PERTH AND KINROSS COUNCIL

25 June 2014

ANNUAL TREASURY REPORT 2013/14

Report by the Head of Finance

PURPOSE OF REPORT
This report summarises the Council's treasury activities for the 2013/14 financial year and compares actual performance with the approved Treasury and Investment Strategy for 2013/14. The report also considers alternative investment options for Common Good Fund resources, and proposed changes to the Treasury Management Daily Limitations to Authority.

1. BACKGROUND / MAIN ISSUES

1.1 A requirement of the Council's approved Treasury Management Practice 6 (TMP6 – Reporting Requirements & Management Information Arrangements) is the reporting to the Council of the expected treasury activity for the forthcoming year (i.e. the Treasury and Investment Strategy) and the subsequent reporting of the actual results and activities (i.e. this Annual Treasury Report). The Council meeting on 27 February 2013 approved the Treasury Strategy for the 7 financial years 2013/14 to 2019/20 and the annual Investment Strategy for 2013/14 (Report No. 13/102 refers).

1.2 This Annual Treasury Report covers:

- The Council's treasury position
- The forecast economic outlook and borrowing strategy for 2013/14
- The actual economic situation for 2013/14
- Actual long term borrowing and debt restructuring in 2013/14
- The investment strategy and outturn for 2013/14
- Compliance with treasury policies and limits during 2013/14
- Alternative investment options for Common Good Funds

2. THE TREASURY POSITION

2.1 In order to place this report in context, the Council's Treasury position at the beginning and at the end of the year is shown below:

	Principal Outstanding 31 Mar 2013 £M	Average Rate %	Principal Outstanding 31 Mar 2014 £M	Average Rate %
Fixed Rate/Long Term Funding				
• Public Works Loan Board (PWLB)	156.9	4.00	148.7	4.15
• Market & Local Authority Bonds	43.2	4.59	48.2	4.26
• Local Loans & Bonds	0.3	0.75	0.3	0.75
	200.4	4.12	197.2	4.17
Variable Rate/Short Term Funding				
• Temporary Loans	0.0	0.00	0.0	0.00
• Local Loans	1.5	0.10	1.4	0.10
	1.5	0.10	1.4	0.10
TOTAL DEBT	**201.9**	**4.09**	**198.6**	**4.14**
SHORT TERM INVESTMENTS	**39.6**	**1.93**	**24.6**	**0.80**

3. THE FORECAST ECONOMIC OUTLOOK AND BORROWING STRATEGY 2013/14

3.1 The strategy for the year was based on the view that the global economy would continue to experience economic volatility and low interest rates, which made it difficult to forecast interest rates with any degree of certainty. It was, however, expected that the Bank Base rate would remain at 0.5% throughout the year, and not start increasing until 2015. Longer term interest rates were initially expected to rise slowly throughout 2013, before increasing more rapidly in future years. It was expected that Public Works Loan Board (PWLB) rates would follow a similar trend over this same period, but with shorter and medium term PWLB rates expected to remain at a lower level than longer term rates.

3.2 The effect on interest rates for the UK was therefore expected to be as follows:

- Short-Term Interest rates – it was anticipated that the Bank Rate would remain at its low level of 0.5% throughout 2013/14, with steady increases in subsequent years, commencing in 2015.

- Long-Term Interest Rates – The view on longer-term fixed rates was that long term Public Works Loan Board (PWLB) rates for 10 years would slowly increase during 2013/14, reaching around 2.70% by the year end (March 2014). The 50 year rate was expected to reach around 4.10% by the end of 2013/14.

3.3 The estimated capital borrowing for 2013/14 at the start of the year was nil, based upon the Treasury Strategy to defer all new borrowing in 2013/14 and to reduce the level of investments. The new borrowing requirement over the whole seven year period totalled £135.6M, and included some refinancing of maturing debt over the 7 year period. This was particularly significant as 2013/14 coincided with the period of lowest forecast interest rates. Effective Treasury Management considers the longer-term position in order to minimise costs and risks in the Council's portfolio. This includes consideration of borrowing for future year requirements earlier within the 7 year period, whilst rates were at their forecast low point. This approach is consistent with the Prudential Code, however, it must also be considered in conjunction with the assessment of the associated additional risks and low returns from the resultant increase in the level of investments in the short term.

3.4 These factors gave rise to the anticipated strategy that Best Value would be achieved by utilising cash balances and so reducing the level of investments, and to use short term borrowing during the period where required. The use of longer term borrowing to make longer term savings and reduce the refinancing risk in later years would only be undertaken if there were significant changes in the interest rate projections. LOBO's (Lender Option Borrowers Option) or other appropriate market instruments were also to be considered in such circumstances, and used where they offered favourable rates in comparison to PWLB. However, these would be considered in conjunction with the associated risks with LOBO's due to their variable rate nature after their initial period elapses, and their less flexible terms.

3.5 The Council has traditionally adopted a policy of minimising exposure to risk, thus favouring fixed longer term borrowing. However, with low investment returns and increased counterparty risks, the strategy of reducing investments before considered new long term borrowing was viewed as low risk. However, it was acknowledged that there were several factors which could impact on interest rates in the year ahead. Therefore the Council continued to apply its well developed approach to managing risk and monitoring interest rates with a view to reviewing this strategy should circumstances change.

4. ACTUAL ECONOMIC SITUATION 2013/14

4.1 2013/14 proved to be another unsettled year for the financial markets. Economic growth in the UK was at a relatively low level at the start of the year, although it did show positive growth compared to the previous year, and increased as the year progressed. The relatively weak level of growth in the UK led the Bank of England to leave the Bank Rate unchanged at 0.5% throughout the year. During this period, Consumer Price Index (CPI) inflation initially rose to 2.9% in the first half of the year from 2.4% at the start of the year, before falling significantly in the second half and ending at 1.6% in March 2014. Employment levels also continued to grow steadily throughout the year.

4.2 Gilt yields increased steadily from their low starting point over the first half of the year as the economic environment improved, and the safe-haven movements in the previous year resulting from the Eurozone sovereign debt crisis were reversed. In the second half of the year, gilt yields moved in a much smaller range, but ended the year higher than at the start of the year.

4.3 Investment deposit rates remained at low levels. Furthermore, with the Funding for Lending Scheme announced by the Bank of England, giving banks access to cheaper funding, the investment rates for deposits offered by banks fell even further throughout the year.

4.4 All PWLB fixed rates increased over the year, and were higher than forecast in the original strategy. For example, the 10 year PWLB rate at 1 April 2013 was 2.8% and had risen to 4.1% by December 2013, before finishing the year at 3.8%. Similarly, the 50 year PWLB rate was 4.2% in April 2013, and rose to 4.6% by December 2014, ending the year at 4.5%. The same pattern emerged for all PWLB rates and various PWLB rates for the year are shown graphically at Appendix I.

5. ACTUAL LONG TERM BORROWING AND DEBT RESTRUCTURING

5.1 The actual treasury activities during 2013/14 are comprehensively detailed in the four quarterly reports previously submitted to the Council (Report No's 13/476, 13/579, 14/76 and 13/191 refer).

5.2 As noted in Section 3.3, before the start of the year, the Council estimated there would be no new Capital borrowing for 2013/14, based on the strategy of deferring borrowing until 2014/15, in order to reduce investment levels. This strategy was subject to review, for example if interest rates started to increase rapidly.

5.3 However, a total of £10M of longer-term borrowing was undertaken at the end of March 2014, with £5M being from the PWLB at a rate of 4.22% for 50 years, and £5M from a London Borough Authority at a rate of 1.45% for 3 years. This was necessary because, by the end of February 2014, the levels of investments had reduced to £21.8M and were expected to fall below the core level of around £20M by the end of March. This resulted in occasions where there were no investment balances available to meet immediate daily cashflow requirements and, therefore, the Council started to rely on short term borrowing. The Treasury Strategy of foregoing longer term borrowing in order to reduce investment balances had, therefore, been achieved. This also coincided with longer term borrowing rates falling towards the end of March, and therefore prompted the Council to recommence longer term borrowing in the last week of March.

5.4 There was £13.2M of maturing debt with the PWLB repaid during the year, which related to loans of between 3 and 5 years reaching maturity with an average interest rate of 2.38%. However, due to the low interest rates during the year, there were no rescheduling or premature repayments made.

5.5 The average PWLB debt portfolio rate for the Council increased from 4.00% at the start of the year, to 4.15% at the end of the year for the total of £148.7M PWLB debt held by the Council. The total PWLB borrowing reduced by £8.2M over the year, as a result of the activities discussed above, however, the average portfolio rate increased as a result of low interest rate loans reaching maturity and new borrowing being at a higher rate. In addition, Market and Local Authority Bonds increased by £5M, whilst the average rate payable fell from 4.59% to 4.26%. Overall, the Council's total Fixed Rate borrowing reduced by £3.2M to £197.2M, whilst the average rate increased slightly from 4.12% to 4.17%.

5.6 This reduction in the portfolio is consistent with the borrowing strategy approved by the Council at its meeting of 19 December 2012 (report 12/586 refers) as one of the funding options for additional capital expenditure. The strategy was to utilise investment balances to fund expenditure over two years by not undertaking any further borrowing in 2012/13 and 2013/14. This strategy gave rise to short term savings by reducing investments with low returns rather than undertaking borrowing at higher rates. Consequently, the level of investments reduced from £39.6M to £24.6M over the year, with the average return reducing from 1.93% to 0.80%. It was, however, also acknowledged that this gave rise to greater risks in the longer term if the Council needed to borrow when interest rates may have increased.

5.7 As a result of the above strategy and actual treasury activities in the year, the Council's average Consolidated Loans Fund (CLF) interest rate reduced from 3.58% in 2012/13 to 3.41% in 2013/14 (based on applying statutory guidance). The estimated CLF rate for 2014/15 is forecast to reduce even further to 3.10% reflecting a further year's impact of the strategy. A comparison of the Council's CLF rate over recent years with the average for other Scottish Local authorities is shown graphically at Appendix II. Whilst figures for the Scottish average have not yet been published for 2013/14, this graph shows that over time, this Council's average borrowing costs have reduced year-on-year at a faster rate than the Scottish average. This equates to savings in Loan Charges of over £2M per annum compared to the Scottish average.

6. INVESTMENT STRATEGY AND OUTURN 2013/14

6.1 Shorter term deposit rates remained at low levels throughout the year, and steadily reduced even further following the Funding for Lending Scheme introduced by the Bank of England in July 2012. Throughout the financial year the Bank (Base) Rate remained at 0.5%. Counterparty concerns, mostly related to capital levels and liquidity, also continued. This highlighted the continuing need for caution in treasury investment activity.

6.2 As a result, advantage was taken early in the year where possible (and within counterparty limits) of the higher interest rates available for longer time periods (up to 12 months). However, with the levels of investments falling as a result of the strategy, there were fewer fixed deposits made in the year. For shorter investment periods, the notice deposit accounts and money market funds held by the Council provided a higher return on investments than rates available on shorter term fixed deposits in the money markets. These facilities also helped meet daily cashflow requirements and keeping within counterparty limits.

6.3 During the year, no investment was made for more than 12 months. All the investment activities were in line with the approved strategy for 2013/14. As a result of this strategy, the average rate achieved on investments outstanding at 31 March 2014 was 0.80%. This reflected a reduction from that achieved in the previous year, due to falling interest rates and because a higher proportion of investments were placed with notice deposit accounts and Money Market Funds. For further comparison, the average temporary borrowing rate for the year was 0.18%. Total interest received on investments in 2013/14 amounted to £444,601 (£1,028,051 in 2012/13).

6.4 The original Strategy also anticipated that investments would not exceed £60M during the year unless, for example, new borrowing was undertaken or the Council's expenditure during the year was later than anticipated. As described in Section 5.3 the new borrowing undertaken totalling £10M was not borrowed until the end of the year, whilst the cashflow was in line with forecasts. Consequently, the level of investments was broadly in line with expectations and peaked at £52.25M on 17 July 2013. The level of investments slowly reduced over the remainder of the year and at the end of the financial year stood at £24.6M.

6.5 The Council's strategy of reducing its level of investments by the deferment of the new borrowing requirement continued until March 2014. However, once the level of investments had reached the core level of around £20M, the Council was becoming more and more reliant on short term borrowing. Consequently, the borrowing of £10M at the end of March resulted in the level of investments increasing slightly.

6.6 Following the distribution of funds in March 2012 by Glitnir, currency restrictions imposed by the Icelandic Central Bank have resulted in ISK 39.7M (£218K as at 31 March 2014) still remaining in Iceland. However, in May 2014 the Winding-Up Board of Glitnir made a claim in various currencies against the Council amounting to around £18K. This relates to the application of different exchange rates applicable to the funds distributed in March 2012, and follows a decision of the Icelandic Supreme Court in October 2013. The Council is currently negotiating with the Winding Up Board in relation to this claim. Any further developments will continue to be reported to the Council as part of the Quarterly Treasury Activity and Compliance reports.

6.7 All financial investments by the Council's Common Good Funds were made through the Council's Loans Fund, in accordance with their policy for Permitted Investments. Any other investments held with external fund managers are outside the scope of the investment regulations, as they all relate to funds held by Council operated Charities or Trusts.

6.8 The Annual Property Investment Strategy for 2013/14 was also approved by the Council at its meeting on the 27 February 2013 (Report 13/102 refers) and was complied with in full, with no breaches in compliance with permitted investment limits.

6.9 The budgeted income from the Council's property portfolio for 2013/14 was originally projected to be £1,798,000, however, this was subsequently revised up to £1,806,000. The actual Income for the Council's property portfolio for 2013/14 was £1,840,000, exceeding the revised projection by £34,000.

6.10 There were neither additional risks indentified nor new property investments entered into over the year. The strategy action plan remained on programme.

7. COMPLIANCE WITH TREASURY POLICIES AND LIMITS

7.1 There were no breaches of compliance with the Council's approved lending policy in 2013/14. All aspects of the Prudential Code, including Prudential Indicators and limits, were fully adhered to throughout the year.

8. PROPOSED AMENDMENT TO TREASURY POLICY

8.1 Following a review of the Finance Division team structures, there have been changes to roles and responsibilities of various officers, including authorised signatories. Accordingly, it is also proposed to amend the Treasury Management Daily Limitations to Authority to reflect the new responsibilities and to maintain a segregation of duties. Therefore it is proposed that the Daily Limitations to Authority of the Senior Accountant – Corporate Accounting will now include both Senior Accountants in the Corporate Accounting team. A full list of the Treasury Management Daily Limitations to Authority is shown at Appendix III.

9. COMMON GOOD INVESTMENT OPTIONS

9.1 Given the low investment rates currently available a request was made, at the meeting of the Council on 26 February, that consideration be given to alternative investment options for the Common Good Funds. At present, the only Permitted Investment for cash balances of the Common Good is with the Council's Loans Fund. In practice this has resulted in the Common Good Funds attracting interest on their Revenue Balances (IORB) in accordance with the approved methodology for calculating the interest rate, which is the Council's actual temporary borrowing rate achieved for each year. However, in the current low interest rate environment, the funds only earned interest of 0.17% on their balances in 2013/14. These funds are, however, instantly accessible for the purpose of meeting current expenditure. The one exception is the Perth Common Good which has a 12 month Fixed Deposit of £290,000 with the Loans Fund which currently earns 0.75%. The remainder of the Perth Common Good Funds cash balances attract interest calculated in the normal manner.

9.2 When considering options for managing investments, there is a trade-off between risk and reward, where the potential to achieve higher returns generally gives rise to a higher degree of risk in terms of security, liquidity or market risk. The amount that would be available for investment is around £1.6M in total across all Common Good Funds, however, part of this total would be required to meet ongoing expenditure. Therefore sufficient liquidity must be maintained as well as considering the appetite of the Funds to accept risk.

9.3 Some alternative options for investing Common Good Funds are outlined below:

- <u>Fund Manager</u>. An initial enquiry has been made with the investment manager which manages the Council's Charitable and Educational Trust funds. They proposed investing any surplus Common Good's funds in a diversified investment product. This product invests the funds in a variety of asset classes, including stocks, corporate bonds and property funds, and would require the Common Good money to be tied-up for between 3 and 5 years. Whilst the returns may be potentially attractive (indicative returns are 5%+, less fees), they carry significant levels of risk to the principal sums invested. Such products also mean the funds would be tied-up for a prolonged period. Whilst other products could be considered, there would be a significant reduction in returns for reduced levels of risk and increased liquidity and vice versa.

- <u>Bank or Building Society Deposits</u>. Funds could be invested in a fixed deposit with an appropriate credit quality rated bank. Such deposits offer significantly reduced levels of risk in comparison with the Fund Manager option outlined above. Rates offered by banks for similar sized Charitable Trusts (deemed to be similar in nature to Common Good Funds) currently range from around 0.05% for instant access deposits, up to around 0.70% for a 12 month deposit. For comparison, one approved bank on the Council's lending list is currently paying 0.57% for a 3 month deposit, up to 0.95% for one year (the longest period deemed suitable for such funds). It should also be noted that rates available from banks for larger investors such as the Council and Common Good Funds are less than those available for individual investors. This option would also involve additional transactional and administration charges.

- <u>Loans Fund Fixed Deposits</u>. As referred to above, only the Perth Common Good currently has funds on separate fixed deposit terms with the Council's Loans Fund. Consideration could be given to other Common Good Funds placing funds on similar deposit terms. This could be achieved, for example, by the Loans Fund accepting deposits of £10,000 or more, and for various time periods, up to a maximum of 12 months. The rates applicable would be based on rates payable by other banks on the Council's approved lending list, less an amount of 0.20% representing an administration fee. This would also offer a low level of risk at reasonable levels of return, relative to those available directly from a bank or building society. It would also involve no transactional costs, minimal administration charges and additional flexibility compared to the terms of a fixed deposit with a bank. Any funds not deposited in this manner would continue to be managed using the current approach.

9.4 Investment with the Council's Loans Fund is currently the only Permitted Investment of the Common Good Funds for surplus cash balances. Investing Common Good funds with an external fund manager or with a bank would require the Permitted Investments to be amended by the Council. However, the option of investing Common Good Funds with an external Fund Manager carries a significant level of risk, with the capital value of the amount invested subject to variations (up and down) and the funds potentially being tied-up for a longer period. Investing directly with a bank or building society carries less risk. However, the potential returns are reduced, as well as transactional and administration costs being incurred. In contrast, investing with the Council's Loans Fund incurs no transactional costs, with only minimal administration charges and more flexible terms and is a low risk option. Additionally, the rates currently available to the Council for fixed deposits, on which Common Good Fund deposits would be based, are more favourable than those available directly from banks for similar sized charitable bodies.

9.5 The security of sums invested is a primary requirement of any investment of public funds, therefore the level of risk associated with investing with an external Fund Manager is likely to be deemed too high by the Common Good Committees. Whilst investing directly with banks and building societies on the Council's approved lending list carries an acceptable level of risk, better returns and lower costs would normally be achieved by investing with the Council's Loans Fund. Therefore, in view of the available options outlined above, it is not proposed to change the Permitted Investments at this time, but it is recommended that surplus Common Good funds be placed on fixed deposit terms with the Council's Loans Fund.

9.6 It is, therefore, proposed that the Loans Fund will accept deposits of £10,000 or more from individual Common Good Funds, for varying periods up to 12 months and at rates in line with those currently available to the Council from an approved bank, less 0.20% to cover the additional administration costs of managing such deposits. As each Common Good Fund must maintain a sufficient level of liquidity to meet all current expenditure, it will not be possible for all funds to be invested with the Loans Fund, therefore any funds not invested in this manner will continue to earn interest on revenue balances (IORB) as at present. It is also proposed that the Head of Finance will determine, prior to the commencement of each financial year the amount of, and period over which, any fixed deposits are to be made for each Common Good Fund.

10. CONCLUSION AND RECOMMENDATIONS

10.1 Economic uncertainties and debt issues in Europe have kept UK interest rates low for several years, however, improving economic circumstances led to longer term rates rising slowly over the year as forecast. The original approved borrowing strategy for the year was to defer long term borrowing and thus to reduce investments balances. Some new PWLB borrowing was undertaken late in the year once this strategy had been achieved and investment balances had fallen below their core level and when the borrowing rates were considered to be favourable. There was no premature repayment of debt undertaken in the year, as the low level of interest rates meant that rescheduling of debt was not cost-effective. The Council's long term debt portfolio reduced over the year as a result of maturing debt exceeding the amount of new borrowing.

10.2 There was only limited investment of cashflow surpluses undertaken for longer periods (up to 12 months) to take advantage of slightly higher rates. For most cashflow surpluses, the investment deposit accounts and Money Market Funds (MMF) were used in order to manage cashflow and liquidity.

10.3 A review of the investment options for the Common Good Funds has been undertaken, and it is proposed that any surplus amounts could be invested on fixed deposit terms with the Council's Loans Fund by the Loans Fund accepting fixed deposits of £10,000 or more for each Common Good Fund.

10.4 There were no breaches of compliance within the lending policy during the year, and all Prudential Indicators were complied with during the year. As a result of the activities undertaken throughout 2013/14 the Council's plans remain affordable, prudent and sustainable.

10.5 It is recommended that the Committee:

1. Notes the content of this report, which is submitted in accordance with the Council's approved Treasury Management Practices (TMPs).

2. Approves the proposed revised Treasury Management Daily Limitations to Authority, as described at Section 8 and shown at Appendix III.

3. Approves the use of the Council's Loans Fund for fixed deposits by Common Good Funds where appropriate, for amounts of £10,000 or more, for periods up to 12 months, at equivalent rates available from banks on the Council's approved lending list, less 0.20% to cover the administration of managing such deposits. The Head of Finance will determine, prior to the commencement of each financial year, the amount of, and period over which, any fixed deposits are made for each Common Good Fund.

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Approved

Name	Designation	Date
John Symon	**Head of Finance**	**9 June 2014**

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Council Text Phone Number 01738 442573

ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	**Yes / None**
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. Strategic Implications

1.1. Corporate Plan

1.1.1. The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

(i) Giving every child the best start in life;
(ii) Developing educated, responsible and informed citizens;
(iii) Promoting a prosperous, inclusive and sustainable economy;
(iv) Supporting people to lead independent, healthy and active lives; and
(v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

2.1.1. There are no direct financial implications arising from this report other than those reported within the body of the main report.

2.2. Workforce

2.2.1. There are no direct workforce implications arising from this report other than those reported within the body of the main report.

2.3. Asset Management (land, property, IT)

2.3.1. There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3. Assessments

3.1. Equality Impact Assessment

3.1.1. Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

3.1.2. The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

3.2 Strategic Environmental Assessment

3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

3.3 Sustainability

3.3.1 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

3.3.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

4.1 The Chief Executive, and the Council's Treasury advisors, Sector Treasury Services, have been consulted in the preparation of this report.

5. BACKGROUND PAPERS

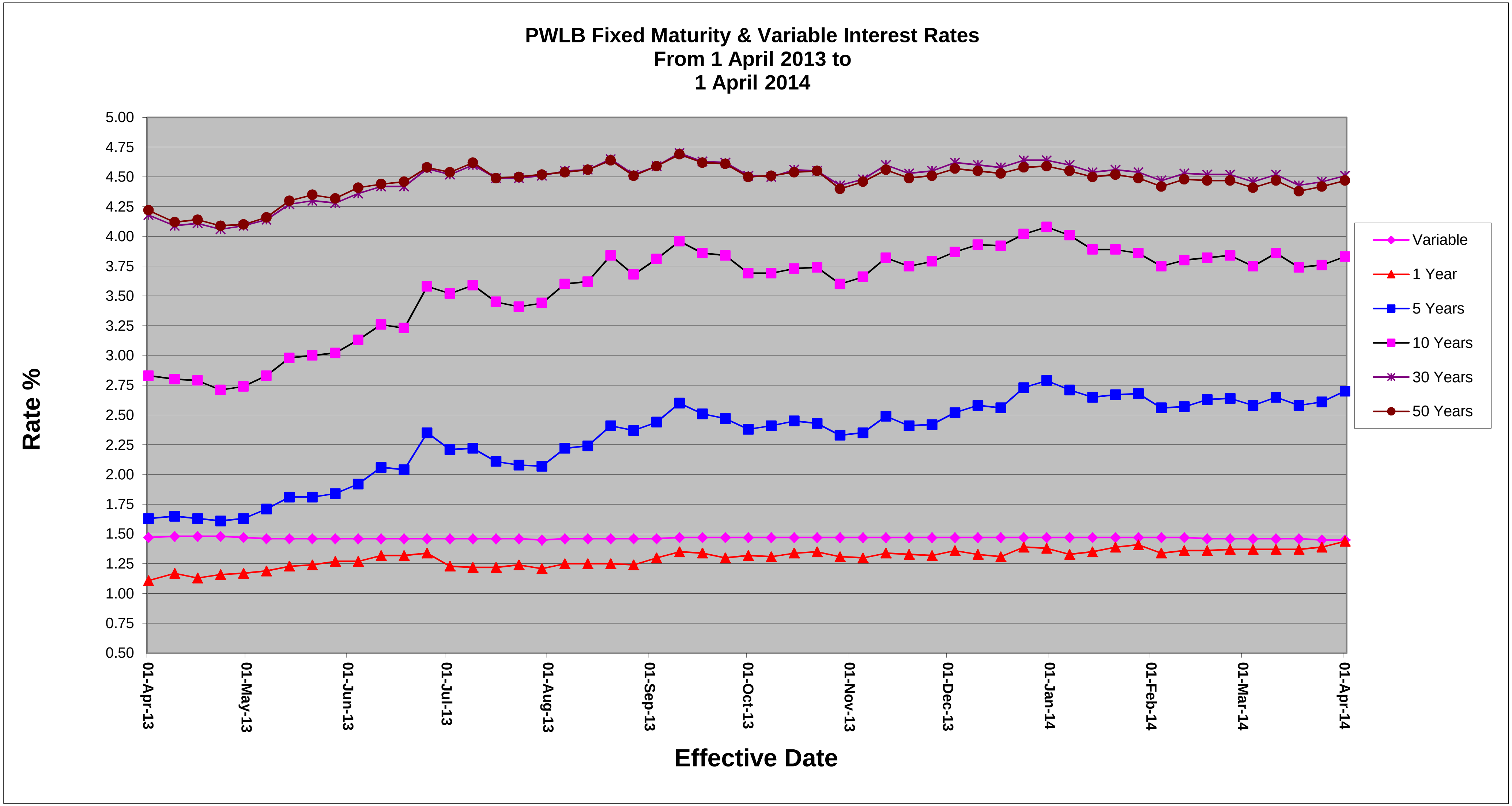
5.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

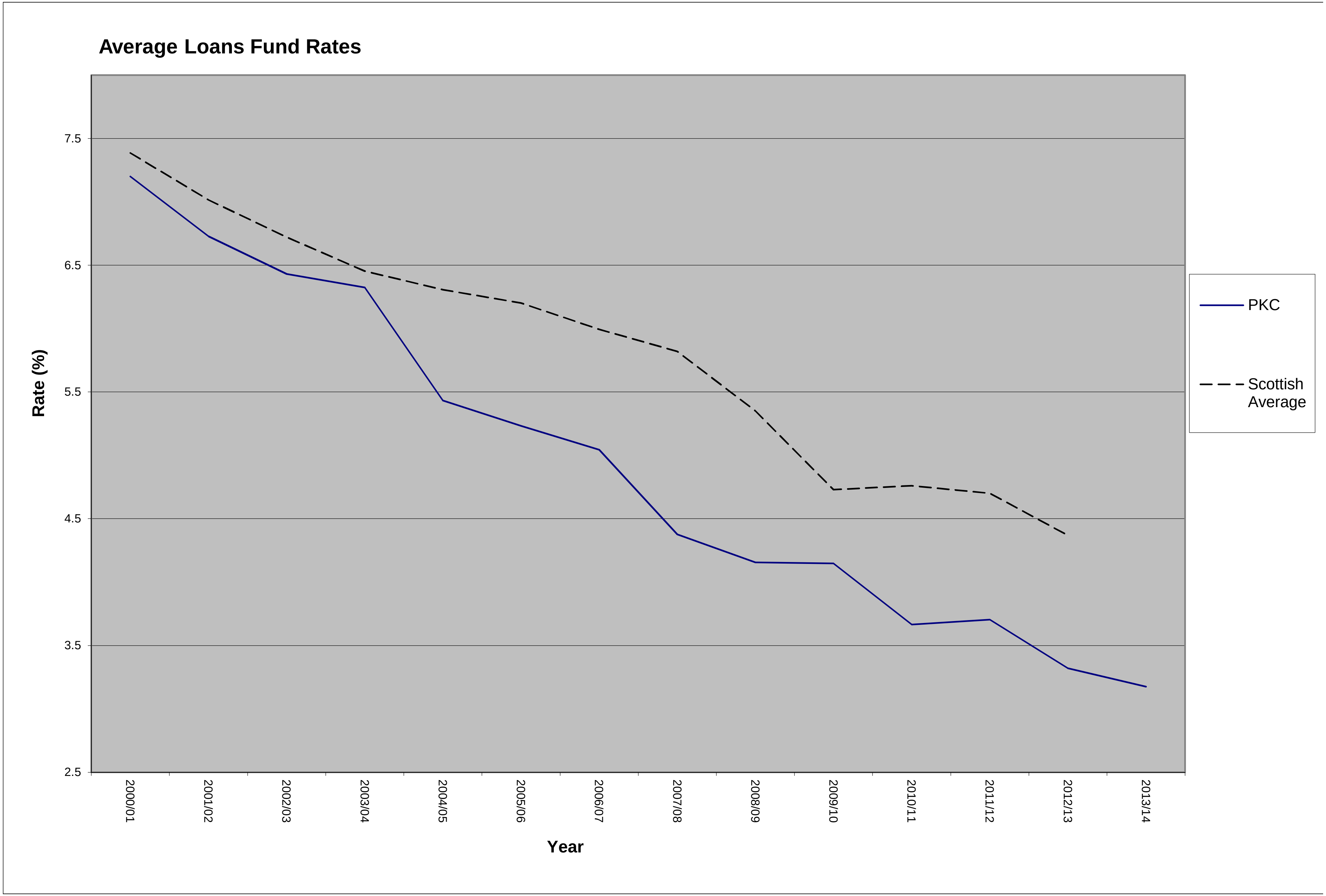
6. APPENDICES

Appendix I – PWLB Fixed Maturity & Variable Interest Rates From 1 April 2013 to 1st April 2014.

Appendix II – Average Loans Fund Rates.

Appendix III – SCHEDULE 5.4 Treasury Management Daily Limitations to Authority


PWLB Fixed Maturity & Variable Interest Rates
From 1 April 2013 to
1 April 2014
Rate %
5.00
4.75
4.50
4.25
4.00
3.75
3.50
3.25
3.00
2.75
2.50
2.25
2.00
1.75
1.50
1.25
1.00
0.75
0.50
01-Apr-13
01-May-13
01-Jun-13
01-Jul-13
01-Aug-13
01-Sep-13
01-Oct-13
01-Nov-13
01-Dec-13
01-Jan-14
01-Feb-14
01-Mar-14
01-Apr-14
Effective Date
Variable
1 Year
5 Years
10 Years
30 Years
50 Years


Average Loans Fund Rates
Rate (%)
7.5
6.5
5.5
4.5
3.5
2.5
2000/01
2001/02
2002/03
2003/04
2004/05
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
Year
PKC
Scottish Average

APPENDIX III

SCHEDULE 5.4

Treasury Management Daily Limitations to Authority

<u>TITLE</u>

CHIEF EXECUTIVE

Delegated authority in accordance with the Financial Regulations and Scheme of Administration with particular reference to the approved Treasury Policy Statement, and consistent with current budget requirements.

HEAD OF FINANCE

Delegated authority in accordance with the Financial Regulations and Scheme of Administration with particular reference to the approved Treasury Policy Statement, and consistent with current budget requirements.

CHIEF ACCOUNTANT

Long Term Borrowing (Fixed or Variable)	up to £10 million
Temporary Borrowing } Fixed, Notice or Call with	within cashflow requirements
Temporary Investment } Approved Organisations	within approved Investment Limits
Variation of Loan Terms – in line with the above limits	

CORPORATE ACCOUNTING MANAGER

Long Term Borrowing (Fixed or Variable)	up to £5 million
Temporary Borrowing } Fixed, Notice or Call with	within cashflow requirements
Temporary Investment } Approved Organisations	within approved Investment Limits
Variation of Loan Terms - in line with the above limits	

CHIEF EXCHEQUER OFFICER

Temporary Borrowing } Fixed, Notice or Call with	within cashflow requirements
Temporary Investment } Approved Organisations	within approved Investment Limits
Variation of Loan Terms - in line with the above limits	

SENIOR ACCOUNTANTS – CORPORATE ACCOUNTING

Long Term Borrowing – Under instruction of above officers, within their appropriate limitations to authority.

Temporary Borrowing } Fixed, Notice or Call with	within cashflow requirements
Temporary Investment } Approved Organisations	within approved Investment Limits
Variation of Loan Terms - in line with the above limits	

TREASURY MANAGEMENT OFFICER

Long Term Borrowing – Under instruction of above officers, within their appropriate limitations to authority.

Temporary Borrowing } Fixed, Notice or Call with	within cashflow requirements
Temporary Investment } Approved Organisations	within approved Investment Limits
Variation of Loan Terms - in line with the above limits	

ACCOUNTING TECHNICIAN

Temporary Borrowing } Fixed, Notice or Call with	within cashflow requirements
Temporary Investment } Approved Organisations	within approved Investment Limits
Variation of Loan Terms - in line with the above limit.	