**READING BOROUGH COUNCIL**
**REPORT BY HEAD OF FINANCE**

| | | | |
|---|---|---|---|
| **TO:** | **AUDIT & GOVERNANCE COMMITTEE** | | |
| **DATE:** | **25 SEPTEMBER 2014** | **AGENDA ITEM:** | **7** |
| **TITLE:** | **TREASURY MANAGEMENT 2014/15 ACTIVITY TO AUGUST** | | |
| **LEAD COUNCILLOR:** | **CLLR STEVENS** | **AREA COVERED:** | **CHAIR OF AUDIT & GOVERNANCE** |
| **SERVICE:** | **FINANCIAL** | **WARDS:** | **BOROUGHWIDE** |
| **AUTHOR:** | **ALAN CROSS** | **TEL:** | **2058/ 9372058** |
| **JOB TITLE:** | **HEAD OF FINANCE** | **E-MAIL:** | **Alan.Cross@reading.gov.uk** |

## 1. EXECUTIVE SUMMARY

1.1 This report sets out for the Committee information about the Council's treasury activities to the end of August in 2014/15. The report is based on a template provided by Arlingclose, the Council's treasury advisor, for Q1 activity updated to cover developments in July & August. There will be a short presentation at the Committee meeting to accompany this report.

## 2. RECOMMENDED ACTION

**2.1 Audit & Governance Committee is asked to note progress in implementing the 2014/15 treasury strategy.**

## 3. Background

3.1 The Council's Treasury Management Strategy for 2014/15 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, which includes the requirement for:

- The creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities.

- The creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives.

- The receipt by the authority of an annual strategy report for the year ahead and an annual review report of the previous year.

- The delegation by the authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

3.2 Treasury management in this context 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 the annual strategy and annual review reports, the Code of Practice recommends that councillors should receive at least one interim report during the year.

Practically in Reading we meet these requirements by providing a brief update as part of each budget monitoring report, and this "mid year" report, presented at the end of September, reporting activity to the end of August. This report therefore ensures the Council meets CIPFA's recommendations.

3.3 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk and is intended to explain how, so far during 2014/15

- the Council tried to minimise net borrowing costs over the medium term
- we ensured we had enough money available to meet our commitments
- we ensured reasonable security of money we have lent and invested
- we maintained an element of flexibility to respond to changes in interest rates
- we managed treasury risk overall

The remainder of this report has been prepared based on a template provided by Arlingclose Limited, the Council's treasury advisor.

## 3.4 External Context

**Growth:** The recent strong performance of the UK economy continued with output growing at 0.8% in Q1 2014. Although confirming that the UK has one of the fastest rates of economic growth in the western world, the breakdown did not provide any support towards the rebalancing of the economy, which remains a key plank of the government's economic strategy. House prices continued on their upward trend but there were some signs of cooling in the housing market evident from the fall in the number of housing transactions and new mortgage lending due to tighter lending standards following the introduction of the Mortgage Market Review in March.

**3.5 Unemployment:** The labour market continued to improve, with job growth strong and the headline unemployment rate falling to 6.4%. However, earnings growth weakened with total pay slowing to just 0.7% yearly growth in the three months to April and employment growth was masked by a large number on zero-hour contracts and working part-time involuntarily.

**3.6 Inflation:** CPI inflation for August fell to 1.5% year-on-year. Even though inflation is expected to tick marginally higher in coming months, it is still expected to remain just below the Bank's 2% target.

**3.7 UK Monetary Policy**: The MPC made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. However, there was a marked shift in tone from the Bank of England's Governor and other MPC members. In his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. The minutes of the MPC's June meeting outlined the Bank's central view that whilst wage growth and inflation had been weak, economic activity had been stronger than expected and the policy decision had therefore become more 'balanced' for some members on the Committee than earlier in the year.

3.8 The Bank's Financial Policy Committee also announced a range of measures to cool the UK's housing market to avert the potential of spiralling house prices derailing a sustainable economic recovery. Key recommendations included lenders stress-testing mortgage applicants can cope with a 3% rise in interest rates; putting a 15% cap on the number of mortgages at more than 4.5 times the borrower's income; and a separate Treasury pledge banning anyone applying for a loan through the Help to Buy scheme borrowing more than 4.5 times their income. The Prudential Regulation Authority also announced that it intends to consult on capital requirements for mortgages.

3.9 In June the European Central Bank announced interest rate cuts along with a raft of non-conventional measures to head off the growing threat of deflation in the Eurozone. The ECB cut main policy rates (refinancing rate) from 0.25% to 0.15% and, to encourage banks to lend to businesses and generate economic growth, it also cut the deposit rate to -0.10% which in effect means that commercial banks must pay for the privilege of depositing their funds at the central bank.

3.10 There was no change from the US Federal Reserve as the central bank kept policy on its current track with a reduction in asset purchases by $10 billion to $35 billion per month. The sharp downward revision to US GDP in Q1 to -2.9% annualised was strongly influenced by severe weather deterring consumers from going out and spending. GDP in Q2 of 2014 is expected to rebound, taking the annual average rate of growth over the last four quarters ending in Q2 to a more sustainable level of 2%.

**3.11** **Market reaction**: 2- and 3-year gilt yields rose by 0.15% over the quarter to June to 0.86% and 1.25% respectively, 5-year yields rose by a more muted 0.06% to 2.03%, 10- year and 20-year yields fell by 0.06% to 2.67% and 2.28% respectively whilst the 20-year gilt yield was down 0.1% to 3.35%.

**3.12 Local Context**

At 31/3/2014 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £438.3m (including £34m associated with PFI liabilities), while usable reserves and working capital which are the underlying resources available for investment were around £80m.

3.13 At 31/3/2014, the Authority had £320.4m of borrowing and £30.9m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to normally holding a minimum investment balance of £10m (for cash flow purposes).

3.14 The Authority has an increasing CFR over the next 3 years due to the capital programme, but minimal investments and will therefore be required to borrow up to £100m over the forecast period.

3.15 **Borrowing Strategy**

The Authority has not borrowed and does not expect to borrow in 2014/15, but towards the end of the year may pre-fund future years' requirements, and in doing so will not exceed the authorised limit for borrowing of £400m. The Authority's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

3.16 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 would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources instead.

3.17 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis.

Borrowing Activity in 2014/15

| | Balance on 01/04/2014 £m | Maturing Debt £m | New Borrowing £m | Balance on 31/08/2014 £m | Avg Rate % and Avg Life (yrs) |
|---|---|---|---|---|---|
| Short Term Borrowing[1] | 0.5 | 0.0 | 0.0 | 0.5 | <0.5/<1yr |
| Long Term Borrowing - PWLB | 289.9 | 0.0 | 0.0 | 289.9 | 3.55/29.7yrs |
| Long Term Borrowing – Market | 30.0 | 0.0 | 0.0 | 30.0 | 4.18/55.8yrs |
| **TOTAL BORROWING** | 320.4 | 0.0 | 0.0 | 320.4 | 3.60/32.1yrs |
| Other Long Term Liabilities | 34.0 | 0.0 | 0.0 | 34.0 | |
| **TOTAL EXTERNAL DEBT** | 354.4 | 0.0 | 0.0 | 354.4 | |

There has been no change in borrowing over the period.

**PWLB Certainty Rate and Project Rate Update:** The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2013. In April the Authority submitted its application to DCLG along with the 2014/15 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2014.

**LOBOs:** The Authority holds £30m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £15m of these LOBOS had options during the quarter, none of which were exercised by the lender. £30m of LOBOS have options during 2014/15 (some twice), so there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

**Debt Rescheduling:**
The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for

[1] Loans with maturities less than 1 year.

debt rescheduling activity. No rescheduling activity was undertaken as a consequence. No change in the debt portfolio has occurred in the year to date.

## Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2014/15 the Authority's investment balances would range between £20 and £80 million.

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.

### Investment Activity in 2014/15

| **Investments** | Balance on 01/04/2014 £m | Investments Made £m | Maturities/ Investments Sold £m | Balance on 31/08/2014 £m | Avg Rate/Yield (%) and Avg Life years) |
|---|---|---|---|---|---|
| Short term Investments - Deposits<br>- Banks and Building Societies with ratings of A or higher | 21.0 | 35.0 | 15.0 | 41.0 | 0.8%/0.4yr |
| Short term Investments – Call Accounts<br>- Banks and Building Societies with ratings of A or higher | 8.0 | Changes Daily | | 7.7 | 0.4% |
| Money Market Funds | 0.0 | Changes Daily | | 10.0 | 0.4% |
| - Bonds issued by Multilateral Development Banks<br>- Corporate Bonds | 4.9 | 0.0 | 0.0 | 4.9 | 3.4%/0.3yr |
| **TOTAL INVESTMENTS** | 33.9 | 35.0 | 15.0 | 63.6 | |
| Increase/ (Decrease) in Investments £m | | | | 29.7 | |

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 2014/15.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is [A-] across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

**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 |
|---|---|---|---|---|
| 31/03/2014 | 5.36 | A+ | 4.12 | AA- |
| 30/06/2014 | 5.46 | A+ | 5.78 | A |

*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*

In the 5 month period in our investment activity we have mainly placed money in call accounts (with instant access), but made various longer term deposits at higher rates of interest for up to 12 months.

**Counterparty Update**

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish within its two-year rating horizon for investment-grade entities, in April Standard & Poor's revised the Outlook of Barclays, Deutsche Bank, Credit Suisse and ING Bank from Stable to Negative. In May, Moody's also changed the outlook from stable to negative for 82 European banks and from positive to stable for two European banks. The only institutions affected on the Authority's prudent lending list is the Nationwide Building Society.

Moody's downgraded the long-term rating of Co-op Bank from Caa1 to Caa2 reflecting the agency's view that the ongoing deleveraging process at the Co-op will lead to a smaller and less systemically important institution, with the result there is a much reduced likelihood the UK government would commit taxpayer's money to inject capital into the bank if required. The Authority does not use the Co-op Bank as an investment counterparty. The Council keeps the balance in each current account as close to zero at the close of each business day/week. Lloyds bank has been selected to replace Co-Op and we will be transferring over in the second half of the year.

**Budgeted Income and Outturn**

The average short term cash balances were £10.9 m during the year to August. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in

Appendix 2). New longer term deposits were made at an average rate of about 0.8%. Investments in Money Market Funds generated an average rate of 0.4%. The Council's investment income for the year to date is currently £450k.

## Prudential Indicators

We have complied with its Prudential Indicators for 2014/15 which are legal limits, and all indicators except for our interest rate exposure have been within the limit set. Our interest rate exposure (which ranged between 111% and 125% during 2013/14 had been expected to fall below 120%, but owing to capital programme slippage (and consequent reduced borrowing in 2013/14 and strong cash flows in 2014/15) has been a little above the 120% indicator limit for most of July/August, but is expected to fall during the second half of the year following the normal September debt repayment.

### Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed:

| | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Upper limit on fixed interest rate exposure | 120% | 120% | 120% |
| Actual | 122% ave<br>128% peak | | |
| Upper limit on variable interest rate exposure | 50% | 50% | 50% |
| Actual | -13.7% | | |

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

| | Upper | Lower | Actual |
|---|---|---|---|
| Under 12 months | 25% | 0% | 8.3% |
| 12 months and within 24 months | 25% | 0% | 3.7% |
| 24 months and within 5 years | 25% | 0% | 8.6% |
| 5 years and within 10 years | 25% | 0% | 8.3% |
| 10 years & above | 100% | 40% | 74.7% |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

| | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Limit on principal invested beyond year end | £20m | £10m | £10m |
| Actual | £5m | £0m | £0m |

**Security**: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average [credit rating] or [credit score] of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

| | Target | Actual |
|---|---|---|
| Portfolio average credit score | *<7.0* | *5.86 (=A)* |

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

| | Target | Actual |
|---|---|---|
| Total cash available within 3 months | £10m | £10.9m average |

**Investment Training**
Officers have attended some seminars/events provided by Arlingclose (and one by CIPFA) to keep up to date with current treasury issue, or have plans to do so during the autumn.

**Outlook for the remainder of 2014/15**

The stronger economic growth seen in the UK over the past six months is likely to use up spare capacity more quickly than previously assumed. Arlingclose has brought forward the timing for the first rise in Bank Rate to Q3 2015.

The rhetoric from MPC members has certainly become more hawkish, but the lack of inflationary signals is expected to allow policymakers to hold off monetary tightening for longer than the market currently expects. However, the near-term risk is that the Bank Rate could rise sooner than anticipated, which is captured in the 'upside risk' range of our forecast table below.

The focus is now on the rate of increase and the medium-term peak and, in this respect, expects that rates will rise slowly and to a lower level than in the past.

| | Sep-14 | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Official Bank Rate** | | | | | | | | | | | |
| **Upside risk** | 0.25 | 0.25 | 0.25 | 0.50 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 |
| **Arlingclose Central Case** | **0.50** | **0.50** | **0.50** | **0.50** | **0.75** | **0.75** | **1.00** | **1.00** | **1.25** | **1.25** | **1.50** |
| **Downside risk** | | | | | 0.25 | 0.25 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 |

**Appendix 1**

## Prudential Indicators 2014/15

The Local Government Act 2003 requires the Authority to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Authority's current planned capital expenditure and financing is summarised as follows. The estimates below reflect the position at the end of August. The future years capital programme will be updated in the autumn for the budget in February.

| Capital Expenditure and Financing | 2013/14 Actual £m | 2014/15 Estimate £m | 2015/16 Estimate £m | 2016/17 Estimate £m |
|---|---|---|---|---|
| General Fund | 54.3 | **67.0** | 66.0 | 27.0 |
| HRA | 5.7 | **11.4** | 10.0 | 6.9 |
| **Total Expenditure** | **59.0** | **78.4** | **76.0** | **33.9** |
| Capital Receipts/S106/MRA | 13.5 | 20.3 | 16.1 | 8.2 |
| Government Grants | 18.4 | 31.9 | 8.5 | 4.2 |
| Borrowing | 27.1 | 26.2 | 51.4 | 21.5 |
| **Total Financing** | **59.0** | **78.4** | **76.0** | **33.9** |

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

| Capital Financing Requirement | 31.03.14 Actual £m | 31.03.15 Estimate £m | 31.03.16 Estimate £m | 31.03.17 Estimate £m |
|---|---|---|---|---|
| General Fund | 207.6 | **221.5** | 265.2 | 265.7 |
| HRA | 230.7 | **230.6** | 235.6 | 237.6 |
| **Total CFR** | **438.3** | **452.1** | **490.8** | **503.3** |

The CFR is forecast to rise by 65m over the next three years as capital expenditure financed by debt, mainly arising from the schools expansion programme outweighs resources put aside for debt repayment.

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the 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. This is a key indicator of prudence.

| **Debt** | **31.03.14 Actual £m** | **31.08.14 Actual £m** | **31.03.15 Estimate £m** | **31.03.16 Estimate £m** | **31.03.17 Estimate £m** |
|---|---|---|---|---|---|
| Borrowing | 320.4 | 320.4 | **314.1** | 355.0 | 370.0 |
| Finance leases | 0.0 | **0.0** | **0.8** | 0.8 | 0.8 |
| PFI liabilities | 34.0 | **(Est)33.8** | **33.4** | 32.6 | 31.9 |
| **Total Debt** | **354.4** | **354.2** | **348.3** | **388.4** | **401.7** |

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

| **Operational Boundary** | **2013/14 £m** | **2014/15 £m** | **2015/16 £m** | **2016/17 £m** |
|---|---|---|---|---|
| Borrowing | 390 | **390** | 400 | 410 |
| Other long-term liabilities | 40 | **40** | 40 | 40 |
| **Total Debt** | **430** | **430** | **440** | **450** |

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| Authorised Limit | 2013/14 £m | 2014/15 £m | 2015/16 £m | 2016/17 £m |
|---|---|---|---|---|
| Borrowing | 390 | **390** | 400 | 410 |
| Other long-term liabilities | 40 | **40** | 40 | 40 |
| **Total Debt** | **430** | **430** | **440** | **450** |

**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, net of investment income.

| Ratio of Financing Costs to Net Revenue Stream | 2013/14 Actual % | 2014/15 Estimate % | 2015/16 Estimate % | 2016/17 Estimate % |
|---|---|---|---|---|
| General Fund | 8.7 | **9.3** | 12.3 | 14.7 |
| HRA | 27.2 | **26.6** | 27.0 | 27.0 |

**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 the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme as set out above.

| Incremental Impact of Capital Investment Decisions | 2014/15 Estimate £ | 2015/16 Estimate £ | 2016/17 Estimate £ |
|---|---|---|---|
| General Fund - Increase in Band D Council Tax (in year) | **7.40** | 15.50 | 7.80 |
| General Fund - increase in annual Band D Council Tax | **31.26** | 65.10 | 32.93 |
| HRA - increase in average weekly rents | **0.28** | 0.32 | 0.05 |

## 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 below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 01/04/2014 | | 0.50 | | 0.36 | 0.39 | 0.42 | 0.46 | 0.56 | 0.84 | 1.05 | 1.44 | 2.03 |
| 30/04/2014 | | 0.50 | | 0.36 | 0.40 | 0.42 | 0.47 | 0.57 | 0.85 | 1.09 | 1.47 | 2.02 |
| 31/05/2014 | | 0.50 | | 0.35 | 0.40 | 0.43 | 0.48 | 0.67 | 0.87 | 1.11 | 1.46 | 1.98 |
| 30/06/2014 | | 0.50 | | 0.36 | 0.40 | 0.43 | 0.50 | 0.71 | 0.94 | 1.33 | 1.70 | 2.17 |
| 31/07/2014 | | 0.50 | | 0.37 | 0.41 | 0.43 | 0.50 | 0.72 | 0.97 | 1.34 | 1.71 | 2.17 |
| 29/08/2014 | | 0.50 | | 0.36 | 0.42 | 0.43 | 0.50 | 0.77 | 0.98 | 1.22 | 1.53 | 1.93 |
| | | | | | | | | | | | | |
| **Average** | | **0.50** | | **0.36** | **0.41** | **0.43** | **0.49** | **0.67** | **0.91** | **1.20** | **1.57** | **2.24** |
| **Maximum** | | **0.50** | | **0.41** | **0.50** | **0.43** | **0.50** | **0.81** | **0.98** | **1.38** | **1.77** | **2.42** |
| **Minimum** | | **0.50** | | **0.31** | **0.36** | **0.42** | **0.46** | **0.56** | **0.84** | **1.00** | **1.36** | **2.05** |
| **Spread** | | **--** | | **0.10** | **0.14** | **0.01** | **0.04** | **0.25** | **0.14** | **0.38** | **0.41** | **0.37** |

**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 |
|---|---|---|---|---|---|---|---|---|
| 01/04/2014 | 127/14 | 1.44 | 2.85 | 3.83 | 4.41 | 4.51 | 4.49 | 4.47 |
| 30/04/2014 | 166/14 | 1.45 | 2.86 | 3.79 | 4.37 | 4.46 | 4.43 | 4.41 |
| 31/05/2014 | 206/14 | 1.45 | 2.78 | 3.65 | 4.27 | 4.38 | 4.35 | 4.33 |
| 30/06/2014 | 248/14 | 1.63 | 2.95 | 3.74 | 4.30 | 4.40 | 4.36 | 4.34 |
| 31/07/2014 | 294/14 | 1.66 | 2.96 | 3.70 | 4.21 | 4.30 | 4.27 | 4.25 |
| 29/08/2014 | 334/14 | 1.55 | 2.70 | 3.38 | 3.88 | 3.97 | 3.94 | 3.93 |
| | | | | | | | | |

**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 |
|---|---|---|---|---|---|---|---|
| 01/04/2014 | 127/14 | 2.09 | 2.92 | 3.85 | 4.24 | 4.42 | 4.49 |
| 30/04/2014 | 166/14 | 2.12 | 2.93 | 3.82 | 4.20 | 4.38 | 4.45 |
| 31/05/2014 | 206/14 | 2.08 | 2.84 | 3.68 | 4.08 | 4.27 | 4.36 |
| 30/06/2014 | 248/14 | 2.29 | 3.01 | 3.76 | 4.12 | 4.30 | 4.38 |
| 31/07/2014 | 294/14 | 2.32 | 3.02 | 3.73 | 4.05 | 4.21 | 4.28 |
| 29/08/2014 | 334/14 | 2.13 | 2.75 | 3.40 | 3.72 | 3.89 | 3.95 |
| | | | | | | | |

**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** |
| 01/04/2014 | 0.55 | 0.56 | 0.57 | 1.45 | 1.46 | 1.47 |
| 30/04/2014 | 0.55 | 0.56 | 0.57 | 1.45 | 1.46 | 1.47 |
| 31/05/2014 | 0.55 | 0.57 | 0.58 | 1.45 | 1.47 | 1.48 |
| 30/06/2014 | 0.59 | 0.61 | 0.67 | 1.49 | 1.51 | 1.57 |
| 31/07/2014 | 0.58 | 0.61 | 0.69 | 1.48 | 1.51 | 1.59 |
| 29/08/2014 | 0.58 | 0.61 | 0.72 | 1.48 | 1.52 | 1.62 |
| | | | | | | |