CABINET
19 JULY 2011

ITEM NO. ....

TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2010/11

Responsible Cabinet Member – Councillor Stephen Harker
Efficiency and Resources Portfolio

Responsible Director – Paul Wildsmith Director of Resources

SUMMARY REPORT

Purpose of the Report

1. This report provides important information regarding the regulation and management of the Council's borrowing, investments and cash-flow. It is a requirement of the Council's reporting procedures and covers treasury activity for 2010/11. The report also seeks approval of the Prudential Indicators results for 2010/11 in accordance with the Prudential Code.

Summary

2. The financial year 2010/11 again presented exceptional circumstances with regard to treasury management. The stabilising in the economy, coupled with increased counterparty credit risk (the institutions that we invest with) presented the Council with continued issues not normally encountered. For Darlington Council the main implications of these exceptional circumstances have been:

    (a) Stabilising of investment returns, resulting in reduced investment income from that originally budgeted as this had been based on moderate increases in the base rate which didn't materialise.
    (b) Increase in counterparty risk led to a further reduced number of institutions that the Council could use to invest with.
    (c) An unexpected change in the policy of the Public Works Loan Board (PWLB) following the Budget announcement in October 2010 which resulted in an increase in borrowing rates of 0.75-0.85% without the resulting increase in rates for early redemption charges. This made new borrowing more expensive and rescheduling of PWLB debt less attractive.

3. It was expected that a small amount of borrowing would be taken during 2010/11 however due to a stable cashflow position throughout the year this was not required.

4. An additional Voluntary Repayment of Principal (VRP) of £1.000M was made at the end of 2010/11 using capital receipts in accordance with the Medium Term Financial Plan. This

has resulted in a reduction in the financing costs for years 2010/11 to 2014/15.

5. During 2010/11 the Council complied with its legislative and regulatory requirements. The need for borrowing was only increased for capital purposes.

6. At 31 March 2011, the Council's external debt was £80.860M with no increase from the previous year with an average interest rate of 3.22% reduced from 3.44% in 2009/10. Investments totalled £19.390M at 31st March 2011(£15.290M at 31 March 2010) earning interest of 0.97% on short term investments and 1.79% on longer term investments.

7. Financing costs have been reduced during the year and a saving of £0.906M achieved from the original MTFP primarily as a result of the VRP as outlined in paragraph 4 and other reductions in debt repayment due to the timing of capital expenditure.

Recommendation

8. It is recommended that:

   (a) The outturn 2010/11 Prudential Indicators within this report and those in **Appendix 1** be noted.

   (b) The Treasury Management Annual Report for 2010/11 be noted.

   (c) This report to be forwarded to Council, in order for the 2010/11 Prudential Indicators to be noted.

Reasons

9. The recommendations are supported by the following reasons:

   (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities.

   (b) To inform members of the Performance of the Treasury Management function.

   (c) To comply with the requirements of the Local Government Act 2003.

Paul Wildsmith
Director of Resources

Background Papers

1. Accounting Records
2. Annual Investment Strategy 2010/11
3. Prudential Indicators and Treasury Management Strategy Report 2010/11

Elaine Hufford : Extension 2447

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address
Carbon Impact	There are no issues relating to carbon impact
Diversity	There are no specific implications for diversity
Wards Affected	The proposals affect all wards
Groups Affected	The proposals do not affect any specific group
Budget and Policy Framework	The report does not change the Council's budget or Policy framework but needs to be considered by Council
Key Decision	This is not an Executive decision
Urgent Decision	This is not an Executive decision
One Darlington: Perfectly Placed	The proposals in the report support delivery of the Sustainable Community Strategy through appropriate and effective deployment of the Councils Resources
Efficiency	The report outlines movements in the national economic outlook that has enabled officers to take advantage of changing interest rates to benefit the Revenue MTFP. Capital receipts have been utilised to repay debt allowing further savings to be made to this Revenue MTFP and future years

MAIN REPORT

Information and Analysis

10. This report summarises:

    (a) Capital expenditure and financing for 2010/11
    (b) Overall borrowing need
    (c) Treasury position at 31 March 2011
    (d) Prudential indicators and compliance issues
    (e) The economic background for 2010/11
    (f) The Treasury Management Strategy agreed for 2010/11
    (g) Treasury Management activity during 2010/11
    (h) Performance and risk

11. Throughout this report a number of technical terms are used, a glossary of terms can be found at the end of this report.

The Council's Capital Expenditure and Financing 2010/11

12. The Council undertakes capital expenditure on long term assets, which is financed either,

    (a) immediately through capital receipts, capital grants, contributions and from revenue; or
    (b) by borrowing.

13. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cashflow, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost and then optimise performance.

14. Capital Expenditure forms one of the prudential indicators that are used to regulate treasury activity. Table 1 shows total expenditure and how this was financed, compared with what was expected to be spent and how this would have been financed. Actual expenditure was £13.540M less than planned, resulting in £3.327M less borrowing being required.

Table 1 – Capital Expenditure and Financing

	2009/10	2010/11		
	Outturn £m	Revised Estimate £m	Outturn £m	Variance £m
General Fund Capital Expenditure	28.095	28.873	19.219	-9.654
HRA Capital Expenditure	11.305	14.089	10.203	-3.886
Total Capital Expenditure	**39.400**	**42.962**	**29.422**	**-13.540**
Resourced by:				
Capital Receipts	0.630	0.621	1.241	0.620
Capital Grants	24.256	24.246	17.484	-6.762
Capital Contributions	0.791	2.134	0.637	-1.497
Revenue	3.338	2.573	-	-2.573
Total Resources	**29.015**	**29.574**	**19.362**	**10.212**
Borrowing needed to finance 2010/11 expenditure	**10.385**	**13.388**	**10.061**	**-3.327**

The Council's Underlying Borrowing Need

15. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The figure is a gauge for the Council's debt position. It represents 2010/11 and prior years net capital expenditure which has not yet been paid for by revenue or other resources.

16. The General Fund element of the CFR is reduced each year by a statutory charge to the revenue accounts called the Minimum Revenue Provision (MRP). The total CFR can also be reduced each year through a Voluntary Revenue Provision (VRP).

17. In accordance with the MTFP agreed in March a VRP of £1.000M was made during 2010/11 using capital receipts. This repayment resulted in savings to the MTFP of £0.401M for 2010/11, and a further £0.599M over the life of the MTFP.

18. The Council's CFR for the year is shown in table 2 below, and represents a key prudential indicator. A key accounting change for 2010/11 was the inclusion of some operating leases reclassified as finance leases which increases the Council's borrowing need, the CFR. No additional borrowing is actually required against these schemes as this has already been accounted for within the leasing contracts. The CFR outturn for 2010/11 is £4.958M below the approved indicator.

Table 2 - Capital Financing Requirement

	2009/10	2010/11		
	Outturn £m	Approved Indicator £m	31 March Actual £m	Variance £m
Opening Balance	130.591	136.080	136.070	-0.010
Add Capital Expenditure financed by borrowing	10.385	13.388	10.061	-3.327
Add adjustment for the inclusion of on balance sheet leases under IFRS		2.500	1.761	-0.739
Less MRP / VRP Including PFI and Leases	-4.906	-5.539	-6.421	-0.882
		-		
Closing balance	**136.070**	**146.429**	**141.471**	**-4.958**

Treasury Position at 31 March 2011

19. Whilst the measure of the Council's underlying need to borrow is the CFR, the Director of Resources can manage the Council's actual borrowing position by:

    (a) borrowing to the CFR level; or
    (b) choosing to utilise some temporary cash flows instead of borrowing ("under borrowing"); or
    (c) borrowing for future increases in CFR (borrowing in advance of need, the "over borrowed" amount can be invested).

20. The financial reporting practice that the Council is required to follow (the Statement of Recommended Practice (SORP)), changed in 2007/08. Financial instruments (borrowing and investments etc) must now be reported in the Statement of Accounts in accordance with national Financial Reporting Standards. The figures in this report are based on actual amounts borrowed and invested and so will differ from those in the Statement of Accounts.

21. The Council's total debt outstanding at 31 March 2011 was £80.860M plus the outstanding liability relating to the PFI scheme and finance leases of £24.023M totalling £104.883M. The aim was to manage it to the Council's revised CFR position £146.429M. This meant when compared to our actual CFR £141.471M that the Council was "under borrowed" by £36.588M, this "under borrowed" amount was financed by internal borrowing i.e. the amount invested externally was reduced to cover this. The treasury position at the 31 March 2011, including investments compared with the previous year is shown in table 3 below.

Table 3 – Summary of Borrowing and Investments

Treasury Position	31 March 2010		31 March 2011	
	Principal £m	**Average Rate %**	**Principal £m**	**Average Rate %**
Fixed Rate Debt Market and Public Works Loan Board (PWLB)	80.860	3.44	80.860	3.22
Total Debt	**80.860**	**3.44**	**80.860**	**3.22**
Cashflow Investments	8.290	2.17	13.390	0.97
Capital Investments	7.000	3.29	6.000	1.79
Total Investments	**15.290**		**19.390**	
Net borrowing position	**65.570**		**61.470**	

Prudential Indicators and Compliance Issues

22. Some prudential indicators provide an overview while others are specific limits on treasury activity. These indicators are shown below:

23. **Net Borrowing and the CFR –** Over the medium term the Council's external borrowing, net of investments, must only be for capital purposes. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2010/11 plus the expected changes to the CFR over 2011/12 and 2012/13. Table 4 highlights the Council's net borrowing position against CFR. The Council has complied with this prudential indicator.

Table 4 – Net Borrowing Compared with CFR

	31 March 2010 Actual £m	31 March 2011 Approved Indicator £m	31 March 2011 Actual £m
Net Borrowing Position	**65.570**	**65.860**	**61.470**
CFR Excluding PFI & leases	**111.992**	**121.381**	**117.448**
CFR	**136.070**	**146.429**	**141.471**

24. **The Authorised Limit –** The Authorised Limit is the "Affordable Borrowing Limit" required by section 3 of the Local Government Act 2003. The Council does not have power to borrow above this level.

25. **The Operation Boundary –** The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are both acceptable, subject to the Authorised Limit not being breached.

26. **Actual financing costs as a proportion of net revenue expenditure -** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue expenditure.

Table 5 – Key Prudential Indicators

	Actual 2009/10 £M	Original Approved Limits 2010/11 £M	Revised Approved Limits 2010/11 £M	Actual Total Liabilities Borrowing + PFI 2010/11 £M
Approved Indicator – Authorised Limit	**125.772**	**135.079**	**126.717**	
Approved Indicator – Operational Boundary	**104.948**	**122.799**	**116.048**	**104.883**
Financing costs as a percentage of net revenue expenditure	**4.04%**	**4.70%**	**4.76%**	**4.21%**

27. At 31 March 2011 the total liabilities of £104.883M were below both the Authorised Limit and the Operational Boundary.

28. A further six prudential indicators are detailed in **Appendix 1**.

Economic Background for 2010/11

29. A summary of the general economic conditions that have prevailed through 2010/11 provided by Sector, the Council's treasury management advisors is attached at **Appendix 2.**

Summary of the Treasury Management Strategy agreed for 2010/11

30. The revised Prudential Indicators anticipated that during 2010/11 the Council would need to borrow £13.388M to finance part of its capital programme.

31. The Annual Investment Strategy stated that the use of specified (usually less than 1 year) and non-specified (usually more than 1 year) investments would be carefully balanced to ensure that the Council has appropriate liquidity for its operational needs. In the normal course of the Council's business it is expected that both specified and non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

32. Longer term instruments (greater than one year from inception to repayment) will only be used where the Council's liquidity requirements are safeguarded. An estimate of long term investments (over 1 year) were included in the report on the Prudential Indicators update these were as follows £10M for 2010/11, £10M for 2011/12 and £15M for 2012/13. However in view of the prevailing interest rates and counterparty risk no investments were made for longer than 1 year.

Treasury Management Activity during 2010/11

Debt Position

33. **Borrowing –** One new loan of £13.750M was taken to replace a maturing variable rate loan. This fixed market loan (not with PWLB) has an interest rate of 2% for the next three years with a variable rate thereafter.

34. **Rescheduling –** No loans were rescheduled during 2010/11

35. **Repayment -** 3 loans totalling £13.750M were due for repayment during 2010/11, these maturing loans were replaced with 1 loan as described in paragraph 33.

36. **Summary of Debt Transactions –** The overall position of the debt activity resulted in an average interest rate of 3.22% compared with 3.44% for 2010/11.

Investment Position

37. **Investment Policy –** the Council's investment policy for 2010/11 is governed by the Department of Communities and Local Government Guidance which has been implemented in the annual investment strategy for 2010/11 approved by Council on 25 February 2010.

38. The investment activity during the year conformed to the approved Strategy and the Council had no liquidity difficulties.

39. Investments held by the Council consist of temporary surplus balances, capital receipts and other funds as detailed below:

Table 6 - Temporary Surplus Cash Balances

	Approved Revised Budget 2010/11	Actual 2010/11
Monthly Average level of Investments	**£15.600M**	**£18.100M**
Average Rate of Return on Investment	**1.29%**	**0.97%**
Interest Earned	**£0.201M**	**£0.176M**

Table 7 - Capital Receipts and Funds

	Approved revised Budget 2010/11	Actual 2010/11
Monthly Average level of Investments	**£9.000M**	**£8.500M**
Average Rate of Return on Investment	**1.77%**	**1.79%**
Interest Earned	**£0.160M**	**£0.153M**

40. In addition to the above further investment income was due from Durham County Council relating to the Council's holding in Newcastle International Airport Ltd (NIAL), which was

transferred from Durham County Council towards the end of 2003/04. NIAL has not declared a dividend for 2010 however £19,500 is due to Darlington Borough Council for interest on loans relating to 2010/11.

Performance and Risk Benchmarking

41. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in Table 10. Discrete security and liquidity benchmarks are new requirements to the member reporting. These were first set in the Treasury Strategy report of the 25th February 2010.

42. The following reports the current position against the benchmarks originally approved.

43. Security – The Council's maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables was set as follows:

    0.03% historic risk of default when compared to the whole portfolio

44. The investment portfolio was maintained within this overall benchmark during this year to date as shown in Table 8.

Table 8

Maximum	Benchmark 2010/11	Actual May 2010	Actual August 2010	Actual October 2010	Actual March 2011
Year 1	0.03%	0.00%	0.00%	0.01%	0.005%
Year 2	0.00%	0.00%	0.00%	0.00%	0.00%
Year 3	0.00%	0.00%	0.00%	0.00%	0.00%

45. The counterparties that we use are all high rated therefore our actual risk of default based on the ratings attached to counterparties is virtually nil.

46. Since this benchmark was introduced default histories for the banking sector have now increased due to the banking crisis, had the benchmark been established now this would be set at a higher rate. However this would not indicate that the Council had changed its risk profile or would be looking at increasing its risk simply how it is benchmarking risk.

47. Liquidity – In respect of this area the Council set liquidity facilities/ benchmark to maintain

    (a) Bank Overdraft -£0.500M
    (b) Liquid short term deposits of at least £3.000M available within a weeks notice
    (c) Weighted Average Life benchmark is expected to be 0.5 years with a maximum of 1.25years

48. Liquidity arrangements have been adequate for the year to date as shown in Table

Table 9

	Benchmark	Actual May 2010	Actual August 2010	Actual October 2010r	Actual March 2011

Weighted Average life	**0.5 to 1.25 years**	**0.2 years**	**0.3 years**	**0.36 years**	**0.18years**

49. This is a new benchmark that may need to be adjusted over time and depending on the economic financial outlook. It was set expecting that some investments would be made for more than 1 year, but because of the current economic climate new investments are just being made up to 1 year so the actual weighted average life is lower than expected.

50. The Council are at present holding some investments in Bank Call accounts, which allow withdrawal without notice, these are currently paying a better rate of interest than some medium term fixed investments so these increase our liquidity thereby reducing the weighted average life of our investments without sacrificing yield.

51. **Yield -** In respect of this area performance indicators relating to interest rates for borrowing and investments were set with reference to comparative interest rates. For borrowing, the indicator is the average rate paid during the year compared with the previous year. Investment rates are compared with a representative set of comparative rates.

Table 10 – Performance Compared With Indicators

Borrowing	Average overall rate paid compared to previous years	**2009/10** 3.44%	**2010/11** 3.22%
Investments		**Average comparative rates**	**DBC**
Short term	Cash flow investment rate returned against comparative average rate	0.37%	0.97%
Long term	Capital investment rate returned against comparative average rates	0.91%	1.79%
Comparative rates used to compare DBC performance: -		**Short Term Investments**	**Long Term Investments**
Comparative Rates			
Local Authority 2 day rate		0.36%	
Local Authority 7 day rate		0.36%	
Local Authority 6 month rate			0.93%
Local Authority 12 month rate			1.36%
London Inter Bank Bid (LIBID) 7 day rate		0.43%	0.43%
Average		**0.37%**	**0.91%**

52. As can be seen from the table, the actual investment rate achieved for short term investments exceeds the average of comparative rates for both short term and longer term investments. This is essentially because a number of our investments were placed when interest rates were higher.

Risk

53. The Council’s treasury management activities are regulated by a variety of professional codes, statutes and guidance:-

    (a) The Local Government Act 2003(the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity.

    (b) The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2008/09).

    (c) Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act.

    (d) The SI requires the Council to undertake any borrowing activity with regard to the CIFPA Prudential Code for Capital Finance in Local Authorities.

    (e) The SI also requires the Council to operate the overall treasury function with regard to the CIPFA code of Practice for Treasury Management in Public Services.

    (f) Under the Act the Department for Communities and Local Government has issued Investment Guidance to structure and regulate the Council’s investment activities.

    (g) Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

54. The Councils Treasury Management function has complied with all of the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.

55. Officers of the Council are aware of the risks of passive management of the treasury portfolio and, with the support of Sector the Council’s advisers, have proactively managed the debt and investments over the year.

Conclusion

56. The Council’s treasury management activity during 2010/11 has been carried out in accordance with Council Policy and within legal limits. Financing costs have been reduced during the year and a saving of £0.906M achieved from the original MTFP this is as a result of a number of actions taken throughout the year to manage the financing costs in the changing economic climate.

Outcome of Consultation

57. No formal consultation has been undertaken regarding this report.

APPENDIX 1

Additional Prudential Indicators not reported in the body of the report

		2009/10 Actual	2010/11 Approved Indicator	2010/11
1	**Incremental impact of capital investment decisions on the Band D Council tax**	**£0.28**	**£0.58**	**£0.15**
2	**Incremental impact of capital investment decisions on the housing rent levels**	**Nil**	**Nil**	**Nil**
3	**Upper limits on fixed interest rates (*against maximum position*)**	**100%**	**100%**	**80%**
4	**Upper limits on variable interest rates (*against maximum position*)**	**25%**	**40%**	**25%**
5	**Maturity structure of fixed rate borrowing (*against maximum position*)**			
	Under 12 months	**17%**	**25%**	**8%**
	12 months to 2 years	**8%**	**40%**	**7%**
	2 years to 5 years	**11%**	**60%**	**4%**
	5 years to 10 years	**0%**	**80%**	**0%**
	10 years and above	**64%**	**100%**	**81%**
6	**Maximum Principal funds invested greater than 364 days**	**£6.0M**	**£10M**	**£0M**

The Economic Background 2010/11

1. 2010/11 proved to be another watershed year for financial markets. Rather than a focus on individual institutions, market fears moved to sovereign debt issues, particularly in the peripheral Euro zone countries. Local authorities were also presented with changed circumstances following the unexpected change of policy on Public Works Loan Board (PWLB) lending arrangements in October 2010. This resulted in an increase in new borrowing rates of 0.75 – 0.85%, without an associated increase in early redemption rates. This made new borrowing more expensive and repayment relatively less attractive.

2. UK growth proved mixed over the year. The first half of the year saw the economy outperform expectations, although the economy slipped into negative territory in the final quarter of 2010 due to inclement weather conditions. The year finished with prospects for the UK economy being decidedly downbeat over the short to medium term while the Japanese disasters in March, and the Arab Spring, especially the crisis in Libya, caused an increase in world oil prices, which all combined to dampen international economic growth prospects.

3. The change in the UK political background was a major factor behind weaker domestic growth expectations. The new coalition Government struck an aggressive fiscal policy stance, evidenced through heavy spending cuts announced in the October Comprehensive Spending Review, and the lack of any “giveaway” in the March 2011 Budget. Although the main aim was to reduce the national debt burden to a sustainable level, the measures are also expected to act as a significant drag on growth.

4. Gilt yields fell for much of the first half of the year as financial markets drew considerable reassurance from the Government’s debt reduction plans, especially in the light of Euro zone sovereign debt concerns. Expectations of further quantitative easing also helped to push yields to historic lows. However, this positive performance was mostly reversed in the closing months of 2010 as sentiment changed due to sharply rising inflation pressures. These were also expected (during February / March 2011) to cause the Monetary Policy Committee to start raising Bank Rate earlier than previously expected.

5. The developing Euro zone peripheral sovereign debt crisis caused considerable concerns in financial markets. First Greece (May), then Ireland (December), were forced to accept assistance from a combined EU / IMF rescue package. Subsequently, fears steadily grew about Portugal, although it managed to put off accepting assistance till after the year end. These worries caused international investors to seek safe havens in investing in non-Euro zone government bonds.

6. Deposit rates picked up modestly in the second half of the year as rising inflationary concerns, and strong first half growth, fed through to prospects of an earlier start to increases in Bank Rate. However, in March 2011, slowing actual growth, together with weak growth prospects, saw consensus expectations of the first UK rate rise move back from May to August 2011 despite high inflation. However, the disparity of expectations on domestic economic growth and inflation encouraged a wide range of views on the timing of the start of increases in Bank Rate in a band from May 2011 through to early 2013. This sharp disparity was also seen in MPC voting which, by year-end, had three members voting for a rise while others preferred to continue maintaining rates at ultra low levels.

7. Risk premiums were also a constant factor in raising money market deposit rates beyond 3 months. Although market sentiment has improved, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, mean that investors remain cautious of longer-term commitment. The European Commission did try to address market concerns through a stress test of major financial institutions in July 2010. Although only a small minority of banks "failed" the test, investors were highly sceptical as to the robustness of the tests, as they also are over further tests now taking place with results due in mid-2011.

Chart 1: Bank Rate v LIBID investment rates

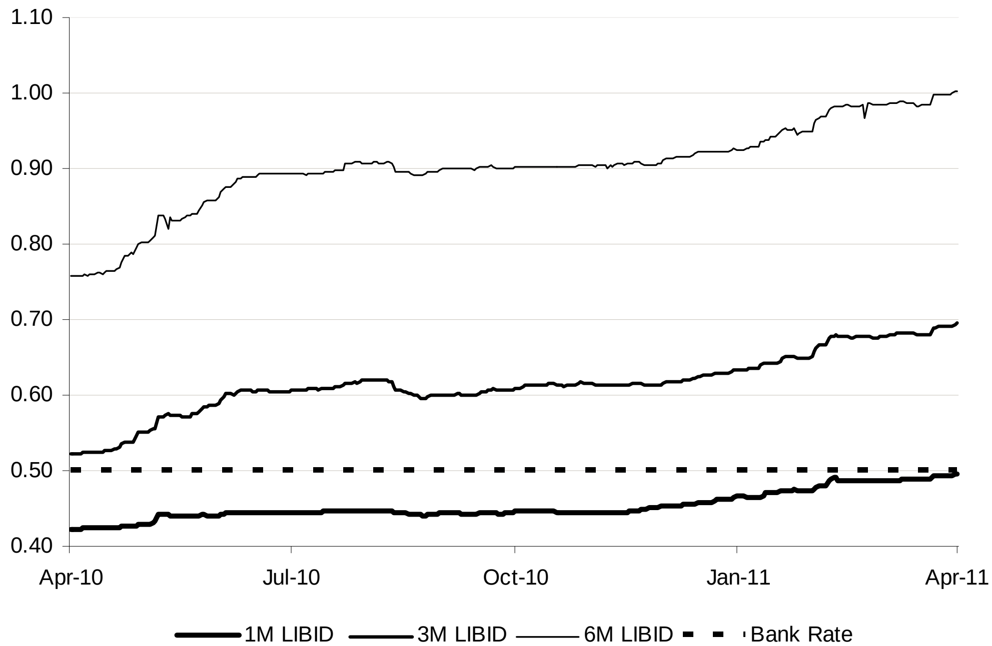
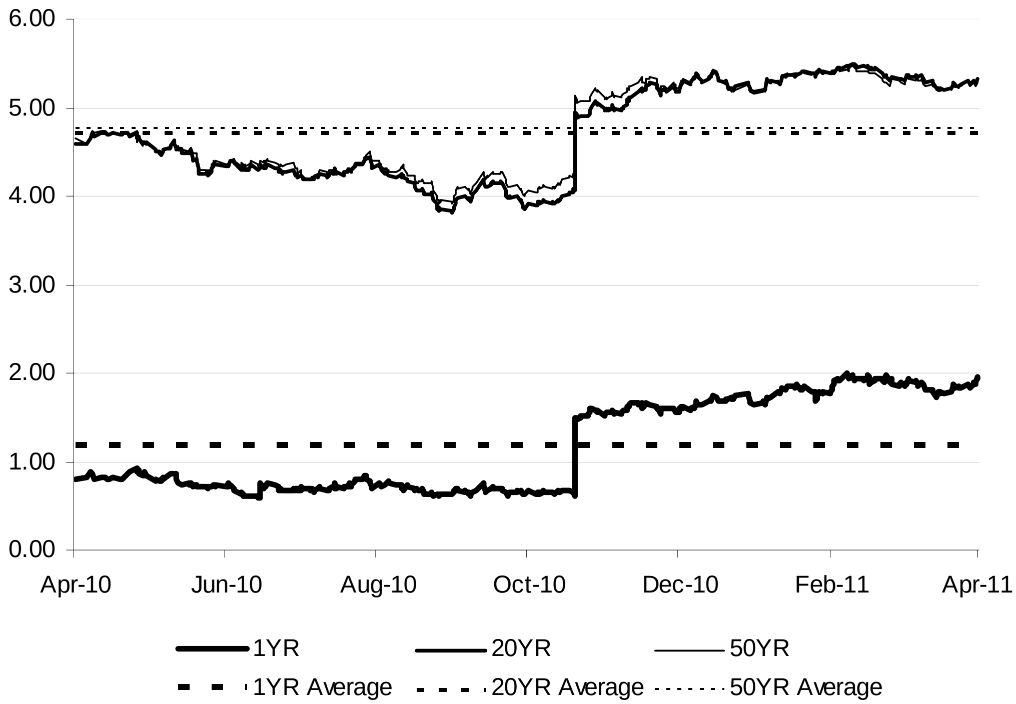


Chart 2: Average v new borrowing rates



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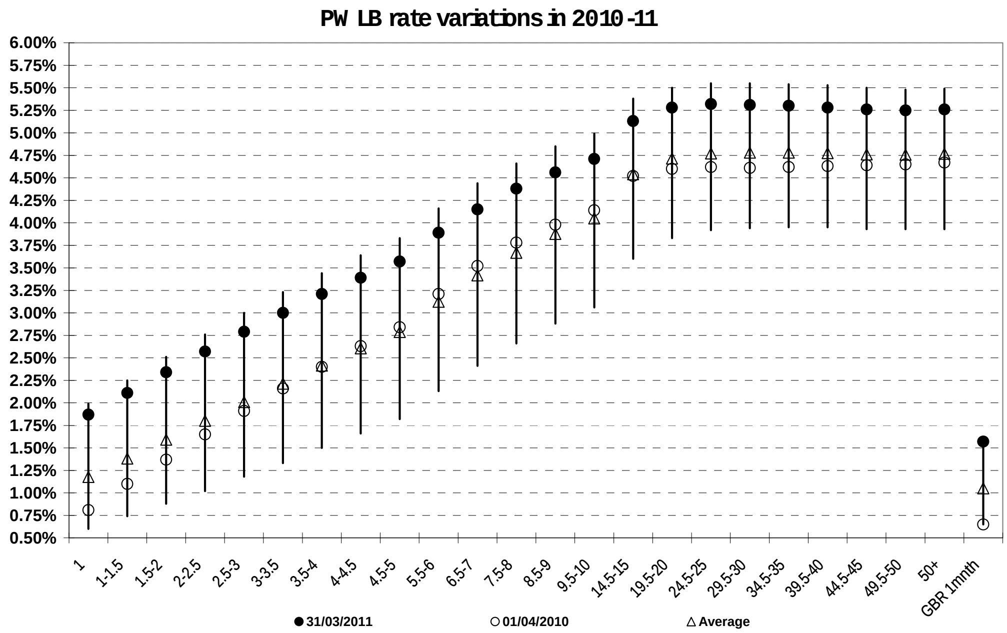
Borrowing Rates in 2010/11

8. **PWLB borrowing rates -** the graph and table for PWLB maturity rates below show, for a selection of maturity periods, the range (high and low points) in rates, the average rates and individual rates at the start and the end of the financial year.

9. Variations in most PWLB rates have been distorted by the October 2010 decision by the PWLB to raise it borrowing rates by about 0.75 – 0.85% e.g. if it had not been for this change, the 25 year PWLB at 31 March 2011 (5.32%) would have been only marginally higher than the position at 1 April 2010.



PWLB BORROWING RATES 2010/11 for 1 to 50 years

	1	1.5-2	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
01/04/2010	0.810%	1.370%	1.910%	2.400%	2.840%	4.140%	4.620%	4.650%	0.650%
31/03/2011	1.870%	2.340%	2.790%	3.210%	3.570%	4.710%	5.320%	5.250%	1.570%
HIGH	1.990%	2.510%	3.000%	3.440%	3.830%	4.990%	5.550%	5.480%	1.570%
LOW	0.600%	0.880%	1.180%	1.500%	1.820%	3.060%	3.920%	3.930%	0.650%
Average	1.177%	1.590%	2.009%	2.413%	2.788%	4.050%	4.771%	4.756%	1.052%
Spread	1.390%	1.630%	1.820%	1.940%	2.010%	1.930%	1.630%	1.550%	0.920%
High date	07/02/2011	07/02/2011	07/02/2011	07/02/2011	09/02/2011	09/02/2011	09/02/2011	09/02/2011	07/03/2011
Low date	15/06/2010	12/10/2010	12/10/2010	12/10/2010	12/10/2010	31/08/2010	31/08/2010	31/08/2010	01/04/2010

Glossary of Terms

Specified Investments	Investments in Banks and Building Societies with a high credit rating for periods of less than 1 year
Non-Specified Investments	Investments in un rated Building Societies and any investments in Banks and Building Societies for more than 1 year.
Operational Liquidity	Working Cashflow
Capital Financing Requirement	The authority’s underlying need to borrow for capital purposes
Authorised Limit	Maximum amount of borrowing that could be taken in total.
Operational Boundary	The expected amount of borrowing assumed in total.
PWLB	Public Works Loan Board. The Governments lending body to Local Authorities
Discount	Amount payable by the PWLB when loans are repaid if the current loan rate is less than the rate borne by the original debt
Yield Curve	Is a graph that shows the relationship between the interest rate paid and length of time to repayment of a loan.