Report of the Section 151 Officer

Council - 30 September 2014

TREASURY MANAGEMENT ANNUAL REPORT 2013-2014

Summary	
Purpose:	This report provides details of the Council's Treasury Management activities during 2013/14 and compares actual performance against the strategy laid down at the start of the year.
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FOR INFORMATION	

1 Introduction

1.1 Under the CIPFA Code of Practice on Treasury Management in Public Services, there is a requirement: "….*for the Council to receive reports on its treasury management policies, practices and activities".*

This report summarises the activities for the year. The Prudential Code for Capital Finance in Local Authorities also requires the reporting of outturn Prudential Indicators for the year.

2 Executive Summary of Activities During The Year

2.1 The revised indicative net borrowing requirement for 2013/14 was £17.6m. Due to capacity constraints and low investment returns, it was determined to utilise internal funds on an interim basis. As such no new external borrowing was undertaken in 2013/14.

2.2 The average interest rate on Council borrowing was 5.51%.

2.3 Internally Managed investments achieved a return of 0.54%. This represents an outperformance of +0.29% from the 7 day uncompounded LIBID benchmark rate of 0.25%.

2.4 The external fund manager returned 0.14%. This represented an underperformance of 0.33% from the target 3 month LIBOR rate of 0.47%.

2.5 The Council has operated within the determined treasury limits outlined in the appendices.

3 Financial Implications

3.1 There are no financial implications arising directly from this report

4 Legal Implications

4.1 There are no legal implications arising directly from the report.

5 Equality Impact Assessment Implication

5.1 There are no equality impact assessment implications arising directly from the report

Background Papers:

- Treasury Management Strategy, Prudential Indicators, Investment Strategy & Minimum Revenue Provision Statement 2013/14 (Feb 2013)
- Treasury Management Strategy, Prudential Indicators, Investment Strategy & Minimum Revenue Provision Statement 2014/15 (Feb 2014)

Treasury Management Annual Report

2013/14

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1. Executive Summary

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2. Introduction and Background

2.1 Treasury Management in local government is regulated by the CIPFA Code of Practice on Treasury Management in Public Services (the Code). The City and County of Swansea has adopted the Code and complies with its requirements. A glossary of terms used throughout this report is included at Appendix 3.

2.2 The primary requirements of the Code are the:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
- Receipt by the Council of an annual Treasury Management strategy report for the year ahead , a mid term update report and an annual review report of the previous year
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions
- Treasury Management, in this context, is defined as:

"*The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance or return consistent with those risks.*"

2.3 The Council has previously received in February 2013 the Treasury Strategy Statement and Investment Strategy for 2013/14.

2.4 The Prudential Code for Capital Finance in Local Authorities has been developed as a professional code of practice to support local authorities in determining their programmes for capital investment. Local authorities are required by Regulation under Part 1 of the Local Government Act 2003 to comply with the Prudential Code.

2.5 The objective of the Code is to provide a framework for local authority capital finance that will ensure for individual local authorities that:

- Capital expenditure plans are affordable
- All borrowing and long term liabilities are within prudent and sustainable levels
- Treasury Management decisions are taken in accordance with professional good practice

2.6 The Code includes a set of Prudential Indicators, which are designed to support and inform local decision-making. The 2013/14 Prudential Indicators are detailed in Appendix 1.

3. Debt Portfolio

3.1 The Council's external borrowing position at the beginning and end of the year was as follows:

	1 April 2013		**31 March 2014**	
	Principal £'000	Interest Rate %	Principal £'000	Interest Rate %
Long Term Debt				
PWLB - fixed rate	226,588	6.15	220,305	6.16
Money Market (LOBO)	98,000	4.10	98,000	4.10
Local Bonds	5	-		
Short Term Debt				
Money Market	50	1.19	20	0.52
External Bodies	1,142	1.15	707	1.03
Total Debt	325,785	5.51	319,032	5.51

3.2 The average external debt portfolio interest rate was 5.51%.

4. Treasury Strategy 2013/14

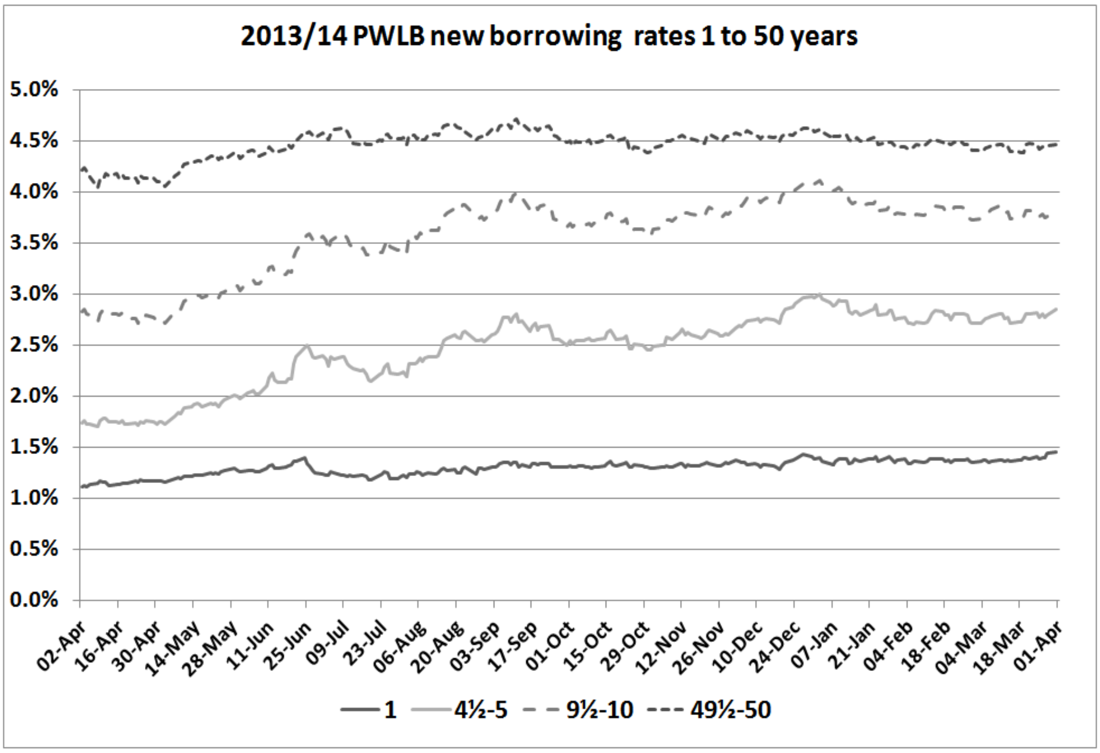
4.1 The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

4.2 Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality (see paragraph 4.) The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

4.3 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.

4.4 The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

4.5 **PWLB borrowing rates -** the graph below shows how PWLB certainty rates have risen from historically very low levels during the year.



4.6 The expectation for interest rates within the strategy for 2013/14 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

4.7 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

4.8 The actual movement in gilt yields meant that PWLB rates were on a sharply rising trend during 2013 as markets anticipated the start of tapering of asset purchases by the Fed. This duly started in December 2013 and the US FOMC (the Fed.), adopted a future course of monthly reductions of $10bn (from a starting position of $85bn), meaning that asset purchases were likely to stop by the end of 2014. However, volatility set in during the first quarter of 2014 as fears around emerging markets, various vulnerabilities in the Chinese economy, the increasing danger for the Eurozone to drop into a deflationary spiral, and the situation in the Ukraine, caused rates to dip down, reflecting a flight to quality into UK gilts.

5. Actual Borrowing 2013/14

5.1 The Treasury Management strategy 2013/14 agreed by the Council in February 2013 identified a net borrowing requirement of £6.6m for 2013/14, which was revised in February 2014 to £17.617m.

5.2 No new PWLB or market borrowing was undertaken during the year as set out in the 2013/14 strategy above in 4.7.

6. Compliance with Treasury Limits

6.1 During the year, the Council operated within the limits set out in the Council's Treasury Management Strategy 2013/14 under the Prudential Code. The outturn for the prudential indicators are shown in Appendix 1.

7. Capital Financing Charges 2013/14

7.1 The capital financing charges made to the Council's accounts for 2013/14 including capital repayments net of discounts/premiums and interest receivable are detailed below.

	Actual 2012/13		Actual 2013/14	
	£'000	Interest Rate %	£'000	Interest Rate %
Housing Revenue A/c	4,991	4.98	4,694	4.80
General Fund	25,947	4.84	27,009	4.68

7.2 The interest rates charged differ from the average rate of interest for external debt due to the fact that part of the Council's borrowing for capital purposes is funded by the investment of internal reserves and the use of internal balances and application of discounts/premia.

8. Investment Strategy for 2013/14

8.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations as to the timing of the start of monetary tightening ended up unchanged at early 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.

8.2 Overlaying the relatively poor investment returns were the continued counterparty concerns, most evident in the Euro zone.

8.3 As a result of the above, a cautious borrowing and investment strategy was implemented in 2013/14. The paramount consideration in making investments was the security of the investment. Given the low interest rates achievable on Council investments, a decision was made to internally finance any new capital borrowing requirement. This resulted in a lower net interest charge to the Council and reduced risk in relation to security of investment.

8.4 The Council's investment policy is governed by WAG guidance, which was implemented in the annual investment strategy approved by the Council on February 2013 and revised by Council on February 2014. This policy sets out the approach for choosing investment counterparties, and is based on our Treasury Advisors' investment matrix based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks, credit default swaps, bank share prices etc. New investments were restricted to UK only institutions which satisfied these criteria.

8.5 The Council invests part of the Council's cash reserves internally and part through external fund managers, Invesco. This policy is implemented to mitigate the risk inherent in broad investment strategy by utilising both direct investment and the services of fund managers. This policy of investing part of the Council's cash reserves through external fund managers, and part directly, was maintained.

9. Actual Investments 2013/14

9.1 The Council held internally and externally managed funds during 2013/14

9.2 The external investments of the Council are managed by Invesco cash fund managers. The overriding rationale for the retention of an external cash fund manager remains the mitigation of risk and diversification of counterparties.

9.3 The return achieved by the fund manager during 2013/14 was as follows:

	Balance 1 April 13	Balance 31 March 14	Rate of Return	7 Day LIBID	3 month LIBOR
	£'000	£'000		%	%
Invesco	22,482	22,513	0.14	0.25	0.47

9.4 The external fund manager, Invesco has returned 0.14% an underperformance of 0.33% below the benchmarked 3 month LIBOR rate of 0.47% for the year in very challenging market conditions where low yields prevailed in conjunction with the highly conservative investment parameters of the portfolio

9.5 The Council also held internally managed funds which were invested on the Money Market via brokers or directly with banks and building societies other local authorities and the Debt Management Office (DMO). The balances held during the year were as follows:

Balance 1 April 2013	Balance 31 March 2014	Average Value 2013/14	Interest	Rate of Return	Benchmark 7 day LIBID
£'000	£'000	£'000	£'000	%	%
77,222	64,999	104,093	562	0.54	0.25

9.6 The interest achieved on internally managed investments was £0.562m or 0.54%. This return outperformed the benchmark seven-day rate by +0.29%.

9.7 As a further measure to mitigate and control risk, the Authority determined to restrict investments to UK domiciled only banks and financial institutions in October 2008 resulting in an even smaller number of available UK counterparties to invest with. This policy was maintained in light of sovereign debt crises throughout Europe. A graphical illustration of the contraction of the counterparty list and the current counterparty list is attached at Appendix 4. The list of investments as at 31st March 2014 is attached at Appendix 5.

10. Debt Repayment/Rescheduling

10.1 Market conditions are constantly monitored for opportunities to repay or reschedule debt in line with good Treasury Management. No such opportunities arose in 2013/14.

Appendix 1

Prudential Indicators

Capital Prudential Indicators	2012/13	2013/14	2013/14
	Actual	**Revised Estimate**	**Actual**
	£'000	**£'000**	**£'000**
Capital Expenditure			
GF	51,785	57,106	59,047
HRA	25,303	24,524	24,981
TOTAL	77,088	81,630	84,028
Ratio of financing costs to net revenue stream	**%**	**%**	**%**
GF	6.62	6.42	7.29
HRA	9.98	8.99	9.04
Incremental Impact on Council Tax (Band D) or Council House Rent	**£**	**£**	**£**
GF	70.50	82.20	84.17
HRA	0.00	0.00	0.00
Capital Financing Requirement	**£'000**	**£'000**	**£'000**
GF	305,972	314,852	314,815
Credit Arrangements	2,337	3,264	2,600
HRA	68,995	67,934	66,378
TOTAL	377,304	386,050	383,793

Treasury Management Prudential Indicators			
	2012/13	**2013/14**	**2013/14**
	Actual	**Revised Estimate**	**Actual**
	£'000 or %	**£'000 or %**	**£'000 or %**
Authorised limit for external debt	325,785	527,220	319,032
Operational boundary for external debt	325,785	445,829	319,032
Upper limit for fixed interest rate exposure	69.9%/ 227,785	100%/ £527,220	69.28%/ £221,032
Upper limit for variable interest rate exposure	30.1%/ 98,000	40%/ £210,888	30.72%/ £98,000
Upper limit for total principal sums invested for over 364 days	0	75,000	0

Maturity Structure of Fixed Rate Borrowing in 2013/14			
	Upper Limit	**Lower Limit**	**Actual**
Under 12 months	50%	0%	3.69%
12 months and within 24 months	50%	0%	0.98%
24 months and within 5 years	50%	0%	2.86%
5 years and within 10 years	85%	0%	0%
10 years and above	95%	15%	92.47%

The Treasury Management Prudential Indicators identified above as:

- Upper limit for fixed interest rate exposure
- Upper limit for variable interest rate exposure
- Upper limit for total principal sums invested for over 364 days
- Maturity Structure of fixed rate borrowing in 2013/14

are shown as at balance sheet date 31st March 2014, however it can be reported that none of the above limits were breached during 2013/14. The level of outstanding debt throughout 2013/14 is shown in Appendix 2 and can be seen to be within the capital financing requirement, operational boundary and authorised limit for the whole of 2013/14.

APPENDIX 2


TOTAL DEBT OUTSTANDING - 2013/2014
£M.
authorised limit
operational boundary
capital finance requirement
TOTAL DEBT
TOTAL DEBT NET OF INVESTMENTS
WEEK

Appendix 3

Treasury Management – Glossary of Terms

Annualised Rate of Return	Represents the average return which would have been achieved each year.
Authorised Limit ***(can also be considered as the affordable borrowing limit)***	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected movement.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Basis Points (bp)	A basis point is 0.01 of 1% (100 bp = 1%)
Borrowing	In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- • Borrowing repayable with a period in excess of 12months • Borrowing repayable on demand or within 12months
Capital Expenditure	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.

Capital Financing Charges (see financing costs also)	These are the net costs of financing capital i.e. interest and principal, premium less interest received and discounts received.
Capital Financing Requirement	The Capital Financing Requirement is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
CIPFA	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Rating	This is a scoring system that lenders issue people with to determine how credit worthy they are. The Credit Rating components are as follows: 1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rated, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days 2. F1/A1/P1 are short-term rating definitions used by Moody's, S&P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.
Debt	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be

	noted that the term borrowing used with the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.
Discounts	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
Financing Costs	The financing costs are an estimate of the aggregate of the following:- • Interest payable with respect to borrowing • Interest payable under other long-term liabilities • Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts) • Interest earned and investment income • Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers
Financial Reporting Standards (FRSs)	These are standards set by governing bodies on how the financial statements should look and be presented.
Investments	Investments are the aggregate of:- • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances From this should be subtracted any

	investments that are held clearly and explicitly in the course of the provision of, and for the purposes of, operational services.
IMF	International Monetary Fund
LOBO (Lender's Option/ Borrower's Option	Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.
London Inter-Bank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Managed Funds	<u>In-House Fund Management</u> Surplus cash arising from unused capital receipts can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets for periods up to one year. <u>Externally Management Funds</u> Fund managers appointed by the Council invest surplus cash arising from unused capital receipts in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a higher rate of earnings on the managed funds than would be otherwise obtained.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision (MRP)	The amount required by statute to be principal repayment each year.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government

	in maintaining high and stable levels of growth and employment.
Money Market	Consists of financial institutions and deals in money and credit. The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.
Net Borrowing	For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above).
Net Revenue Stream	Estimates for net revenue stream for current and future years are the local authority's estimates of the amounts to be met from government grants and local taxpayers.
Operational Boundary	This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods.
Other Long Term Liabilities	The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above).
Premature Repayment of Loans (debt restructuring/rescheduling)	A facility for loans where the Council can repay loans prior to the original maturity date. If the loan repaid has a lower interest rate than the current rate for a loan of the same maturity period the Council can secure a cash discount on the repayment of the original loan. If the loan replaced has a higher rate of interest than the current rate for a loan of the same maturity period, a cash penalty is payable to the lender.
Premia	Where the prevailing current interest rate is lower than the fixed rate of a long term loan, which is being repaid early, the lender can

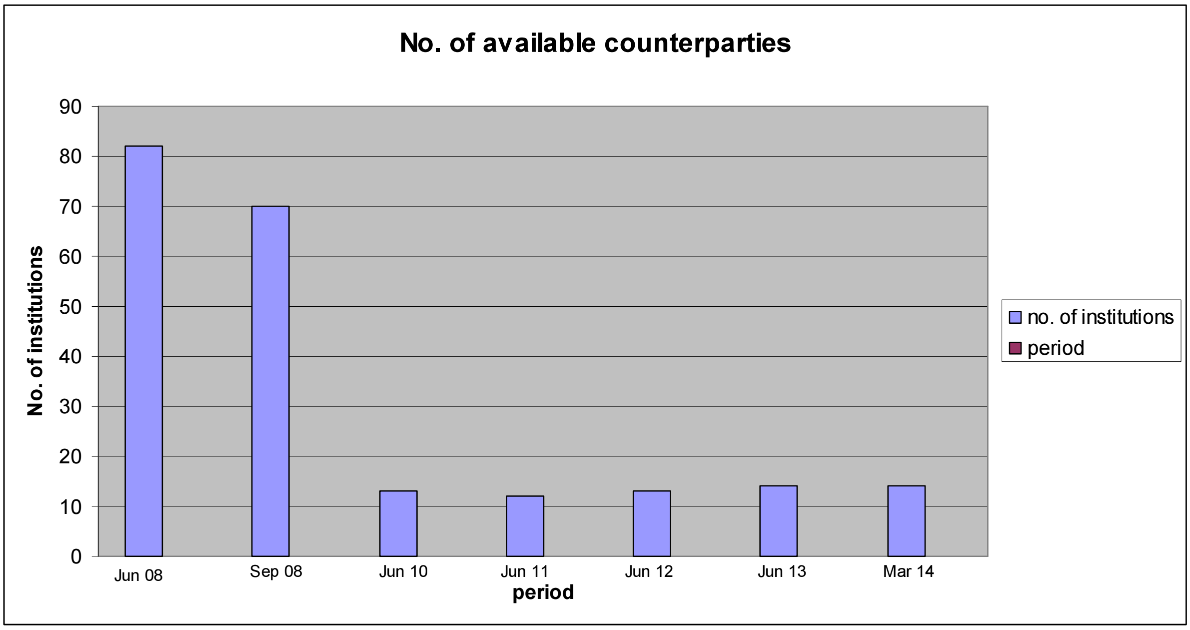
	charge the borrower a premium. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.
Prudential Code	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
Public Works Loan Board (PWLB)	A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows.
Range Trade Accrual	A Callable Range Accrual is so called because it is callable or cancellable by the bank after the initial period, as above. However, where it differs, is that interest accrues only as long as Libor (London Interbank Offer Rate, or another independently derived and published benchmark rate) stays within a pre-agreed range. The lender can choose the range, the non-call period, the Libor they wish to use, the call periods and the potential return they wish to receive.. The bank has the right to cancel this trade after the first 3 months, and every 3 months thereafter. With a range trade, the lender is backing his judgement on interest rate movements and in exchange for that can achieve a significantly enhanced return. This is done as part of portfolio management. The risk of rates going above Libor on a small part of the portfolio (and therefore none, or little payment on a range accrual) will be offset by the fact that the rest of the portfolio will be returning more than expected. The key risk to a callable range accrual is obviously that the contractual Libor rate goes outside the specified range. It is possible to mitigate this risk by analysing the historical behaviour of any specified Libor

	relative to base rate. By taking a view on expected base rate (which is done on all deposits), a lender can minimise exposure, and choose a range to match his risk appetite.
Risk	Counterparty Credit Risk The risk that a counterparty defaults on its obligations. Inflation Risk The risk that growth in the Authority's investment income does not keep pace with the effects of inflation on its expenditure. Interest Rate Risk The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances. Liquidity Risk The risk that cash will not be available when it is needed. Operational Risk The risk of loss through fraud, error, corruption, system failure or other eventualities in Treasury Management dealings, and failure to maintain effective contingency management arrangements. Refinancing Risk The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.
Set Aside Capital Receipts	A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.
SORP	Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council's financial matters.
Specified/Non Specified investments	Specified investments are sterling denominated investments for less than 364 days as identified in Appendix A in line with statutory investment regulations. Non-specified investments are all other investments identified in Appendix A in line

	with statutory investment regulations.
Supranational Bonds	These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating.
Temporary Borrowing and Investment	Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.
Treasury Management	Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services. "The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
Yield Curve	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite prevails the yield curve is referred to as inverse.

Appendix 4

Schedule of Number of Counterparties



Schedule of Available Counterparties as at 31 March 2014

Institution	Country	Bank/BS	Fitch Ratings S Term	Support	L Term
Bank of New York Mellon	UK	Bank	F1+	1	AA-
Bank of Scotland	UK	Bank	F1	1	A
Barclays	UK	Bank	F1	1	A
Credit Suisse International	UK	Bank	F1	1	A
Goldman Sachs International Bank	UK	Bank	F1		A
HSBC	UK	Bank	F1+	1	AA-
Lloyds TSB	UK	Bank	F1	1	A
MBNA Europe	UK	Bank	F1	1	A-
National Westminster	UK	Bank	F1	1	A
Nationwide	UK	BS	F1	1	A
Royal Bank of Scotland	UK	Bank	F1	1	A
Santander	UK	Bank	F1	1	A
Standard Chartered Bank	UK	Bank	F1+	1	AA-
Sumitomo Mitsui Banking Corporation	UK	Bank	F1	1	A-
UBS	UK	Bank	F1	1	A
Debt Management Office	UK				
Local Authorities	UK				

Appendix 5

List of Outstanding Investments as at 31 March 2014

	£
Bank of Scotland	4,996,632.60
Nat West Bank	15,002,259.43
Leeds Council	5,000,000.00
Lloyds TSB	10,000,000.00
Nationwide Building Society	7,000,000.00
Santander	15,000,000.00
Thurrock Borough Council	5,000,000.00
UBS	2,000,000.00
Total	**63,998,892.03**