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1. Background

The Treasury Management Strategy for 2013/14 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.

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."

In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Authority to report on any financial instruments entered into to manage treasury risks.

2. Economic Background

Growth: The UK economy showed some improvement, with consumer spending boosting growth. GDP for the first quarter of 2013 was revised up to +0.4% and for the second quarter was +0.7%. Recent data suggests a stronger rate in quarter three. Revisions by the Office of National Statistics to GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008-09 was deeper than previously estimated. GDP is now still over 3% below its peak back in 2007.

Some positive signs for household spending emerged. The deterioration in real earnings growth (i.e. earnings less inflation) slowed, which implied a slower erosion of purchasing power. Consumer confidence improved. Household savings rates remained high, which is unsurprising given the uncertain economic outlook, but appear to be on a downward track, suggesting spending was being driven by borrowing or lower savings. This raises questions about the sustainability of the recovery at these rates of growth.

Inflation: Annual CPI for August (published September) was 2.7%. Inflation fell in line with expectations and is expected to remain close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above $100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.

Monetary Policy: There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively. The main development for UK monetary policy was the start of Mark Carney's tenure as Governor and the implementation of forward guidance. Within the August Inflation Report, the Bank stated its forward guidance, the main element of which is to defer monetary tightening at least until the ILO Unemployment Rate falls to a threshold of 7% (among a raft of caveats). The Bank projected that the probability of this happening would remain below 50% until 2016. The Governor has had to defend the Bank's guidance in the face of rising financial market expectations of an earlier rate rise on the back of the encouraging economic data.

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In his testimony to Congress on 22nd May the US Federal Reserve Chairman Ben Bernanke stated that, if the nascent recovery in the US economy became established, the Fed would reduce its $85bn monthly asset purchase programme (QE). The apparent movement by the Fed towards tapering its open-ended QE programme prompted extreme asset price volatility in bonds and equities, as investors sought to crystallise gains driven by excessive liquidity. As a consequence, government bond yields spiked. There had been a growing expectation that the Federal Reserve would seek to commence 'tapering' in September but they took markets by surprise and maintained asset purchases at the existing level.

Global: Whilst the outlook for the global economy appeared to have improved over the first half of calendar 2013/14, significant economic risks remain, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the ECB to allow individual members and the Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region appears to be dragging itself out of recession and September's German general election passed with little incident but political uncertainties, particularly in Italy, could derail any progress towards a more balanced and stable regional economy. The US recovery appeared to be in train, but a lack of agreement on the federal budget by the end of September caused a partial government shutdown at the start of October, which could have an effect on GDP growth. Political risks also remain regarding the debt ceiling.

3. Debt Management

Borrowing Activity in 2013/14

	Balance on 01/04/2013 £m	Debt Maturing £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 30/09/2013 £m	Avg Rate % and Avg Life (yrs)
CFR	188.684				188.684	
Short Term Borrowing[1]	0	0	0	0	0	
Long Term Borrowing	185.456	0	0	0	185.456	3% - 25 years
TOTAL BORROWING	185.456	0	0	0	185.456	
Other Long Term Liabilities	0	0	0	0	0	
TOTAL EXTERNAL DEBT	185.456	0	0	0	185.456	
Increase/ (Decrease) in Borrowing £m	0				0	

PWLB Borrowing

The PWLB remains an attractive source of borrowing for the Authority as it offers flexibility and control. As concerns mounted over the timing of the removal or 'tapering' of QE by the US Federal Reserve, gilts sold off and yields rose in May and June. The sharp rise in gilt yields led to a corresponding rise in PWLB rates (see Appendix 2), with the most pronounced increase for 10 year loans where rates as at 30th September were 0.83% higher than 1st April. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds

[1] Loans with maturities less than 1 year.

would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

For the Authority the use of internal resources in lieu of borrowing has, therefore, continued to be the most cost effective means of funding £18.2m of capital expenditure in 2013/14. This has lowered overall treasury risk by reducing both external debt and temporary investments. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Authority's treasury advisor.

The Authority has funded none of its capital expenditure in 2013/14 so far from borrowing. The PWLB remains the Authority's preferred potential source of borrowing given the transparency and control that its facilities continue to provide.

£31.8m of PWLB variable rate loans have been borrowed in the past at an average rate of 0.62% which mitigates the impact of changes in variable rates on the Authority's overall treasury portfolio. Variable rate borrowing is expected to remain attractive for some time as the Bank of England maintains the base rate at historically low levels.

This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

Debt Rescheduling:
The increase in PWLB repayment rates during the quarter lowered the premium that would apply on premature redemption of loans, but the premia was still relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

A year after their commencement, the £185.456m of loans borrowed on 28th March 2012 for the HRA self-financing settlement became eligible for rescheduling. These loans were borrowed at one-off preferential rates made available specifically for the settlement. The increases in gilt yields and PWLB redemption rates have resulted in these loans presenting early repayment opportunities at close to par, i.e. with a very small premium or discount. However debt rescheduling would have involved the Authority refinancing at a much higher rate, i.e. gilts + 0.8% (certainty rate). For example 10-, 20- and 30-year self-financing maturity borrowing rates were around 2.4%, 3.3% and 3.5% respectively. The equivalent new borrowing certainty rates at 30th September for these maturities were 3.46%, 4.16% and 4.29% respectively.

The Authority will continue to first assess early repayment or rescheduling against the requirements of the HRA business plan and any future borrowing requirements. Where rescheduling is appropriate, the Authority will consider alternative refinancing to achieve cost savings and a reduction in risk.

4. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

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Investment Activity in 2013/14

Investments	Balance on 01/04/2013 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2013 £m	Avg Rate % and Avg Life (yrs)
Short Term Investments	38.059	135.294	131.855	41.498	0.73% 220 days
Long Term Investments	10.074			10.074	1.15% 1278 days
Investments in Pooled Funds (MMF)	5.000	10.000	10.000	5.000	--------
TOTAL INVESTMENTS	53.133	145.294	141.855	56.572	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14. New investments can be made with the following institutions:-

- Other Local Authorities;
- AAA-rated Money Market Funds;
- Call Accounts, Certificates of Deposit (CDs) and Term Deposits with select UK and non-UK Banks and Building Societies. The non-UK banks comprised those domiciled in Australia, Canada, USA and Europe.
- Treasury-Bills and DMADF (Debt Management Office);
- Gilts
- Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
- Pooled funds (collective investment schemes);

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings (the Authority's minimum long-term counterparty rating of A- or equivalent across 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; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2013	5.27	A+	2.71	AA
30/06/2013	5.23	A+	3.50	AA
30/09/2013	TBD	TBD	TBD	TBD

TBD – To be determined, an update will be provided at the meeting.

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 26
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

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Counterparty Update
In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so (Moody's had downgraded the UK's ratings in February to Aa1). Where assigned, local authorities' ratings, which benefit from an uplift due to their close and direct links to central government, were also downgraded.

The proposed sale of 632 Lloyds' branches to the Co-op Bank – referred to as Project Verde – fell through in April. These branches will now be transferred in September to TSB Bank, a new bank which will be sold through a listing on the stock market in 2014.

In May Moody's downgraded the long-term rating of Co-op Bank by six notches from A3 to Ba3 which is sub-investment grade. The downgrade reflected the agency's opinion that the bank faced the risk of further substantial losses in its non-core portfolio. In June the Co-op announced it had a £1.5bn regulatory capital shortfall requiring a recapitalisation via burden-sharing with junior creditors and asset disposals of its parent's insurance businesses. Moody's downgraded the bank's long-term rating a further four notches to Caa1 whilst Fitch downgraded the long-term from BBB- to BB-. The Co-op is no longer on our counterparty list.

In the Chancellor's Mansion House speech on 19th June he signalled his intention to sell the government's stake in the Lloyds Banking Group reasonably soon and a 6% stake was indeed sold to institutional investors on 17th September at a price of 75p. In a positive move, Fitch upgraded Lloyds' viability rating to bbb+. The situation was more complicated with RBS since its problems were greater and reflected in its share price. It appeared that a 'good bank' and 'bad bank' split for RBS was being favoured by the Chancellor and sat behind the announcement concerning the departure of RBS Chief Executive, Stephen Hester, who disagreed with that route.

Moody's placed the RBS's long-term of A3 and standalone financial strength rating of D+ on review for downgrade on 5th July 2013, amid concerns about the impact of any potential breakup of the bank on creditors. Although the probability of losses remains low there is a possibility of capital impairment especially as the government has clearly indicated that it will not put up any further taxpayers funds. As a precautionary measure the Authority has reduced its maximum duration on RBS investments to overnight. This also applies to National Westminster Bank plc, who are the Council's Bankers.

Maturities for new investments with financial institutions on the Authority's list are as shown in Appendix 3.

Budgeted Income and Outturn
The Authority's budgeted investment income for the year has been estimated at £0.446m. The average cash balances representing the Authority's reserves, working balances etc, were £57.5m during the period.

The UK Bank Rate has been maintained at 0.5% since March 2009 and not expected to rise until 2016/2017. Short-term money market rates have remained at very low levels (see Table 1 in Appendix 2). New deposits were made at an average rate of 0.86%. Investments in Money Market Funds were at an average rate of 0.56%. The Authority anticipates an investment outturn of £0.415m for the whole year.

Update on Investments with Icelandic Banks

- **Heritable** – The authority has now recovered 94% of its investments in Heritable Bank. It is possible that further distributions will be received, although the administrators have not made any further estimate of final recoveries yet.

CIPFA issued further guidance on the accounting treatment surrounding these transactions in September 2013 when LAAP 82 (update 8) was issued. "there was no evidence to suggest that there will be any further dividends in amounts that might be considered material. Such evidence may become available in future, for example through the medium of statutory reports to creditors issued by the Heritable administrators, at which point a further update to this bulletin will be considered".

5. Compliance with Prudential Indicators

The Authority can confirm that it has complied with its Prudential Indicators for 2013/14, which were approved by Council on 19th February 2013 as part of the Authority's Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16.

(which can be accessed through the following link

http://haako/Published/C00000296/M00006973/AI00039464/$ReportoftheCabinetTMSFinal.docA.ps.pdf) Details of treasury-related Prudential Indicators can be found in Appendix 1.

6. Outlook for Q3

At the time of writing this report in October 2013, the UK economic outlook appears to have improved. The projected path for growth has risen, but remains relatively subdued, with a distinct reliance on household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence. A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand. While the economic recovery may pick up steam, forward guidance from the Bank of England suggests that monetary policy is unlikely to be tightened until the ILO Unemployment Rate falls below 7%. Unless any one of 3 knock-out conditions are met, which would invalidate the guidance in the event that 1) CPI forecasts exceed 2.5% in 18-24 months; 2) if inflation expectations are not met; and 3) if monetary policy poses a threat to financial stability.
The Bank projected this Unemployment Rate level would be reached in 2016. The latest forecast for Bank Rate from our advisors Arlingclose is below:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Official Bank Rate												
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75
Arlingclose Centra	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

7. Summary

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 the first half of 2013/14. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

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Appendix 1

Borrowing in Comparison to the Capital Financing Requirement
Estimates of the Authority's cumulative maximum external borrowing requirement for 2013/14 to 2015/16 are shown in the table below:

	31/03/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/2015 Estimate £000s	31/03/2016 Estimate £000s
Gross CFR	188.684	188.684	188.684	188.684
Less: Other Long Term Liabilities	0	0	0	0
Borrowing CFR	**188.684**	**188.684**	**188.684**	**188.684**
Less: Existing Profile of Borrowing	185.456	185.456	185.456	185.456
Gross Borrowing Requirement/Internal Borrowing	**3.228**	**3.228**	**3.228**	**3.228**
Usable Reserves	**49.1**	**45.4**	**44.6**	**45.8**
Net Borrowing Requirement/Investment Capacity	**(45.872)**	**(42.172)**	**(41.372)**	**(42.572)**

In the Prudential Code Amendment (November 2012), it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

	31/03/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/2015 Estimate £000s	31/03/2016 Estimate £000s
CFR	188.684	188.684	188.684	188.684
Gross Debt	185.456	185.456	185.456	185.456
Difference	**3.228**	**3.228**	**3.228**	**3.228**
Borrowed in excess of CFR? (Yes/No)	**No**	**No**	**No**	**No**

Usable Reserves
Estimates of the Authority's level of Usable Reserves for 2013/14 to 2015/16 are as follows:

	31/03/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/2015 Estimate £000s	31/03/2016 Estimate £000s
Usable Reserves	49.1	45.4	44.6	45.8

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Prudential Indicator Compliance

(a) Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Director of Finance & ICT reports that the Authority had no difficulty meeting this requirement in 2012/13 and 2013/14 (to date), nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

(b) Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**
Non-HRA	4.293	4.293	2.230	1.221
HRA	13.918	13.918	16.223	15.074
Total	**18.211**	**18.211**	**18.453**	**16.295**

Capital expenditure will be financed or funded as follows:

Capital Financing	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**
Capital receipts	4.315	4.315	2.224	1.298
Government Grants	.987	.987	.569	.475
Major Repairs Allowance	8.709	8.709	9.960	8.822
Revenue contributions	4.200	4.200	5.700	5.700
Total Financing	**18.211**	**18.211**	**18.453**	**16.295**
Supported borrowing	0	0	0	0
Unsupported borrowing	0	0	0	0
Total Funding	**0**	**0**	0	**0**
Total Financing and Funding	**18.211**	**18.211**	**18.453**	**16.295**

The table above shows that the capital expenditure plans of the Authority can be funded entirely from sources other than external borrowing.

(c) Ratio of Financing Costs to Net Revenue Stream:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m
Non-HRA	-0.36	-0.36	-0.36	-0.42
HRA	16.20	16.20	15.77	15.54

(d) Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Non-HRA	33.544	33.544	**33.544**	33.544	33.544
HRA	155.14	155.14	**155.14**	155.14	155.14
Total CFR	**188.684**	**188.684**	**188.684**	**188.684**	**188.684**

(e) Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2013/14 £	2014/15 Estimate £	2015/16 Estimate £
Increase in Band D Council Tax	**-0.30**	-0.45	-0.28
Increase in Average Weekly Housing Rents	**-2.84**	-0.48	0.02

(f) Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Authority to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

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.

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The Authority confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2013/14; borrowing at its peak so far was £185.456m.

	Authorised Limit (Not Yet Approved) as at 31/03/2014 £000s	Operational Boundary (Not Yet Approved) as at 31/03/2014 £000s	**Actual External Debt** as at 30/09/2013 £000s
Borrowing	200.00	188.00	185.456
Other Long-term Liabilities	0	0	0
Total	**200.00**	**188.00**	**185.456**

(g) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the key recommendations in the CIPFA Treasury Management Code at its meeting on 19th February 2013.

The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

(h) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Authority 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.

	Approved Limits for 2013/14 £/%	Maximum during 2013/14 £/%
Upper Limit for Fixed Rate Exposure	100	93
Compliance with Limits:		Yes
Upper Limit for Variable Rate Exposure	25	7
Compliance with Limits:		Yes

(i) 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.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/9/2013 £000s	% Fixed Rate Borrowing as at 30/9/2013	Compliance with Set Limits?
under 12 months	100	0	0	0	Yes
12 months and within 24 months	100	0	0	0	Yes
24 months and within 5 years	100	0	0	0	Yes
5 years and within 10 years	100	0	0	0	Yes
10 years and within 20 years	100	0	0	0	Yes
20 years and within 30 years	100	0	153.656	100	Yes
30 years and within 40 years	100	0	0	0	Yes

(j) Upper Limit for Total principal sums invested for periods longer than 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2013/14 Approved £000s	30/9/2013 Actual £000s	31/03/2014 Estimate £000s	31/03/15 Estimate £000s
	30	**10**	**30**	**30**

(k) HRA Limit on Indebtedness

This indicator reports on the level of the limit imposed by the CLG at the time of the self-financing settlement (or subsequently amended) to which the HRA Capital Financing Requirement is compared.

	2013/14 Approved £000s	31/03/2014 Estimate £000s	31/03/15 Estimate £000s	31/03/16 Estimate £000s
HRA Debt Cap (as prescribed by CLG)	**185.457**	**185.457**	**185.457**	**185.457**
HRA CFR	**155.14**	**155.14**	**155.14**	**155.14**
Difference	**30.317**	**30.317**	**30.317**	**30.317**
HRA Debt (Actual)	**185.456**	**185.456**	**185.456**	**185.456**

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Appendix 2

Money Market Data and PWLB Rates

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

Please note that the PWLB rates quoted below relate to the standard rates. Those authorities eligible for Certainty Rate borrowing would be eligible for a 0.20% reduction.

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
01/04/2013	0.50	0.40	0.50	0.40	0.44	0.51	0.75	0.59	0.68	0.97
30/04/2013	0.50	0.50	0.47	0.40	0.44	0.51	0.75	0.57	0.64	0.91
31/05/2013	0.50	0.38	0.42	0.40	0.44	0.51	0.75	0.68	0.82	1.15
30/06/2013	0.50	0.43	0.38	0.40	0.44	0.51	0.75	0.78	0.99	1.52
31/07/2013	0.50	0.42	0.50	0.40	0.44	0.51	0.75	0.68	0.86	1.39
30/08/2013	0.50	0.43	0.41	0.41	0.44	0.51	0.76	0.81	1.10	1.71
30/09/2013	0.50	0.38	0.38	0.41	0.44	0.51	0.76	0.83	1.12	1.73
Average	**0.50**	**0.42**	**0.43**	**0.40**	**0.44**	**0.51**	**0.76**	**0.72**	**0.91**	**1.38**
Maximum	**0.50**	**0.50**	**0.50**	**0.45**	**0.53**	**0.65**	**0.84**	**0.95**	**1.32**	**1.99**
Minimum	**0.50**	**0.35**	**0.38**	**0.40**	**0.44**	**0.51**	**0.75**	**0.55**	**0.62**	**0.87**
Spread	--	**0.15**	**0.12**	**0.05**	**0.09**	**0.14**	**0.09**	**0.40**	**0.70**	**1.12**

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
01/04/2013	125/13	1.11	1.74	2.83	3.87	4.18	4.25	4.22
30/04/2013	166/13	1.16	1.72	2.72	3.74	4.06	4.13	4.08
31/05/2013	208/13	1.26	1.97	3.03	3.99	4.29	4.36	4.33
28/06/2013	248/13	1.22	2.34	3.49	4.30	4.52	4.56	4.54
31/07/2013	293/13	1.21	2.22	3.43	4.29	4.50	4.52	4.50
30/08/2013	335/13	1.28	2.53	3.74	4.43	4.54	4.54	4.53
30/09/2013	377/13	1.30	2.50	3.66	4.36	4.49	4.50	4.48
	Low	1.11	1.70	2.71	3.71	4.02	4.08	4.04
	Average	1.25	2.21	3.34	4.19	4.42	4.46	4.43
	High	1.40	2.80	3.99	4.62	4.71	4.72	4.71

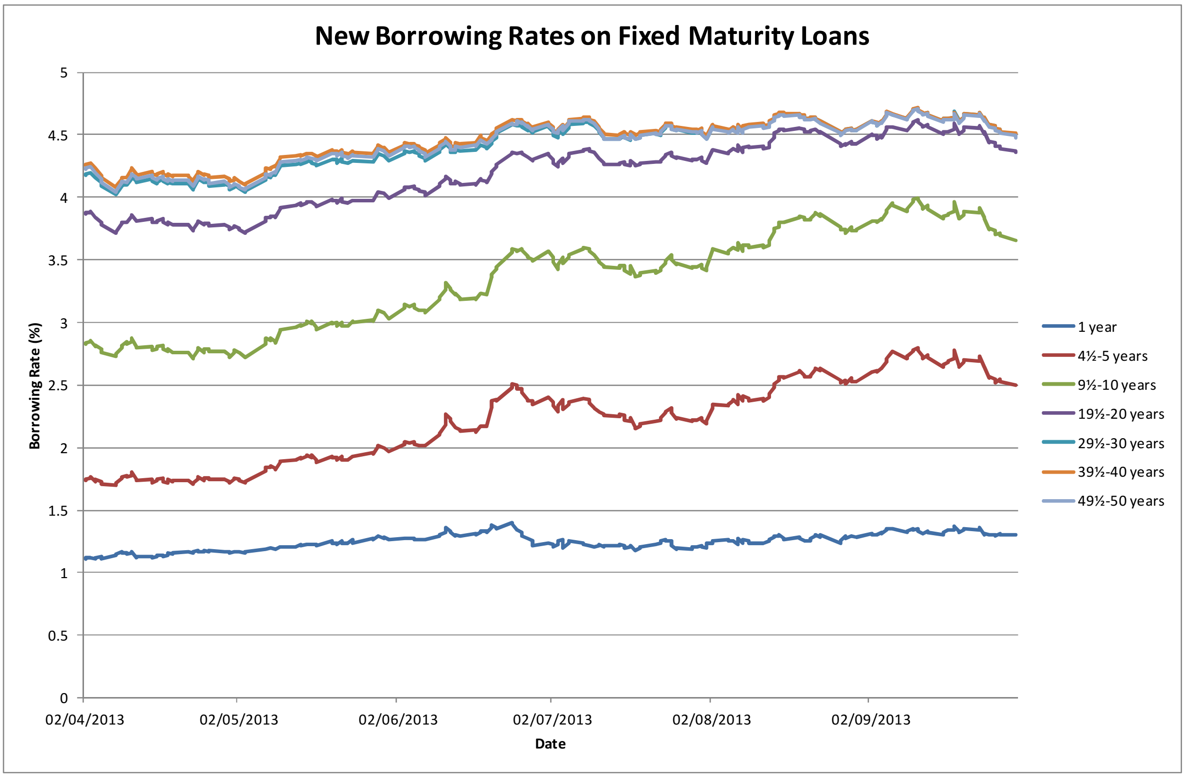

Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2013	125/13	1.30	1.80	2.87	3.52	3.88	4.08
30/04/2013	166/13	1.31	1.77	2.76	3.39	3.75	3.96
31/05/2013	208/13	1.49	2.02	3.07	3.67	4.00	4.19
28/06/2013	248/13	1.66	2.41	3.53	4.05	4.30	4.45
31/07/2013	293/13	1.58	2.29	3.47	4.04	4.30	4.44
30/08/2013	335/13	1.78	2.61	3.77	4.26	4.44	4.51
30/09/2013	377/13	1.79	2.58	3.69	4.17	4.37	4.45
	Low	1.29	1.76	2.75	3.37	3.72	3.91
	Average	1.61	2.28	3.38	3.93	4.20	4.35
	High	1.97	2.88	4.03	4.46	4.62	4.69

Semi-annual Treasury Outturn Report
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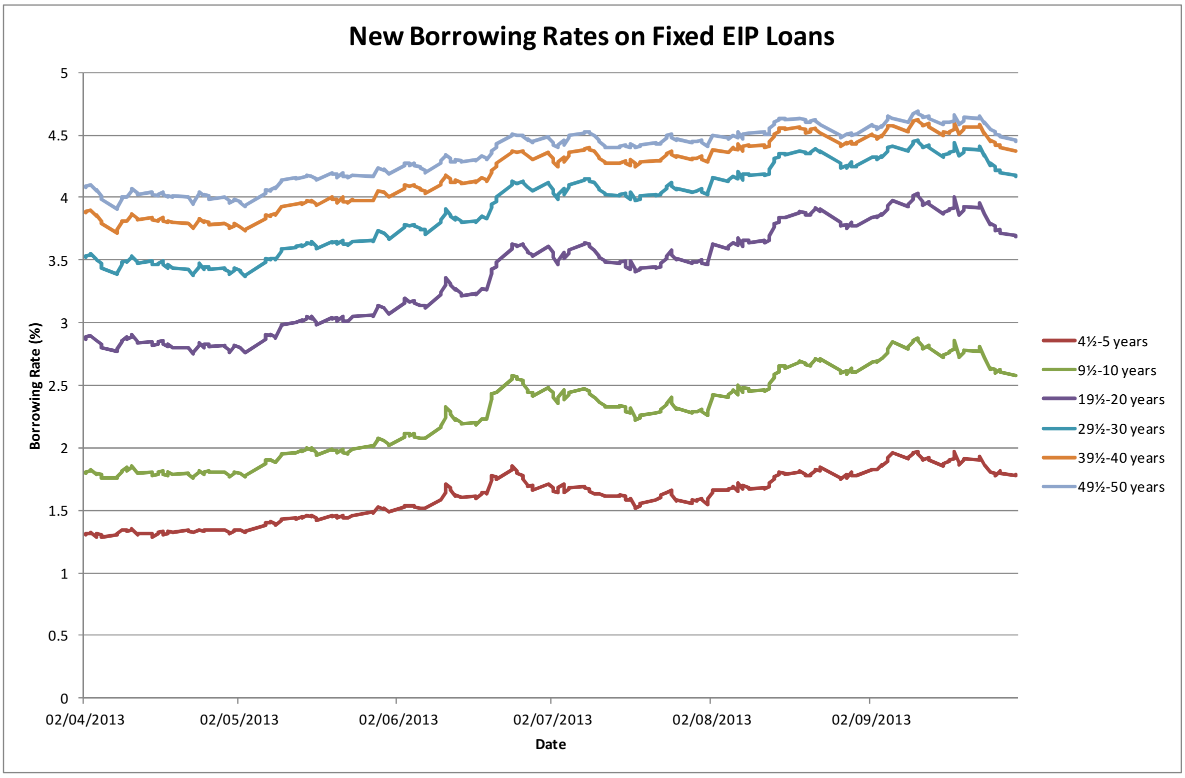

Table 4: PWLB Variable Rates

	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
01/04/2013	0.5700	0.5600	0.5500	1.4700	1.4600	1.4500
30/04/2013	0.5700	0.5500	0.5400	1.4700	1.4500	1.4400
31/05/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
28/06/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
31/07/2013	0.5500	0.5500	0.5500	1.4500	1.4500	1.4500
30/08/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
30/09/2013	0.5700	0.5700	0.5700	1.4700	1.4700	1.4700
Low	0.5500	0.5500	0.5400	1.4500	1.4500	1.4400
Average	0.5640	0.5607	0.5576	1.4640	1.4607	1.4576
High	0.5800	0.5700	0.5700	1.4800	1.4700	1.4700

Appendix 3

Maturity limits for new investments as at 30/09/2013

UK Institutions

- **Royal Bank of Scotland and National Westminster Bank for a maximum period of overnight;
  - Close Brothers, Santander UK for a maximum period of 100 days;
- Lloyds TSB and Bank of Scotland for a maximum period of 6 months;
- HSBC Bank, Standard Chartered, Nationwide BS and Barclays for a maximum period of 12 months.

Non-UK Institutions

- ING Bank NV, Credit Suisse, BNP Paribas, Credit Agricole CIB, Credit Agricole SA, Societe Generale for a maximum period of 100 days;
- Bank Nederlandse Gemeenten N.V., Deutsche Bank AG, Nordea Bank, Rabobank and Svenska Handelsbanken for a maximum period of 12 months;
- National Australia Bank, Westpac, ANZ, Commonwealth Bank of Australia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia and JP Morgan for a maximum period of 12 months.

** Note: RBS and Natwest were placed on review for possible downgrade by Moody's on 5th July. The current long-term rating assigned by Moody's to the institutions is A3, which is the lowest threshold of the Authority's minimum credit criteria. The maturity limits for new investments with both institutions have been restricted to overnight investments until such time as the rating review has been resolved. National Westminster Bank are also the Council's bankers.