
	Principal £m	Interest Rate	Principal £m	Interest Rate
PWLB	135.174	6.34%	135.230	6.34%
Market	31.000	4.12%	31.000	4.12%
<b>Total</b>	<b>166.174</b>	<b>5.93%</b>	<b>166.230</b>	<b>5.93%</b>
<b>Variable Rate Debt</b>				
PWLB	-	-	-	-
Market	35.600	4.85%	35.600	4.85%
<b>Total</b>	<b>35.600</b>	<b>4.85%</b>	<b>35.600</b>	<b>4.85%</b>
<b>Total Debt</b>	<b>201.774</b>	<b>5.74%</b>	<b>201.830</b>	<b>5.74%</b>
<b>Investments</b>				
	35.214	0.89%	39.164	0.79%
<b>Net Debt</b>	<b>166.560</b>		<b>162.666</b>	

4.2 No new borrowing or debt rescheduling was undertaken in the year. As a result the required financing to meet capital expenditure was met from internal reserves and balances on a short-term basis.

4.3 The headline performance indicator for treasury management is the Loans Fund Pool Rate. This is the average interest rate of all Council debt and is used to allocate interest charges to the General Fund and Housing Revenue Account in respect of capital advances. The performance over the last three financial years, calculated in accordance with standard guidance, is shown below.

Year	Opening Advances £m	Closing Advances £m	Average Advances £m	Interest & Expenses £m	Pool Rate %
2008/09	208.037	220.549	214.293	11.813	5.51%
2009/10	220.549	232.811	226.680	12.249	5.40%
2010/11	232.811	243.822	238.317	12.410	5.21%

4.4 The reduction in the Pool Rate is mainly the result of deferring long-term borrowing through the utilisation of internal resources to fund capital expenditure.

## 4.5 THE BORROWING REQUIREMENT AND DEBT MANAGEMENT

4.5.1 The Capital Financing Requirement (CFR) is a reflection of the underlying need to borrow to finance the capital investment activities of the Council. This increases whenever capital works are undertaken which are not funded through grants, receipts, direct revenue contributions or appropriations from capital reserves.

4.5.2 The following table illustrates how the CFR is calculated with reference to the Council's overall balance sheet position as at 31 March 2011. The underlying need to borrow at the end of the last financial year was £318.578m against which the Council had external borrowing and long term liabilities of £277.893m this indicates that the Council has funded the gap £40.685m by utilising internal resources such as reserves and balances as a short term financing method.

BALANCE SHEET ANALYSIS AS AT 31 MARCH 2011								
	TOTAL	Capital Financing Requirement	Balances & Reserves	Stocks, Debtors & Creditors	Cash & Investments	Borrowing & Other Long Term Liabilities	Pensions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fixed Assets	909.056	909.056	0.000	0.000	0.000	0.000	0.000	909.056
Long Term Debtors	0.042	0.000	0.000	0.042	0.000	0.000	0.000	0.042
Current Assets	37.327	0.000	0.000	17.833	19.494	0.000	0.000	37.327
Current Liabilities	-53.241	0.000	0.000	-59.056	12.871	-7.056	0.000	-53.241
Net Current Assets	<b>893.184</b>	<b>909.056</b>	<b>0.000</b>	<b>-41.181</b>	<b>32.365</b>	<b>-7.056</b>	<b>0.000</b>	<b>893.184</b>
Borrowing and Long Term Liabilities	-347.788	0.000	0.000	0.000	0.000	-270.837	-76.951	-347.788
Total Assets Less Liabilities	<b>545.396</b>	<b>909.056</b>	<b>0.000</b>	<b>-41.181</b>	<b>32.365</b>	<b>-277.893</b>	<b>-76.951</b>	<b>545.396</b>
<b>Financed By</b>								
Reserves and Balances	-545.396	-590.478	-46.845	0.000	14.976	0.000	76.951	-545.396
<b>Balance at 31 March 2011</b>	<b>0.000</b>	<b>318.578</b>	<b>-46.845</b>	<b>-41.181</b>	<b>47.341</b>	<b>-277.893</b>	<b>0.000</b>	<b>0.000</b>
		Net Indebtedness	271.733	Net Cash & Equivalents	-271.733			

Summary Position at 31 March 2011	£'000	£'000
Balances and Reserves		-46.845
Cash & Investments	47.341	
Net Debtors and Creditors	-41.181	6.160
		<b>-40.685</b>
Capital Financing Requirement	318.578	
External Borrowing	-277.893	
<b>Internal Borrowing</b>		<b>40.685</b>

4.5.3 Following the Comprehensive Spending Review on 20 October 2010 HM Treasury instructed the Public Works Loan Board (PWLB) to increase the margin for new borrowing to an average 1% above the yield on the corresponding UK Government Gilt. New fixed rate borrowing increased by approximately 0.87% across all maturities and new variable rate borrowing by 0.90%. Premature repayment rates did not benefit from the increase in the margin which potentially makes future rescheduling of PWLB loans more challenging.

4.5.4 Given the budgetary pressures faced by the Council, the strategy followed during the year was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant. The use of internal resources in lieu of borrowing was judged the most cost effective means of funding £22.479m of capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this position continued over the first quarter of 2011/12, it was considered not to be a sustainable position over the mid to longer term. Consequently borrowing of £20.000m was taken in early August at an interest rate of 2.87% and a repayment period of 10 years. This is against on overall estimated borrowing requirement of £76.000m by 31 March 2013.

## 5 INVESTMENT ACTIVITY DURING 2010/11

5.1 With effect from 1<sup>st</sup> April 2010 the Local Government Investments (Scotland) Regulations 2010 No 122 allows Scottish authorities to define and use 'permitted investments'. The Council's permitted investments are those which identify with the Council's main priorities of security and liquidity. The Council sought yield commensurate with these priorities. Investments during the year included call accounts and deposits with Banks and Building Societies systemically important to the UK's banking system.

5.2 In accordance with the Regulations, the Council's Investment Strategy included a detailed assessment of credit risk, the limits placed on each type of investment and the reasons (if any) for borrowing in advance of need. The Council's Investment Strategy was underpinned by appropriate investment policies and practices. This was maintained by following the Council's counterparty policy as set out in the Treasury Management Strategy Statement for 2010/11 which was approved by Cabinet on 31 March 2010. Investment activity for the year to 31 March 2011 is shown in the following table.

	<u>Lowest Credit Rating</u>	<u>Type of Investment</u>	<u>Balance at 1/4/10</u>	<u>Investments Made to 31/03/11</u>	<u>Investments Repaid to 31/03/11</u>	<u>Balance at 31/03/2011</u>	<u>Average Rate @ 31/03/11</u>
Royal Bank of Scotland	A+	(Call Account)	£ 7,895,650.87	£ 40,408,515.90	£ 46,365,029.38	£ 1,939,137.39	0.75%
Royal Bank of Scotland	A+	(30 Day Notice)	£ -	£ 20,678,413.56	£ 18,168,019.68	£ 2,510,393.88	0.80%
Royal Bank of Scotland	A+	(60 Day Notice)	£ -	£ 3,538,784.30	£ 3,260,569.38	£ 278,214.92	0.85%
Bank of Scotland	A+	(Call Account)	£ 22,549.02	£ 5,503.51	£ 11.11	£ 28,041.42	0.50%
Clydesdale	A+	(Call Account)	£ 7,398,068.68	£ 95,928,599.46	£101,321,614.97	£ 2,005,053.17	0.50%
Clydesdale	A+	(15 Day Notice)		£ 47,172,515.25	£ 46,248,000.00	£ 924,515.25	0.75%
Clydesdale	A+	(30 Day Notice)		£ 14,461,534.07	£ 12,960,000.00	£ 1,501,534.07	0.80%
Santander	AA-	(Call Account)	£ 7,263,951.47	£ 28,957,435.05	£ 34,130,000.00	£ 2,091,386.52	0.80%
Santander	AA-	(15 Day Notice)		£ 22,905,948.95	£ 18,895,262.48	£ 4,010,686.47	0.80%
Barclays	AA-	(Call Account)	£ 4,004,573.61	£ 29,435,016.78	£ 33,439,588.92	£ 1.47	0.60%
Barclays	AA-	(100 Day Notice)	£ -	£ 6,032,478.20	£ 0.92	£ 6,032,477.28	0.95%
Bank of Scotland	A+	(Fixed term deposits)	£ 7,500,000.00	£ 15,100,000.00	£ 16,100,000.00	£ 6,500,000.00	1.49%
Nationwide	A+	(Fixed term deposits)	£ 3,000,000.00	£ 13,000,000.00	£ 10,000,000.00	£ 6,000,000.00	1.00%
Icelandic Banks	C		£ 2,078,865.98	£ -	£ 686,124.46	£ 1,392,741.52	0%
			<b>£39,163,659.63</b>	<b>£ 337,624,745.03</b>	<b>£341,574,221.30</b>	<b>£35,214,183.36</b>	<b>0.89%</b>

5.3 **Credit Risk:** Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. Counterparty credit quality has been maintained as demonstrated by the Credit Score Analysis summarised below. The table in Appendix 2 explains the methodology underpinning the credit score.

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Life (days)
31/03/2010	4.24	AA-	4.33	AA-	26
30/06/2010	4.26	AA-	4.34	AA-	36
30/09/2010	4.25	AA-	4.34	AA-	48
31/12/2010	4.21	AA-	4.33	AA-	34
31/03/2011	4.20	AA-	4.33	AA-	31

As shown in the table at 5.2 there has been no significant change in the counterparties used for placing investments during 2010/11. Therefore, there has been minimal movement in the credit risk scores during the year.

5.4 **Liquidity:** In keeping with Investment Regulations, the Council maintained a sufficient level of liquidity through the use of call accounts.

5.5 **Yield:** The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% throughout the year. Short term money market rates remained at very low levels (as shown in table 1 in Appendix 2) which had a significant impact on investment income.

5.6 **Return:** The Council's budgeted investment income for the year was estimated at £0.300m. The average cash balances, representing the Council's reserves and working balances, were £41.412m during the period and actual interest earned was £0.341m. The average rate of interest earned over the year was 0.82%; in comparison the London Interbank Bid Rate (LIBID), which is the rate used between banks, was 0.43%

#### 5.7 **Update on Investments with Icelandic banks**

Following guidance from CIPFA, issued in September 2010, and further developments within the financial year including guidance to support the preparation of the final accounts in May 2011, the following is now known:

- **Heritable** – It is now expected that 79p-85p/£ will be recovered in total. Repayments in 2010/11 were 6.27% in July, 4.14% in October and 4.72% in January. Repayments totalling 34.99% had been received in

the 2009/10 financial year. A further 6.25% was received in April 2011 and 4.05% in July 2011 bringing the total repaid to date to 60.42%.

- ***Kaupthing Singer Friedlander*** – It is now expected that 65p-78p/£ will be recovered in total. Repayments in 2010/11 were 10% in July and 8% in December. Repayments totalling 35% had been received in the 2009/10 financial year. A further 5% was received in May 2011 bringing the total repaid to date to 58%.

## **6 COMPLIANCE WITH PRUDENTIAL INDICATORS**

- 6.1 The Head of Finance confirms that the Council complied with its Prudential Indicators for 2010/11, which were set in March 2010 as part of the Council's Treasury Management Strategy Statement. Details can be found in Appendix 1.
- 6.2 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2010/11. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **7 CURRENT TREASURY PERFORMANCE AGAINST 2011/12 STRATEGY**

- 7.1 In accordance with the approved 2011/12 strategy, interest rates have been kept under review and in consultation with the Council's Treasury Advisors it was agreed to borrow £20.000m from the Public Works Loan Board at a variable rate of 2.87% variable interest rate. This will allow the overall interest rate position to remain under review and, should the spread between longer-term rates and variable rates narrow, allow consideration of locking into longer term fixed rate debt at a suitable future date.
- 7.2 The investment activity for the period 1 April to 31 July 2011 is summarised in the following table.

	<u>Lowest Credit Rating</u>	<u>Type of Investment</u>	<u>Balance at 1/4/11</u>	<u>Investments Made to 31/07/11</u>	<u>Investments Repaid to 31/07/11</u>	<u>Balance at 31/07/2011</u>	<u>Average Rate @ 31/07/11</u>
Royal Bank of Scotland	A+	(Call Account)	£ 1,939,137.39	£ 2,544,541.16	£ 3,210,000.00	£ 1,273,678.55	0.75%
Royal Bank of Scotland	A+	(30 Day Notice)	£ 2,510,393.88	£ 13,076,349.14	£ 14,470,000.00	£ 1,116,743.02	0.80%
Royal Bank of Scotland	A+	(60 Day Notice)	£ 278,214.92	£ 500,077.37	£ 275,000.00	£ 503,292.29	0.85%
Bank of Scotland	A+	(Call Account)	£ 28,041.42	£ 15.24	£ 20,000.00	£ 8,056.66	0.50%
Clydesdale	A+	(Call Account)	£ 2,005,053.17	£ 54,456,859.37	£ 54,502,000.00	£ 1,959,912.54	0.50%
Clydesdale	A+	(15 Day Notice)	£ 924,515.25	£ 4,411,605.41	£ 5,335,226.53	£ 894.13	0.75%
Clydesdale	A+	(30 Day Notice)	£ 1,501,534.07	£ 632.21	£ 1,502,163.91	£ 2.37	0.80%
Santander	AA-	(Call Account)	£ 2,091,386.52	£ 4,364,061.10	£ 3,478,000.00	£ 2,977,447.62	0.80%
Santander	AA-	(15 Day Notice)	£ 4,010,686.47	£ 16,025,081.53	£ 17,040,000.00	£ 2,995,768.00	0.80%
Barclays	AA-	(Call Account)	£ 1.47	£ 2,460,265.02	£ 2,400,000.00	£ 60,266.49	0.60%
Barclays	AA-	(100 Day Notice)	£ 6,032,477.28	£ 1,482,116.28		£ 7,514,593.56	1.00%
Bank of Scotland	A+	(Fixed term deposits)	£ 6,500,000.00	£ 6,180,000.00	£ 5,500,000.00	£ 7,180,000.00	1.49%
Nationwide	A+	(Fixed term deposits)	£ 6,000,000.00	£ 5,000,000.00	£ 4,000,000.00	£ 7,000,000.00	1.00%
Icelandic Banks	C		£ 1,392,741.52			£ 1,392,741.52	0%
			<b>£35,214,183.36</b>	<b>£ 110,501,603.83</b>	<b>£111,732,390.44</b>	<b>£ 33,983,396.75</b>	<b>0.89%</b>

7.3 Counterparty risk continues to be closely monitored with regular advice being received from the Council's treasury advisors Arlingclose Limited. At this time it is not considered necessary to vary the individual counterparty limits in terms of overall investment levels. These will however continue to be monitored and if necessary amended to reflect information from Arlingclose. Should this happen, any technical breach of the approved strategy will be reported to Cabinet together with the underlying rationale.

7.4 In line with the Treasury Management Strategy and amid concerns around counterparty risk, a number of deposits have been made in Money Market Funds (MMF's). These funds meet the criteria agreed within the strategy and have been approved for use by our treasury advisers Arlingclose. The use of MMF's is a further opportunity to reduce exposure to counterparties at a time when the markets are still experiencing some distress.

## 8 FINANCIAL IMPLICATIONS

8.1 There are no immediate financial implications arising from the report.

## 9 LEGAL AND POLICY IMPLICATIONS

9.1 The treasury management policies and practices have been complied with during the year.

## 10 RECOMMENDATIONS

10.1 It is recommended that Members:-

- i) note the contents of this report.

Alex McPhee  
Executive Director of Finance and Corporate Support

## **LIST OF BACKGROUND PAPERS**

NIL

Any person wishing further information on this report should contact Craig McArthur, Head of Finance, Tel: 01563 576513

## Appendix 1

### **Capital Financing Requirement**

Estimates of the Council's cumulative maximum external borrowing requirement for 2010/11 to 2012/13 are shown in the table below:

	31/3/2011 Estimate £m	31/3/2011 Actual £m	31/3/2012 Estimate £m	31/3/2013 Estimate £m
Capital Financing Requirement	326.730	318.577	370.102	394.640
<b>Less:</b> Existing Profile of Borrowing	(201.774)	(201.744)	(253.267)	(271.909)
<b>Less:</b> Other Long Term Liabilities	(71.093)	(71.093)	(69.193)	(67.293)
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>53.863</b>	<b>45.710</b>	<b>47.642</b>	<b>55.438</b>

### **Balances and Reserves**

Estimates of the Council's level of Balances and Reserves for 2010/11 to 2012/13 are as follows:

	31/3/2011 Estimate £000s	31/3/2011 Actual £000s	31/3/2012 Estimate £000s	31/3/2013 Estimate £000s
Balances and Reserves	50.673	55.995	51.216	44.907

### **Prudential Indicator Compliance**

#### **(a) Authorised Limit and Operational Boundary for External Debt**

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit, which should not be breached.
- The Council's Affordable Borrowing Limit was set at £351.159m for 2010/11.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst-case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2010/11 was set at £334.437m.
- The Head of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £274.073m.

#### **(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	<b>Limits for 2010/11 %</b>	<b>Maximum during 2010/11 %</b>
<b>Upper Limit for Fixed Rate Exposure</b>	150%	82.04%
Compliance with Limits:	Yes	Yes
<b>Upper Limit for Variable Rate Exposure</b>	40%	17.96%
Compliance with Limits:	Yes	Yes

#### **(c) Maturity Structure of Fixed Rate Borrowing**

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual Fixed Rate Borrowing as at 31/03/2011 £'m</b>	<b>% Fixed Rate Borrowing as at 31/03/2011</b>	<b>Compliance with Set Limits?</b>
under 12 months	10%	0%	0.032	0.02%	Yes
12 months and within 24 months	20%	0%	0.035	0.02%	Yes
24 months and within 5 years	50%	0%	0.552	0.33%	Yes
5 years and within 10 years	50%	0%	10.871	6.54%	Yes
10 years and within 20 years	50%	0%	34.168	20.56%	Yes
20 years and within 30 years	60%	0%	49.978	30.08%	Yes
30 years and within 40 years	70%	0%	21.538	12.96%	Yes
40 years and within 50 years	80%	0%	49.000	29.49%	Yes
50 years and above	90%	0%	-	-	Yes

(d) **Total principal sums invested for periods longer than 364 days**

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- No investments were made for a period greater than 364 days during this period.

## Appendix 2

The average, low and high rates correspond to the rates during the financial year and rather than the specific figures in the tables below

**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2010	0.50	0.35	0.35	0.42	0.51	0.81	1.26	1.54	2.07	2.82
30/06/2010	0.50	0.35	0.35	0.45	0.61	0.94	1.38	1.40	1.79	2.42
30/09/2010	0.50	0.30	0.25	0.51	0.72	1.01	1.46	1.24	1.51	2.05
31/12/2010	0.50	0.40	0.40	0.51	0.72	1.01	1.47	1.49	1.94	2.61
31/03/2011	0.50	0.30	0.50	0.54	0.80	1.11	1.58	1.85	2.31	2.96
Minimum	0.50	0.30	0.25	0.42	0.51	0.75	1.00	1.13	1.37	1.92
<b>Average</b>	<b>0.50</b>	<b>0.39</b>	<b>0.43</b>	<b>0.50</b>	<b>0.67</b>	<b>0.98</b>	<b>1.44</b>	<b>1.50</b>	<b>1.90</b>	<b>2.54</b>
Maximum	0.50	0.55	0.55	0.80	0.80	1.11	1.58	1.97	2.49	3.19
Spread		0.25	0.30	0.38	0.29	0.36	0.58	0.84	1.12	1.26

**Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	0.81	2.84	4.14	4.21	4.60	4.61	4.63
30/06/2010	171/10	0.67	2.27	3.54	3.62	4.22	4.28	4.27
30/09/2010	303/10	0.64	1.88	3.14	3.86	4.00	4.03	4.02
31/12/2010	430/10	1.65	3.33	4.58	5.18	5.23	5.20	5.16
31/03/2011	126/11	1.89	3.57	4.71	5.27	5.30	5.27	5.24
	Low	0.60	1.81	3.05	3.82	3.93	3.93	3.92
	<b>Average</b>	1.19	2.79	4.05	4.72	4.79	4.78	4.76
	High	1.99	3.84	5.00	5.50	5.55	5.53	5.48

**Table 3: PWLB Repayment Rates - Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	0.56	2.38	3.82	4.35	4.36	4.26	4.19
30/06/2010	171/10	0.44	1.86	3.23	3.98	4.05	4.00	3.97
30/09/2010	303/10	0.41	1.48	2.82	3.62	3.77	3.76	3.73
31/12/2010	430/10	0.54	2.04	3.39	4.07	4.12	4.05	3.99
31/03/2011	126/11	0.78	2.29	3.53	4.15	4.19	4.12	4.07
	Low	0.37	1.40	2.73	3.57	3.70	3.66	3.62
	<b>Average</b>	0.55	1.97	3.33	4.07	4.15	4.10	4.06
	High	0.88	2.54	3.94	4.47	4.46	4.38	4.35

**Table 4: PWLB Borrowing Rates – Fixed Rate, EIP Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	--	1.78	2.94	4.18	4.53	4.60	4.62
30/06/2010	171/10	--	1.38	2.36	3.58	4.06	4.23	4.27
30/09/2010	303/10	--	1.14	1.96	3.18	3.67	3.87	3.96
31/12/2010	430/10	--	2.43	3.42	4.62	5.05	5.19	5.23
31/03/2011	126/11	--	2.69	3.65	4.74	5.14	5.28	5.31
	Low		1.10	1.89	3.09	3.61	3.82	3.91
	<b>Average</b>		1.91	2.87	4.08	4.55	4.72	4.77
	High		2.88	3.93	5.03	5.38	5.51	5.55

**Table 5: PWLB Repayment Rates - Fixed Rate, EIP Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	--	1.40	2.59	3.89	4.27	4.35	4.37
30/06/2010	171/10	--	1.05	2.04	3.31	3.82	3.99	4.04
30/09/2010	303/10	--	0.83	1.65	2.91	3.43	3.63	3.73
31/12/2010	430/10	--	1.21	2.22	3.47	3.93	4.07	4.12
31/03/2011	126/11	--	1.47	2.46	3.60	4.02	4.16	4.20
	Low		0.75	1.57	2.82	3.36	3.59	3.68
	<b>Average</b>		1.17	2.15	3.41	3.90	4.08	4.14
	High		1.65	2.74	4.02	4.40	4.47	4.47

**Table 6: PWLB Variable Rates**

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2010	0.65	0.65	0.70			
30/06/2010	0.65	0.70	0.70			
30/09/2010	0.65	0.70	0.70			
31/12/2010	0.70	0.70	0.75	1.60	1.60	1.65
31/03/2011	0.67	0.76	0.88	1.57	1.66	1.78
Low	0.65	0.65	0.68	1.55	1.56	1.58
<b>Average</b>	0.66	0.68	0.73	1.57	1.61	1.68
High	0.70	0.79	0.90	1.60	1.69	1.80

**Table 7: Credit Score Analysis**

Scoring:

<b>Long-Term Credit Rating</b>	<b>Score</b>
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
Not rated	11
BB	12
CCC	13
C	14
D	15

*The value-weighted average reflects the credit quality of investments according to the size of the deposit. The time-weighted average reflects the credit quality of investments according to the maturity of the deposit*

*The Council aims to achieve a score of 5 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A+ for investment counterparties.*