COUNCIL
18 JULY 2013

ITEM NO. 8 (b)

TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2012/13

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 2012/13. The report also seeks approval of the Prudential Indicators results for 2012/13 in accordance with the Prudential Code.

Summary

2. The financial year 2012/13 again presented exceptional circumstances with regard to treasury management. Continued uncertainty in the aftermath of the 2008 financial crisis prolonged the extremely cautious approach undertaken by the Authority, investments continued to be made only where there was low counterparty risk. For Darlington Borough Council this manifested itself in the continuing reliance on internal borrowing (reducing external investments and using the money to pay for capital expenditure rather than borrowing) This in turn had a positive effect on the MTFP's financing costs as investment rates are lower than borrowing rates.

3. Two loans totalling £5.500M were taken to replace loans maturing for the same amount.

4. During 2012/13 the Council complied with its legislative and regulatory requirements. The need for borrowing was only increased for capital purposes.

5. At 31st March 2013, the Council's external debt was £112.161M which has remained the same as the previous year. The average interest rate for borrowing was up to 3.42% from 3.22% in 2011/12. Investments totalled £16.454M at 31st March 2013 (£11.095M at 31st March 2012) earning interest of 0.56% on short term investments and 2.06% on longer term investments.

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6. Financing costs have been reduced during the year and a saving of £43,000 achieved from the original MTFP as a result of a mixture of reduced debt costs both principal and interest arising from the continued reliance on internal borrowing, the timing of capital expenditure and increased income from investments.

Recommendation

7. It is recommended that:

   (a) The outturn 2012/13 Prudential Indicators within this report and those in **Appendix 1** be noted.

   (b) The Treasury Management Annual Report for 2012/13 be noted.

Reasons

8. 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

(i) Accounting Records
(ii) Annual Investment Strategy 2012/13
(iii) Prudential Indicators and Treasury Management Strategy Report 2012/13

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 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.

MAIN REPORT

Information and Analysis

9. This report summarises:

    (a) Capital expenditure and financing for 2012/13
    (b) The Council's underlying borrowing need
    (c) Treasury position at 31st March 2013
    (d) Prudential indicators and compliance issues
    (e) The economic background for 2012/13
    (f) A summary of the Treasury Management Strategy agreed for 2012/13
    (g) Treasury Management activity during 2012/13
    (h) Performance and risk benchmarking

10. 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 2012/13

11. 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.

12. 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.

13. Capital Expenditure forms one of the prudential indicators that are used to regulate treasury activity. Table 1 shows total capital expenditure and how this was financed, compared with what was expected to be spent and how this would have been financed. Actual expenditure was £10.635M less than planned, resulting in £0.280M less borrowing being required.

Table 1 – Capital Expenditure and Financing

	2011/12	**2012/13**		
	Outturn £m	**Revised Estimate £m**	**Outturn £m**	**Variance £m**
General Fund Capital Expenditure	17.966	21.653	13.088	-8.565
HRA Capital Expenditure	12.931	8.290	6.220	-2.070
HRA Self Financing	33.300	0	0	0
Total Capital Expenditure	**64.197**	**29.943**	**19.308**	**-10.635**
Resourced by:				
Capital Receipts	0.361	0.140	0.280	0.140
Capital Grants	19.196	19.564	10.999	-8.565
Capital Contributions	1.114	0.182	0.257	0.075
Revenue	4.195	7.470	5.465	-2.005
Total Resources	**24.866**	**27.356**	**17.001**	**-10.355**
Borrowing needed to finance 2012/13 expenditure	**39.331**	**2.587**	**2.307**	**-0.280**

The Council's Underlying Borrowing Need

14. 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 2012/13 and prior years net capital expenditure which has not yet been paid for by revenue or other resources.

15. 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).

16. The Council's CFR for the year is shown in table 2 below, and represents a key prudential indicator. The CFR outturn for 2012/13 is £171.173 which is £0.566M below the approved indicator.

Table 2 - Capital Financing Requirement

	2011/12	2012/13		
	Outturn £m	Approved Indicator £m	31 March Actual £m	Variance £m
Opening Balance	119.720	152.923	152.923	0
Add Capital Expenditure financed by borrowing	6.031	2.587	2.307	-0.280
Add Housing Self Financing	33.300	0	0	0
Add adjustment for the inclusion of leases on the balance sheet under IFRS	21.864	21.864	21.858	-0.006
Less MRP / VRP Including PFI and Leases	-6.128	-5.635	-5.915	-0.280
Closing balance	**174.787**	**171.739**	**171.173**	**-0.566**

Treasury Position at 31 March 2013

17. 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).

18. 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.

19. The Council's total debt outstanding at 31st March 2013 was £112.161M which includes £33.300M for Housing Self financing. In addition to this a liability of £20.294M relating to the PFI scheme and Finance Leases brings the total to £132.455M. The Council's revised CFR position was estimated to be £171.739M however the actual out turn position was slightly lower at £171.173M When comparing this to our actual borrowing of £132.455M this meant that the Council was "under borrowed" by £38.718M 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 31st March 2013, including investments compared with the previous year is shown in table 3 below.

Table 3 – Summary of Borrowing and Investments

Treasury Position	31 March 2012		31 March 2013	
	Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Rate Debt Market and Public Works Loan Board (PWLB)	112.161	3.22	112.161	3.42
Total Debt	**112.161**	**3.22**	**112.161**	**3.42**
Cashflow Investments	3.095	0.77	8.454	0.56
Capital Investments	8.000	1.74	8.000	2.07
Total Investments	**11.095**		**16.454**	
Net borrowing position	**101.066**		**95.707**	

Prudential Indicators and Compliance Issues

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

21. **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 2012/13 plus the expected changes to the CFR over 2013/14 and 2014/15. 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 2012 Actual £m	31 March 2012 Approved Indicator £m	31 March 2012 Actual £m
Net Borrowing Position	**101.066**	**99.800**	**95.707**
CFR Excluding PFI & leases	**152.899**	**151.442**	**150.879**
CFR	**174.764**	**171.739**	**171.173**

22. **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.

23. **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.

24. **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.

The actual for this indicator has increased due to the overall level of Council revenue expenditure during 2012/13 falling.

Table 5 – Key Prudential Indicators

	Actual 2011/12 £M	Original Approved Limits 2012/13 £M	Revised Approved Limits 2012/13 £M	Actual Total Liabilities Borrowing + PFI/ leases 2012/13 Maximum £M
Approved Indicator – Authorised Limit	**150.368**	**148.390**	**148.390**	
Approved Indicator – Operational Boundary	**134.025**	**134.900**	**134.900**	**132.455**
Financing costs as a percentage of net revenue expenditure	**4.12%**	**7.61%**	**7.45%**	**7.88%**

25. At 31st March 2013 the total liabilities of £132.455M were below both the Authorised Limit and the Operational Boundary.

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

Economic Background for 2012/13

27. A summary of the general economic conditions that have prevailed through 2012/13 provided by Sector, the Council's treasury management advisors is attached at **Appendix 2.**

Summary of the Treasury Management Strategy agreed for 2012/13

28. The revised Prudential Indicators anticipated that during 2012/13 the Council would need to borrow £2.587M to finance part of its capital programme.

29. 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.

30. 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 2012/13, £10M for

2013/14 and £10M for 2014/15. However in view of the prevailing interest rates and counterparty risk only 1 investment of £1,000,000 was made for longer than 1 year.

Treasury Management Activity during 2012/13

Debt Position

31. **Borrowing –**No new additional borrowing was taken during 2012/13

32. Rescheduling – No loans were rescheduled during 2012/13.

33. **Repayment -** 2 loans totalling £5.5000M were repaid during 2012/13, one loan of £3.500M was replaced with a fixed PWLB loan for 10 years at an interest rate of 3.04% and another of £2.000M was replaced with a short term loan fixed for six months at an interest rate of 0.4% from another local authority.

34. **Summary of Debt Transactions –**The consolidated rate of interest increased from 3.22% to 3.42% this was due to a low interest rate period ending, on one of the market loans we hold, towards the end of the financial year. This fixed interest rate has been replaced with a variable rate based on 10 year interest rates. The full years effect of this change will increase the consolidated rate in 2013/14.

Investment Position

35. **Investment Policy –** the Council's investment policy for 2012/13 is governed by the DCLG Guidance which has been implemented in the annual investment strategy for 2012/13 approved by Council on 1st March 2012.

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

37. Investments held by the Council consist of temporary surplus balances, capital receipts and other funds.

Table 6 - Temporary Surplus Cash Balances

	Original Budget 2012/13	**Approved Revised Budget 2012/13**	**Actual 2012/13**
Monthly Average level of Investments	**£15.289M**	**£10.000M**	**£12.410M**
Average Rate of Return on Investment	**0.7%**	**0.7%**	**0.56%**
Interest Earned	**£107,000**	**£70,000**	**£69,500**

Table 7 - Capital Receipts and Funds

	Original Budget 2012/13	Approved Revised Budget 2012/13	Actual 2012/13
Monthly Average level of Investments	**£10.000M**	**£8.000M**	**£8.025M**
Average Rate of Return on Investment	**0.7%**	**2.19%**	**2.06%**
Interest Earned	**£70,000**	**£175,000**	**£165,300**

Performance and Risk Benchmarking

38. 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 relatively new requirements to the member reporting. These were first set in the Treasury Strategy report of the 25th February 2010.

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

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

    0.077% historic risk of default when compared to the whole portfolio

41. The investment portfolio was maintained within this overall benchmark during this year as shown in **Table 8**.

Table 8

Maximum	Benchmark 2012/13	Actual June 2012	Actual October 2012	Actual December 2012	Actual March 2013
Year 1	0.77%	0.017%	0.019%	0.013%	0.027%

42. 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.

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

    (a) Bank Overdraft £0.100M
    (b) Liquid short term deposits of at least £3.000M available within a weeks notice.
    (c) Weighted Average Life benchmark is expected to be 0.4 years with a maximum of 1 years.

44. Liquidity arrangements have been adequate for the year to date as shown in Table 9.

Table 9

	Benchmark	Actual June 2012	Actual August 2012	Actual October 2012	Actual March 2013
Weighted Average life	**0.4 to 1 years**	**0.23 years**	**0.25 years**	**0.08 years**	**0.21 years**

45. 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. The majority of the cashflow investments are placed in Money Market Funds on a call basis which can be accessed immediately.

46. 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	**2011/12 3.22%**	**2012/13 3.42%**
Investments		**DBC**	**DBC**
Short term	Cash flow investment rate returned against comparative average rate	0.77%	0.56%
Long term	Capital investment rate returned against comparative average rates	1.74%	2.06%
Comparative rates used to compare DBC performance: -		**Short Term Investments**	**Long Term Investments**
Comparative Rates			
Local Authority 2 day rate		0.27%	
Local Authority 7 day rate		0.27%	
Local Authority 6 month rate		-	0.94%
Local Authority 12 month rate			1.31%
London Inter Bank Bid (LIBID) 7 day rate		0.39%	0.39%
Average		**0.31%**	**0.88%**

47. As can be seen from the table, the actual investment rate achieved for both short and longer 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 have been higher.

Risk

48. 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 2012/13).

    (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.

49. 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.

50. 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.

Treasury Management Budget

51. There are three main elements within the Treasury Management Budget :-

    (a) Long Term capital investments interest earned – a cash amount of £8.000M which earns interest and represents the Council's revenue and capital balances, unused capital receipts, reserves and provisions.

    (b) Cashflow interest earned – since becoming a unitary council in 1997, the authority has consistently had positive cashflow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipts of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.

    (c) Debt servicing costs – This is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 11 Changes to the treasury Management Budget 2012/13

	£M	£M
Original Treasury Management Budget 2012/13		**3.410**
Less Reduced Repayment of Principal	**-0.052**	
Less Reduced interest payments made on debt	**+0.012**	
Add reduced interest from Investments	**-0.003**	
Outturn Treasury Management Budget 2012/13		**3.367**

Conclusion

52. The Council's treasury management activity during 2012/13 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 £0.043M 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

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

APPENDIX 1

Additional Prudential Indicators not reported in the body of the report

		2012/13 Actual	2012/13 Approved Indicator	2012/13 Outturn
1	**Incremental impact of capital investment decisions on the Band D Council tax**	**NIL**	**57p**	**19p**
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*)**	**93%**	**100%**	**85%**
4	**Upper limits on variable interest rates (*against maximum position*)**	**7%**	**40%**	**15%**
5	**Maturity structure of fixed rate borrowing (*against maximum position*)**			
	Under 12 months	**1%**	**25%**	**6%**
	12 months to 2 years	**6%**	**40%**	**0**
	2 years to 5 years	**-**	**60%**	**0**
	5 years to 10 years	**4%**	**80%**	**6%**
	10 years and above	**89%**	**100%**	**88%**
6	**Maximum Principal funds invested greater than 364 days**	**£0.0M**	**£10M**	**£0.0M**

APPENDIX 2

The Economic Background 2012/13

Sovereign debt crisis.

1. The EU sovereign debt crisis was an ongoing saga during the year. However, the ECB statement in July that it would do “whatever it takes” to support struggling Eurozone countries provided a major boost in confidence that the Eurozone was (at last) beginning to get on top of its problems. This was followed by the establishment of the Outright Monetary Transactions Scheme in September. During the summer, a €100bn package of support was given to Spanish banks. The crisis over Greece blew up again as it became apparent that the first bailout package was insufficient. An eventual very protracted agreement of a second bailout for Greece in December was then followed by a second major crisis, this time over Cyprus, towards the end of the year. In addition, the Italian general election in February resulted in the new Five Star anti-austerity party gaining a 25% blocking vote; this has the potential to make Italy almost ungovernable if the grand coalition formed in April proves unable to agree on individual policies. This could then cause a second general election – but one which could yield an equally ‘unsatisfactory’ result! This result emphasises the dangers of a Eurozone approach heavily focused on imposing austerity, rather than promoting economic growth, reducing unemployment, and addressing the need to win voter support in democracies subject to periodic general elections. This weakness leaves continuing concerns that this approach has merely postponed the ultimate debt crisis, rather than provide a conclusive solution. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population.

UK coalition Government

2. The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Moody’s followed up this warning by actually downgrading the rating to AA+ in February 2013 and Fitch then placed their rating on negative watch, after the Budget statement in March. Key to retaining the AAA rating from Fitch and S&P will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within a reasonable timeframe.

UK growth

3. 2012/13 started the first quarter with negative growth of -0.4%. This was followed by an Olympics boosted +0.9% in the next quarter, then by a return to negative growth of -0.3% in the third quarter and finally a positive figure of +0.3% in the last quarter. This weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing (QE) by £50bn in July to a total of £375bn on

concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. In the March 2013 Budget, the Office of Budget Responsibility yet again slashed its previously over optimistic growth forecasts, for both calendar years 2013 and 2014, to 0.6% and 1.8% respectively.

UK CPI inflation

4. UK CPI inflation has remained stubbornly high and above the 2% target, starting the year at 3.0% and still being at 2.8% in March; however, it is forecast to fall to 2% in three years time. The MPC has continued its stance of looking through temporary spikes in inflation by placing more importance on the need to promote economic growth.

Gilt yields

5. Gilt yields oscillated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50bn of QE in July and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically low levels.

Bank Rate

6. The Bank Rate was unchanged at 0.5% throughout the year, while expectations of when the first increase would occur were pushed back to quarter 1 2015 at the earliest.

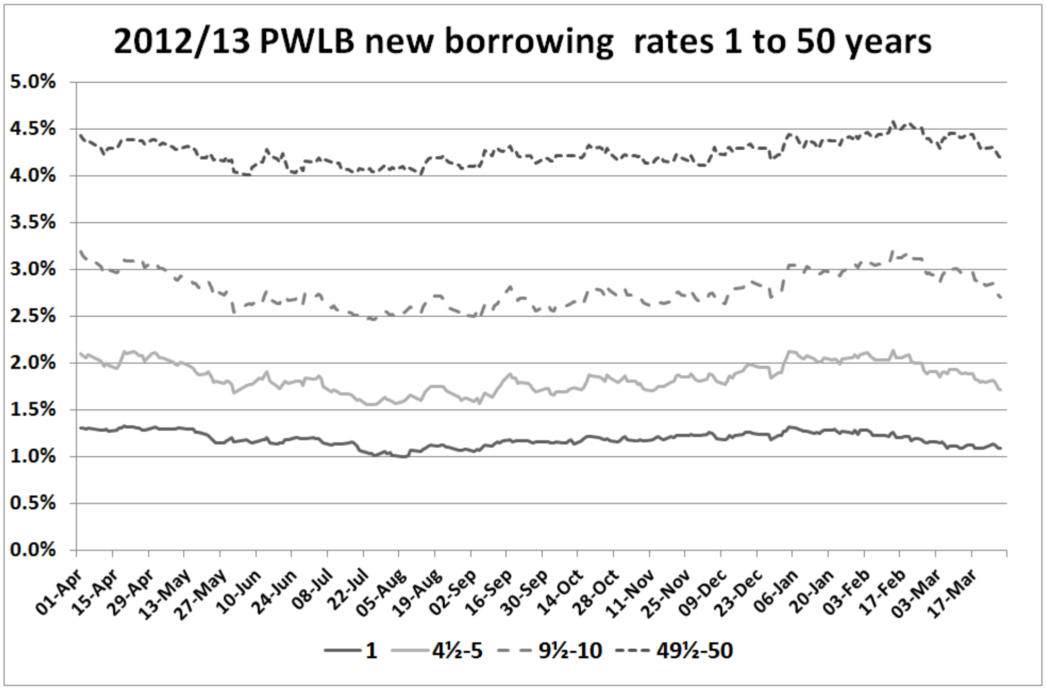
Deposit rates

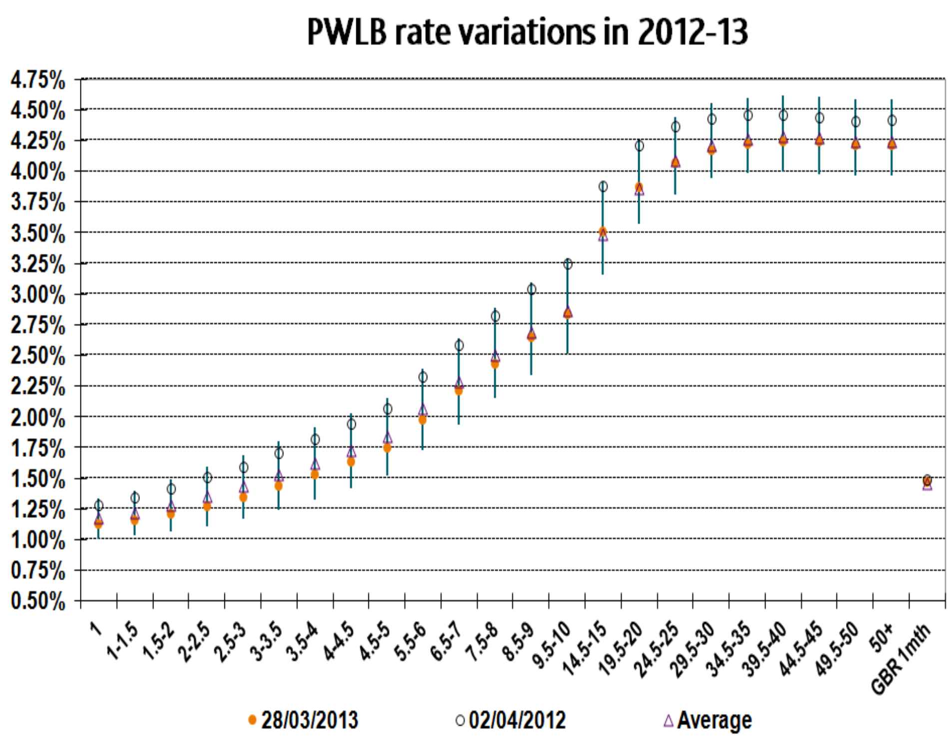
7. The Funding for Lending Scheme, announced in July, resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling sharply in the second half of the year. However, perceptions of counterparty risk have improved after the ECB statement in July that it would do “whatever it takes” to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.

Borrowing Rates in 2012/13

PWLB borrowing rates –

8. The graphs and table for PWLB maturity rates below, and in appendix 3, show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



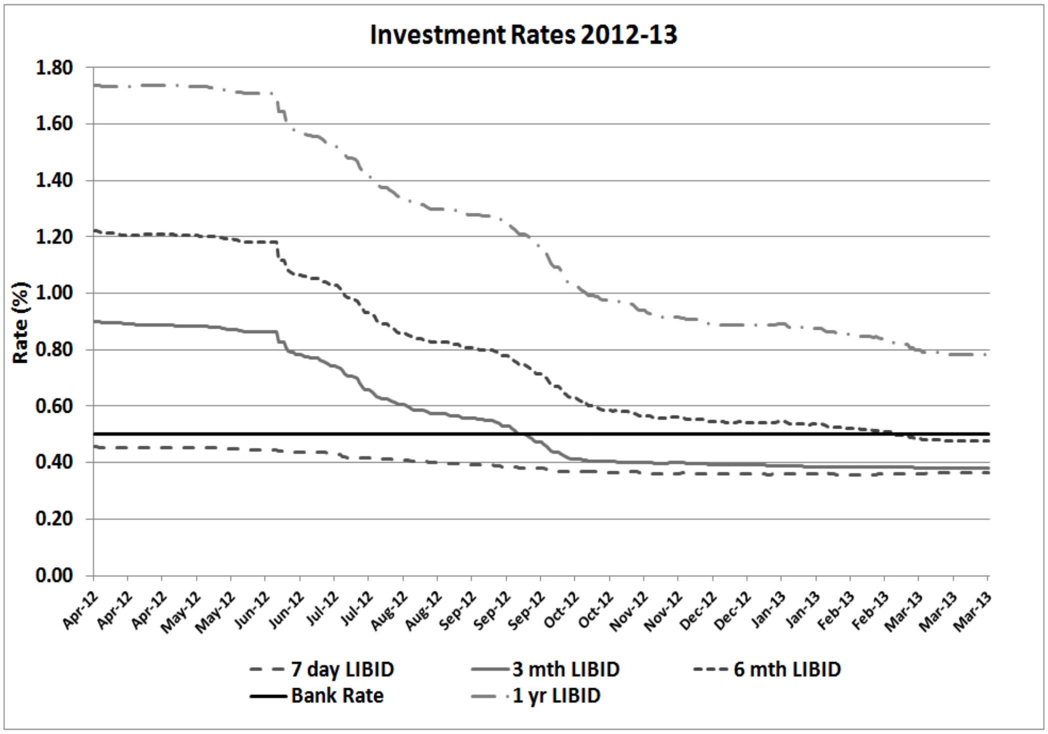


	PWLB borrowing rates 2012/13 for 1 to 50 years								
	1	1-1.5	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
2/4/12	1.290%	1.350%	1.600%	1.820%	2.070%	3.250%	4.370%	4.410%	1.490%
28/3/13	1.130%	1.160%	1.350%	1.540%	1.750%	2.840%	4.070%	4.220%	1.470%
High	1.330%	1.400%	1.690%	1.910%	2.150%	3.290%	4.440%	4.590%	1.500%
Low	1.000%	1.030%	1.170%	1.320%	1.520%	2.520%	3.810%	3.960%	1.440%
Average	1.185%	1.229%	1.440%	1.631%	1.847%	2.871%	4.094%	4.250%	1.467%
Spread	0.330%	0.370%	0.520%	0.590%	0.630%	0.770%	0.630%	0.630%	0.060%
High date	20/4/12	20/4/12	20/4/12	20/4/12	20/4/12	20/2/13	20/2/13	20/2/13	18/4/12
Low date	2/8/12	2/8/12	23/7/12	23/7/12	23/7/12	23/7/12	18/7/12	1/6/12	24/10/12

Investment Rates in 2012/13

9. Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for four years. Market expectations of the start of monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.

	Money market investment rates 2012/13					
	overnight	7 day	1 month	3 month	6 month	1 year
1/4/12	0.432	0.457	0.571	0.902	1.221	1.738
31/3/13	0.361	0.365	0.371	0.382	0.478	0.784
High	0.432	0.457	0.571	0.902	1.221	1.739
Low	0.348	0.355	0.366	0.382	0.476	0.783
Average	0.382	0.394	0.428	0.564	0.782	1.207
Spread	0.084	0.102	0.205	0.520	0.744	0.956
Date	1/4/12	1/4/12	1/4/12	1/4/12	1/4/12	24/4/12
Date	31/12/12	31/1/13	29/1/13	1/3/13	13/3/13	19/3/13


Investment Rates 2012-13
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
Rate (%)
Apr-12
Apr-12
Apr-12
May-12
May-12
Jun-12
Jun-12
Jul-12
Jul-12
Aug-12
Aug-12
Sep-12
Sep-12
Sep-12
Oct-12
Oct-12
Nov-12
Nov-12
Dec-12
Dec-12
Jan-13
Jan-13
Feb-13
Feb-13
Mar-13
Mar-13
Mar-13
7 day LIBID
3 mth LIBID
6 mth LIBID
Bank Rate
1 yr LIBID

Glossary of Terms

Call	Investments that can be returned without a period of notice
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.