Somerset County Council

Cabinet
15th November 2017

# Treasury Management Mid-Year Report 2017-18

Cabinet Member: Cllr David Hall – Cabinet Member for Resources
Division and Local Member: All
Lead Officer: Kevin Nacey, Director of Finance & Performance
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|---|---|---|---|
| **Report Sign off** | **Seen by:** | **Name** | **Date** |
| | County Solicitor | Honor Clarke | 23/10/17 |
| | Monitoring Officer | Julian Gale | 23/10/17 |
| | Corporate Finance | Kevin Nacey | 23/10/17 |
| | Human Resources | Chris Squire | 23/10/17 |
| | Senior Manager | Stephen Morton | 20/10/17 |
| | Cabinet Member | David Hall | 01/11/17 |
| **Forward Plan Reference:** | FP/17/08/11 | | |
| **Summary:** | The Treasury Management Strategy for 2017-18 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (Revised 2011), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that Full Council is informed of Treasury Management activities at least twice a year.<br><br>This report is for information only. It gives a summarised account of Treasury Management activity and outturn for the first half of the year, and ensures Somerset County Council (SCC) is embracing Best Practice in accordance with CIPFA recommendations. | | |
| **Recommendations:** | **That the Cabinet endorses the Treasury Management Mid-Year Report for 2017-18 and recommends it is received and endorsed by Full Council on 29th November 2017.** | | |
| **Reasons for recommendations** | The Local Government Act 2003 requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the | | |

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| | Public Services. The Code requires Full Council to receive as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after its close. This is the mid-year review for 2017-18. |
| **Links to Priorities and Impact on Service Plans:** | Effective Treasury Management provides support to the range of business and service level objectives that together help to deliver the Somerset County Plan. |
| **Consultations undertaken:** | None |
| **Financial Implications:** | As per links to priorities box |
| **Legal Implications:** | As above |
| **HR Implications:** | As above |
| **Risk Implications:** | There are no specific risks associated with this outturn report. The risks associated with Treasury Management are dealt with in the Annual Treasury Management Strategy, Annual Investment Strategy, and Treasury Management Practice documents. |
| **Other Implications (including due regard implications):** | None |
| **Scrutiny comments / recommendation (if any):** | The Audit Committee is the nominated body to provide scrutiny for Treasury Management and this report will be sent to Audit Committee members. |

## 1. Economic Background

**1.1** UK economic activity expanded at a much slower pace as evidenced by Q1 and Q2 GDP growth of 0.2% and 0.3% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these will be a constraint on economic activity in the second half of the year.

August Inflation (CPI) rose to 2.9%, its highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices.

The unemployment rate fell to 4.3%, its' lowest since May 1975, but the squeeze on consumers intensified as average earnings grew at 2.5%, below the rate of inflation.

The unscheduled General Election in June, called to resolve uncertainty, resulted in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit may have diminished, lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block, is denting business sentiment and investment.

The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". It also reiterated that any increase will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

In contrast to the UK, near-term global growth prospects improved. The US Federal Reserve increased its target range of official interest rates in June for the second time in 2017 by 25bps to between 1% and 1.25%, and a further similar increase is expected at its December 2017 meeting.

The Euroland economic outlook got another upgrade in September, in Bloomberg's latest economic survey. Gross domestic product is now forecast to rise 2.1 percent this year, up 0.1 percentage point compared with August, and the eighth positive reassessment in the past year.

The European Central Bank also raised its forecasts in September, to 2.2%. ECB President Mario Draghi said at the time that the expansion "continues to be solid and broad-based across countries and sectors." Against that backdrop, ECB policy makers have begun a debate on how to slow the monthly asset purchases they've used to help support the economy in recent years.

On the downside, geopolitical tensions escalated in August as the US and North Korea exchanged escalating verbal threats. The provocation from both sides helped wipe off nearly $1 trillion from global equity markets but benefited safe-haven assets such as gold and the US dollar.

The FTSE 100 nevertheless powered away reaching a record high of 7,548 in May but dropped back to 7,377 at the end of September.

Gilt yields displayed some volatility over the six-month period with the change in sentiment in the Bank of England's outlook for interest rates, the push-pull from expectations of tapering of Quantitative Easing (QE) in the US and Europe, and from geopolitical tensions. To highlight the volatility, the yield on 5-year gilts fell to 0.35% in mid-June, but then rose to 0.80% by the end of September. The 10-year gilt yield similarly rose from their lows of 0.93% to 1.38% at the end of the quarter, and those on 20-year gilts from 1.62% to 1.94%.

As gilt yields have a direct correlation to PWLB borrowing rates, the movements, and particularly the spike upwards in September, can be seen in Tables 2 and 3 in Appendix A.

LIBID rates supplied by the British Bankers' Association show that there was barely any movement in rates out to 3-months, with a general drift down in periods beyond this. This changed dramatically in September as Mark Carney implied an impending rise in rates. Rates for 3-months and longer have risen sharply in the last couple of weeks in September.

3-month, 6-month and 12-month LIBID rates have averaged 0.18%, 0.32% and 0.53% respectively over the period from April to 30th September 2017, closing on year-to-date highs of 0.21%, 0.37%, and 0.60% respectively.

Rates paid by banks to Local Authorities have continued to be volatile and non-uniform, being based on individual institutions' wholesale funding requirements at any given time. Some counterparties have quoted negative yields for periods up to 3-months during the first half of the year.

Tables showing the effect that economic conditions had on money market rates during the period, can be seen in Table 1, Appendix A.

## 1.2 Debt Management

The Council's need to borrow for capital purposes is determined by the Capital Programme. Council Members are aware of the major projects identified for 2017-19. As planned, some £107.6m of major projects for 2017-2018 is to be financed by government grants, capital receipts and contributions, and re-profiled funding as outlined in the Treasury Management Strategy Statement passed by Council in February 2017. No borrowing has been taken during the period, nor is there any envisaged to be taken in the second half of the year.

The debt position at the beginning and end of the period are shown overleaf:

| | **Balance on 31/03/2017 £m** | **Debt Matured / Repaid £m** | **New Borrowing £ms** | **Balance on 30/09/2017 £m** | **Increase/ Decrease in Borrowing** |
|---|---|---|---|---|---|
| Short Term Borrowing | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| PWLB | 159.05 | 0.00 | 0.00 | 159.05 | 0.00 |
| LOBOs | 113.00 | 0.00 | 0.00 | 113.00 | 0.00 |
| Fixed Rate Loans (Including Ex-Barclays LOBOs) | 57.50 | 0.00 | 0.00 | 57.50 | 0.00 |
| **Total Borrowing** | **329.55** | **0.00** | **0.00** | **329.55** | **0.00** |

The overall rate paid on loans remained unchanged for PWLB at 4.59%. The average LOBO (Lenders Option, Borrowers Option) rate at 30th September was also the same as at 31st March, at 4.72%**.** The combined average rate was 4.66%.

As there has been no change to the PWLB portfolio during the period, the average weighted maturity as at 30th September had decreased by six months to 26.7 years. The average duration of all Market Loans dropped to 34.2 years from 34.7.

## 1.3 Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Security of capital remained the Council's main investment objective. This was achieved by following the counterparty policy as set out in the Annual Investment Strategy, and by the approval method set out in the Treasury Management Practices. Counterparties having approval for use during the period are listed below. Those used during the first half of the year are denoted with a star.

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| **Bank or Building Society** | | **Bank or Building Society** | |
|---|---|---|---|
| Bank of Scotland | * | Oversea-Chinese Banking Corp | * |
| Barclays Bank Plc | | Commonwealth Bank of Australia | * |
| Close Brothers Ltd | | National Australia Bank | * |
| DBS Bank Ltd | * | Bank of Montreal | * |
| Goldman Sachs Inv Bank | * | Toronto-Dominion Bank | * |
| HSBC Bank | * | Landesbank Hessen-Thuringen | * |
| Lloyds Bank | * | Canadian Imperial Bank of Commerce | |
| National Westminster | * | | |
| Nationwide BS | * | **Sterling CNAV Money Market Funds** | |
| Santander UK | * | Goldman Sachs | |
| Standard Chartered Bank | | Deutsche MMF | |
| Australia & NZ Bank | * | Invesco Aim | * |
| Svenska Handelsbanken | * | Federated Prime Rate | * |
| Nordea Bank | * | JP Morgan | * |
| Rabobank | * | Insight | * |
| United Overseas Bank | * | Standard Life | * |
| OP Corporate Bank | * | LGIM | * |
| | | | |
| **Other Counterparties** | | | |
| Debt Management Office | | Other Local Authorities | * |
| CCLA Property Fund | * | (10 used – Total £53.5m) | |

SCC has continuously monitored counterparties, and all ratings of proposed counterparties have been subject to verification on the day, immediately prior to investment. Other indicators taken into account have been:

- Credit Default Swaps and Government Bond Spreads.
- GDP and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Banking resolution mechanisms for the restructure of failing financial institutions i.e. bail-in.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

**Counterparty Update**

There were a few credit rating changes during the quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3. They affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, and revised the outlook of Santander UK plc and Nationwide Building Society from negative to stable. Moody's also downgraded long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment, and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors.

In response, the Council reduced its' duration limits with Canadian Banks to 6-months from 13-months. Australian Banks already had a limit of 6-months.

S&P revised Nordea Bank's outlook to stable from negative, whilst affirming their long-term rating at AA-.

Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In response, the Council reduced the maximum duration of unsecured investments with Bank of Scotland, HSBC Bank and Lloyds Bank from 13-months to 6-months, as until banks' new structures are known, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain.

UK bank credit default swaps continued their downward trend, reaching three-year lows by the end of June. Bank share prices have not moved in any particular pattern.

Standard Chartered Bank was re-introduced to the list in May as concerns over a volatile share price and a comparably elevated CDS level subsided, although no investments have been placed to date.

Maturities for new investments with financial institutions on the Council's list at 30th September are currently limited as follows :-

**UK Institutions**

National Westminster Bank – **a maximum period of 35 Days;**
Barclays Bank, Goldman Sachs International Bank, and Standard Chartered Bank -

**a maximum period of 100 days;**
Bank of Scotland, Close Brothers Ltd, HSBC Bank, Lloyds Bank, Nationwide Building Society, and Santander UK - **a maximum period of 6 months;**

**Non-UK Institutions**
Landesbank Hessen-Thuringen, OP Corporate Bank, and all Australian and Canadian Banks - **a maximum period of 6 months.**
Nordea Bank, Rabobank, Svenska Handelsbanken, DBS Bank, OCBC, and UOB **- a maximum period of 13 months.**

In order to diversify the portfolio, some deposits have been placed with UK Local Authorities. This allows for longer-dated maturities (up to 24-months at present) with excellent creditworthiness and an appropriate yield.

**Liquidity:** In keeping with the CLG guidance, the Council maintained a sufficient level of liquidity through the use of call accounts, Money Market Funds, and short-term deposits.

91 cash deposits totalling in excess of £448m were made during the first half of the year. SCC did not borrow short-term money during the first half of 2017-18.

**CCLA Property Fund:** In May, the Council placed a £10m investment in the CCLA Property Fund. This Fund has been in existence for more than 25 years and is only available to Local Authorities. It is an actively managed, diversified portfolio of UK Commercial Property with a stated investment objective "to provide investors with a high level of income and long-term capital appreciation".

The decision to invest in the CCLA Property Fund was driven by 2 key factors. Firstly, by diversifying away from unsecured Bank deposits, it would help to mitigate the increased risk posed by unsecured bank bail-in, and secondly, to mitigate the risk of negative returns (real negative returns, or inflation adjusted returns) posed by the low interest rate environment.

A full risk assessment was undertaken, and identified the main risks as depreciation in market value (there is an instant drop in value due to the bid/offer spread), and loss of liquidity. These are both mitigated by treating the investment as a longer-term hold. By identifying a suitable level of longer-term investment with reference to core balances and reserves, liquidity will not be compromised, and potential dips in market value can be patiently sat out. Whilst planning for the downside, there is also the upside, that there will be capital appreciation. In the meantime, the current Property Fund yield of circa 4.4% to 4.5% net, if sustained, would be nearly 4% above current cash yields, and will provide an extra £400,000 of income per annum.

**Yield:** As at 30th September Comfund investment (including approximately £1.2m of outstanding Icelandic capital) stood at just under £220m averaging just under £220m for the year-to-date. The Comfund vehicle, which consists mainly of SCC Capital and Revenue Reserves, has an average return for the year-to-date of 0.60%, and has out-performed the benchmark by 0.35% as base rate has averaged 0.25% for the period. The weighted average maturity of the Comfund was 5.4

months, as some longer deposits were made where possible, but the majority of loans were kept to 6-months.  The return of 0.60% is comfortably above the 6-month LIBID average of 0.32%, and was even above the 12-month LIBID average of 0.53%.

A total of over £660k has been earned in Comfund interest in the first six months of the year.  Comfund administration charges received from investors total approximately £13k for the period.

Revenue interest (Ex-Property) has contributed a further £88k of income, with an average revenue balance (general working capital) of just under £34m, and an average return of 0.26%, 5 basis points above the average 3-month LIBID rate.

The combined return (Inc Property) for the period has been 0.65% on an average balance of £261m, or approximately £854k in monetary terms. This equates to a £1.45m per annum benefit of investing over the risk-free option, the Government Debt Management Office (DMO).

The combined return for the same period in 2016-17 was 0.78% on an average balance of £306m, or approximately £1.2m in monetary terms. The reduction in rates achieved follows the reduction in base rate.  The reduction in average balances of £53m reflects reduced income and net outflows of capital balances and the passive borrowing strategy, i.e. using internal funds to finance spending, and borrowing money only when necessary.  The investment in the CCLA Property Fund has added 10 basis points to average returns.

SCC continues to manage cash on behalf of other not-for-profit organisations including Exmoor National Park Authority (ENPA), and South West Councils (SWC) via service level agreements and the Comfund vehicle.  These balances were approximately £9.3m at period-end.

A further amount, approximately £78m, is held by SCC as part of the South West Local Enterprise Partnership (LEP).

The table below highlights investment figures over the period: -

| | Balance 31-3-2017 £m | Rate of Return at 31-3-2017 % | Balance as at 30-09-2017 £m | Rate of Return at 30-9-2017 % | Average Balance 31-3 to 30-09 £m | Average Rate 31-3 to 30-09 % |
|---|---|---|---|---|---|---|
| Short-Term Balances (Variable) | 7.86 | 0.35 | 18.02 | 0.26 | 33.91 | 0.26 |
| Comfund (Fixed) | 211.31 | 0.69 | 219.72 | 0.54 | 220.02 | 0.60 |
| CCLA Property Fund | 0.00 | 0.00 | 10.00 | 4.41 | 6.72 | 4.41 |
| **Total Lending** | **219.17** | **0.68** | **247.74** | **0.68** | **260.65** | **0.65** |

**Icelandic Investments Update**

The current position is this: -

***Landsbanki & Glitnir*** – As reported in the end of 2016-17 Treasury Management Outturn Report, SCC has concluded any interest that it had with these two banks.

***Kaupthing, Singer & Friedlander*** – The estimated range for total dividends was increased at the lower end in the Administrator's October 2016 report, and remains at 86p-86.5p in the pound.

A further dividend of £92,834.38 was received in May 2017. Future dividends will be paid subject to consultation with the Creditors' Committee, and when the level of distributable funds makes it cost effective to do so. A further dividend is expected before the end of 2017.

In total, as at 30th September 2017 £23,179,417.04 had been recovered. The shortfall of £1.82m from the original investment was written off back in 2008-09.

**1.4 Compliance with Prudential Indicators**

The Council can confirm that it has complied with its Prudential Indicators for 2016-17. Those indicators agreed by Full Council and actual figures as at 30th September are included below:

| | 2017-18 £m | As at 30-09 £m |
|---|---|---|
| Authorised limit (borrowing only) | 389 | 340 |
| Operational boundary (borrowing only) | 363 | 340 |
| Upper limit on fixed interest rate exposure | 100% | 100% |

| | | |
|---|---|---|
| Upper limit on variable interest rate exposure | 30% | 0% |

Maturity structure of borrowing

| | Upper Limit | Lower Limit | As at 30-09-17 |
|---|---|---|---|
| Under 12 months | 45% | 15% | 28.8% |
| >12 months and within 24 months | 20% | 0% | 7.4% |
| >24 months and within 5 years | 20% | 0% | 0.0% |
| >5 years and within 10 years | 20% | 5% | 9.0% |
| >10 years and within 20 years | 20% | 5% | 12.2% |
| >20 years and within 30 years | 20% | 0% | 0.0% |
| >30 years and within 40 years | 35% | 5% | 26.4% |
| >40 years and within 50 years | 20% | 5% | 16.2% |
| 50 years and above | 5% | 0% | 0.0% |

| | 2017-18 £m | As at 30-09 £m |
|---|---|---|
| Prudential Limit for principal sums invested for periods longer than 364 days | 100 | 40 |

**1.5 Outlook for Quarters 3 & 4**

The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth struggles in the face of higher inflation.

The Bank of England’s Monetary Policy Committee has changed its rhetoric, implying a rise in Bank Rate, saying "some withdrawal of monetary stimulus is likely to be appropriate over the coming months". Whilst some remain unconvinced that the UK’s economic outlook justifies such a move, the MPC seems to have shifted its’ interpretation of the data.

The base rate was duly raised on 2nd November, by 0.25% to 0.5%, the first rate rise for 10 years. All members agreed that any future increases in Bank Rate would be expected to be at a gradual pace and to a limited extent. The central case is for gilt yields to remain broadly stable in the medium term.

A table of forecast rates to September 2020 is shown below.

| | Dec 17 | Mar 18 | Jun 18 | Sep 18 | Dec 18 | Mar 19 |
|---|---|---|---|---|---|---|
| Upside Risk | 0.00 | 0.00 | 0.00 | 0.25 | 0.25 | 0.25 |
| Base Rate | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Downside Risk | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.25 |

| | Jun 19 | Sep 19 | Dec 19 | Mar 20 | Jun 20 | Sept 20 |
|---|---|---|---|---|---|---|
| Upside Risk | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 |
| Base Rate | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Downside Risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |

**Regulatory Updates**

**MiFID II:** Local authorities are currently treated by regulated financial services firms as professional clients who can “opt down” to be treated as retail clients instead. But from 3rd January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can “opt up” to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt up to professional, the Authority must have an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the Authority must have at least one year’s relevant professional experience. In addition, the firm must assess that personnel have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The main additional protection for retail clients is a duty on the firm to ensure that the investment is “suitable” for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

The Council meets the conditions to opt up to professional status and intends to do so in order to maintain their current MiFID status.

**CIPFA Consultation on Prudential and Treasury Management Codes:** In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses launched a further consultation on changes to the codes in August with a deadline for responses of 30th September 2017. The proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit would be included in this report but other indicators may be delegated to another committee. There are plans to drop certain prudential indicators, and to drop or alter some of the current treasury management indicators.

CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018-19, although they plan to put transitional arrangements in place for reports that are required to be approved before the start of the 2018-19 financial year. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England.

**1.6 Summary**

In compliance with the requirements of the CIPFA Code of Practice this report provides Councillors with a summary report of the treasury management activity during the first six months of 2017-18. As indicated in this report all treasury activity was conducted within the benchmarks set as Prudential limits for prudent and sustainable capital plans, financing, and investment. A risk-averse approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Whilst the average duration of cash investments has been circa 5 months, the return of 0.55% (the approximate level of 12-month LIBID) has been achieved on average balances of £261m.

## 2. Options Considered - None

## 3. Consultations Undertaken - None

## 4. Financial, Legal, HR, and Risk Implications

**4.1** The financial implications contained in this paper are included within the Medium Term Financial Plan (MTFP). Effective Treasury Management provides support to the range of business and service level objectives that together help to deliver the Somerset County Plan.

## 5. Other Implications - None

## 6. Background papers

**6.1** Treasury Management Strategy Statement and appendices.
**TMSS 2017-18**
**TMSS Appendix A 2017-18**
**TMSS Appendix B 2017-18**
**TMSS Appendix C 2017-18**
**TMSS Appendix D 2017-18**

# Appendix A

## Money Market Data and PWLB Rates

The average low and high rates correspond to the rates during the financial year-to-date, rather than those in the tables below.

Table 1: Bank Rate, Money Market Rates (LIBID Rates from BBA)

| Date | | Bank Rate | | O/N LIBID | 7-day LIBID | 1-month LIBID | 3-month LIBID | 6-month LIBID | 12-month LIBID | 2-yr SWAP Bid | 3-yr SWAP Bid | 5-yr SWAP Bid |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 01/04/2017 | | 0.25 | | 0.10 | 0.11 | 0.13 | 0.21 | 0.36 | 0.59 | 0.62 | 0.70 | 0.85 |
| 30/04/2017 | | 0.25 | | 0.10 | 0.11 | 0.13 | 0.20 | 0.35 | 0.56 | 0.56 | 0.63 | 0.79 |
| 31/05/2017 | | 0.25 | | 0.10 | 0.11 | 0.13 | 0.17 | 0.32 | 0.51 | 0.52 | 0.60 | 0.76 |
| 30/06/2017 | | 0.25 | | 0.10 | 0.11 | 0.13 | 0.17 | 0.32 | 0.53 | 0.69 | 0.80 | 0.99 |
| 31/07/2017 | | 0.25 | | 0.10 | 0.11 | 0.13 | 0.16 | 0.30 | 0.50 | 0.60 | 0.70 | 0.89 |
| 31/08/2017 | | 0.25 | | 0.10 | 0.11 | 0.13 | 0.15 | 0.28 | 0.47 | 0.53 | 0.61 | 0.78 |
| 30/09/2017 | | 0.25 | | 0.10 | 0.11 | 0.13 | 0.21 | 0.37 | 0.60 | 0.81 | 0.92 | 1.09 |
| | | | | | | | | | | | | |
| **Average** | | **0.25** | | **0.10** | **0.11** | **0.13** | **0.18** | **0.32** | **0.53** | **0.58** | **0.67** | **0.83** |
| **Maximum** | | **0.25** | | **0.10** | **0.12** | **0.13** | **0.21** | **0.37** | **0.61** | **0.81** | **0.93** | **1.10** |
| **Minimum** | | **0.25** | | **0.09** | **0.11** | **0.12** | **0.15** | **0.27** | **0.46** | **0.44** | **0.49** | **0.63** |
| **Spread** | | **0.00** | | **0.01** | **0.01** | **0.01** | **0.06** | **0.10** | **0.15** | **0.37** | **0.44** | **0.47** |

| Change Date | Notice No | 1 year | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|---|---|---|---|---|---|---|---|---|
| 03/04/2017 | 129/17 | 1.05 | 1.45 | 2.13 | 2.77 | 2.78 | 2.61 | 2.57 |
| 28/04/2017 | 164/17 | 1.02 | 1.43 | 2.11 | 2.77 | 2.79 | 2.62 | 2.57 |
| 31/05/2017 | 205/17 | 1.05 | 1.57 | 2.03 | 2.69 | 2.71 | 2.55 | 2.50 |
| 30/06/2017 | 250/17 | 1.28 | 1.63 | 2.26 | 2.88 | 2.89 | 2.73 | 2.66 |
| 31/07/2017 | 292/17 | 1.18 | 1.54 | 2.22 | 2.86 | 2.88 | 2.72 | 2.67 |
| 31/08/2017 | 336/17 | 1.10 | 1.42 | 2.06 | 2.72 | 2.74 | 2.58 | 2.52 |
| 29/09/2017 | 378/17 | 1.34 | 1.79 | 2.38 | 2.94 | 2.95 | 2.78 | 2.72 |
| | | | | | | | | |
| **Low** | | 1.00 | 1.34 | 1.98 | 2.66 | 2.68 | 2.51 | 2.45 |
| **Average** | | 1.14 | 1.50 | 2.15 | 2.79 | 2.81 | 2.65 | 2.59 |
| **High** | | 1.36 | 1.82 | 2.42 | 2.98 | 2.99 | 2.84 | 2.77 |
| **Spread** | | 0.36 | 0.48 | 0.44 | 0.32 | 0.31 | 0.33 | 0.32 |

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

| Change Date | Notice No | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|---|---|---|---|---|---|---|---|
| 03/04/2017 | 129/17 | 1.18 | 1.49 | 2.16 | 2.57 | 2.77 | 2.82 |
| 28/04/2017 | 164/17 | 1.15 | 1.47 | 2.14 | 2.57 | 2.78 | 2.83 |
| 31/05/2017 | 205/17 | 1.13 | 1.40 | 2.05 | 2.48 | 2.69 | 2.74 |
| 30/06/2017 | 250/17 | 1.39 | 1.66 | 2.29 | 2.69 | 2.89 | 2.93 |
| 31/07/2017 | 292/17 | 1.28 | 1.58 | 2.25 | 2.67 | 2.86 | 2.92 |
| 31/08/2017 | 336/17 | 1.19 | 1.46 | 2.08 | 2.52 | 2.73 | 2.78 |
| 29/09/2017 | 378/17 | 1.51 | 1.82 | 2.41 | 2.77 | 2.95 | 2.98 |
| | | | | | | | |
| | **Low** | 1.12 | 1.37 | 2.01 | 2.45 | 2.66 | 2.72 |
| | **Average** | 1.25 | 1.53 | 2.17 | 2.59 | 2.80 | 2.85 |
| | **High** | 1.54 | 1.86 | 2.45 | 2.81 | 2.99 | 3.03 |
| | **Spread** | 0.42 | 0.49 | 0.44 | 0.36 | 0.33 | 0.31 |