Meeting	Cabinet Resources Committee
Date	25th February 2013
Subject	**Treasury Management Outturn for Quarter Ended 31 December 2012**
Report of	Deputy Leader of the Council / Cabinet Member for Resources and Performance
Summary	To report on Treasury Management activity for quarter ended 31 December 2012.

Officer Contributors	John Hooton - Assistant Director of Strategic Finance Iain Millar – Head of Treasury and Pensions
Status (public or exempt)	Public
Wards Affected	Not applicable
Key Decision	No
For decision by	N/A
Reason for urgency / exemption from call-in	
Function of	Executive
Enclosures	Appendix A – Money Market Data and PWLB Rates Appendix B – Deposits as at 31 December 2012 with Credit Ratings Appendix C – Compliance with Prudential Indicators
Contact for Further Information:	Iain Millar, Head of Treasury and Pensions, 020 8359 7126

1 RECOMMENDATIONS

1.1 That the Treasury Management activity and position for the third quarter ended 31 December 2012 be noted.

1. 2 That the Committee notes the Council's response to continuing market uncertainty which is set out in section 9.1.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet 20 February 2012 (Decision Item6) - Treasury Management Strategy 2012/13.

2.2 Council 6 March 2012, (Decision item 9) – Report of Cabinet 20 February 2012 – Council Budget and Council Tax 2012/13 was approved

2.3 Cabinet Resources Committee 20 June 2012 (Decision item 10) Treasury Management Outturn for the year ended 31 March 2012.

2.4 Cabinet Resources Committee 18 October 2012 (Decision item 11) Treasury Management Outturn for the quarter ended 30 June 2012.

2.5 Cabinet Resources Committee 17 December 2012 (Decision item 6) Treasury Management Outturn for the quarter ended 30 September 2012.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Treasury Management Strategy (TMS) ensures effective treasury management supports the achievement of the Council's corporate priority for 2012-2013, 'Better services with less money', through the strategic objective "manage resources and assets effectively and sustainably across the public sector in Barnet". The TMS is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

4. RISK MANAGEMENT ISSUES

4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and deposit portfolios.

5. EQUALITIES AND DIVERSITY ISSUES

equality of opportunity between those with a protected characteristic and those without; and c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity, race, religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

5.2 The management of the Council's cash flow ensures the availability of adequate monies to pay for the delivery of the authority's services, taking account of its public sector equality duties.

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6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, IT, Property, Sustainability)

6.1 The purpose of the treasury function is to maximise the Council's budget for investment return and minimise interest costs in accordance with the risk strategy set out in the TMS.

6.2 The total value of long term loans as at 31 December 2012 was £304.08m. The average cost of borrowing was 3.89%. New borrowing of £102.58m was taken on 28th March 2012 to finance the Council Housing reform settlement at an average cost of 3.36%. No new borrowing was taken to the end of the third quarter.

6.3 Deposits are managed internally. At 31 December 2012, deposits outstanding amounted to £233.3m, (£3.144m being Icelandic impairments), achieving an average rate of return of 0.49% (adjusted for Icelandic deposits) against a benchmark of 0.50%. Four Icelandic deposits totalling £27.4m (but partially repaid) are outside the TMS as approved on 6 March 2012. A list of deposits outstanding and counterparty credit ratings as at quarter end 31 December 2012 is attached as Appendix B.

6.4 The benchmark is the average 7-day LIBID rate provided by the authority's treasury advisors Arlingclose. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

6.5 In response to market uncertainty the Council has further restricted its investment criteria which impacted on investment performance as short term money market rates remained at low levels through out the year.

6.6 The wider financial implications for the Council are dealt with in section 9 of this report.

7. LEGAL ISSUES

7.1 The Council is under a fiduciary duty to the taxpayer, to ensure that public funds and assets are managed in a prudent manner. The monitoring of treasury management activity would ensure that the Council meets its fiduciary duty to the taxpayer as far as the management of funds is concerned. Other legal issues are addressed in the body of this report.

8. CONSTITUTIONAL POWERS

8.1 Constitution - Financial Regulations (Part 1 – Financial Management, Section 7) states:

(1) This organisation adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that Code.

(2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.

(3) The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMP's) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

(4) The content of the policy statement and TMP's will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.

(5) Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMP's. These reports will incorporate the prudential borrowing limits and performance indicators.

8.2 Constitution Part 3 - Responsibilities for Functions, Section 3.6 states that a function of the Cabinet Resources Committee is to "consider reports on Treasury Management Strategy and activity, including creating and maintaining a Treasury Management Policy Statement."

9. BACKGROUND INFORMATION

9.1 Treasury Management Strategy

9.1.1 The Council's timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing are set out in the Treasury Management Strategy (TMS).

9.1.2 The TMS 2012/13 was approved by Cabinet on 20 February 2012 and by Council on 6 March 2012.

The TMS is under constant review to reflect market conditions and the financing requirements of the Council. Given current market uncertainty, officers have followed an even more cautious strategy than has been recommended by the Council's treasury advisors, Arlingclose, for new investments, as follows. .

i) Tightening counterparty criteria. Treasury Officers are restricted to investing only with UK, Canadian and Australian institutions who meet the required minimum credit rating in accordance with the treasury management strategy;

ii) Since October 2011, Money Market Funds (MMF) have been used. These are cash investments in highly liquid financial instruments with the highest credit rating. Arlingclose have recommended that MMF investments are restricted to 10% of the Council's total cash (previously 15%), in any one MMF. Investments must be diversified between a minimum of two funds and exposure limited to 0.5% of each MMF's total funds under management.

iii) The Debt Management Office will be used when other permitted counterparties reach their group investment limits.

9.1.3 The 2012-2013 TMS counterparty criteria was amended to allow investment with UK banks which have systemic importance to the global banking system. This allows new investment with the main UK clearing banks which had previously been removed from the counterparty list because of their credit rating downgrading. Investment continues to be subject to an operational overlay to manage credit risk. There are limits on investment duration and the counterparty list is restricted to the key banks and subject to regular review.

9.1.4 Restrictions on duration of investment and exclusions from the counterparty list are expected to be a temporary measure. This report therefore asks the Committee to note the continued cautious approach to the current investment strategy: to note also, that as a result of considerable stabilisation and in some cases improvement in credit metrics, the treasury advisor recommended extending duration limits for most bank on the current counter party list for up to 12 months. In practice new investments with the Council's bank counterparties have been made for only up to six months.

9.1.5 The ratings agencies had a busy quarter, with a number of rating actions on global institutions. None of the long-term ratings of the banks on the Council's lending list were downgraded to below the Council's minimum A-/A3 credit rating threshold in the quarter, so there

was no suspension or temporary removal of any financial institution on the Council's lending list.

9.2 Icelandic Bank Deposits

9.2.1 On 28 October 2011, the Supreme Court of Iceland upheld the District Court judgment for the test cases that local authorities' claims are deposits that qualify in full for priority in the bank administrations. Securing priority creditor status means that authorities with deposits in Glitnir are set to recover 100 per cent of their money, whilst those with deposits in Landisbanki are estimated to recover over 98 per cent of their money. These decisions are now final and there is no further right of appeal.

9.2.2. The Council has impaired £3.144 million in its accounts against Icelandic bank losses. The latest indications are that the Council will recover an amount in excess of the principal deposited in Iceland. Most of the recoverable deposits and interest due will be paid from escrow accounts in Icelandic and Norwegian Kroner, Euros, and US Dollars. Fluctuations in currency rates against sterling since 2009 is likely to result in a potential shortfall on the deposits and interest expected to be returned to the Council. The potential shortfall can be met from within the existing risk reserve. To date the Council has received £10.97 from the Glitnir Winding- up Board with a further £2.5 million held in escrow. For Landisbanki, the partial distribution is £6.8 million .A further £9.3 million is due to the Council with further partial distributions expected each year until 2018 as and when the administrators realise assets.

9.2.3 There have been no further distributions in quarter three from either of the banks' administrators.

9.3 Economic Background for quarter ended 31 December 2012

9.3.1 **Growth:** The UK economy showed resilience in the third calendar quarter of 2012 with GDP at 1%, but this primarily reflected temporary factors such as the boost from the Olympics and an unwinding of the extra bank holiday in June for the Queen's Jubilee. However, this momentum is unlikely to be sustained in Q4 or in 2013.

9.3.2 **Inflation:** Annual CPI rose from 2.2% in September back up again to 2.7% by calendar year end, due in large part to a bigger-than-expected contribution from university tuition fees. [to fade.] Wage growth remains weak, rising at an annual rate of 1.8%. With inflation still running at 2.7%, real wage growth remains negative.

9.3.3 **Monetary Policy:** The Bank of England held the Bank Rate at 0.5% and paused the asset purchase programme (Quantitative Easing (QE)) at £375 billion. However, monetary conditions were still being loosened via the transfer of the £35bn cash from the QE fund to the Treasury,

with the Monetary Policy Committee treating the transfer as equivalent to more QE of the same amount.

9.3.4 **Fiscal Outlook**: In the Autumn Statement the Chancellor stuck to his fiscal plans with the austerity drive now extending into 2018. The Office for Budget Responsibility (OBR) revised its March macroeconomic and growth forecasts. Growth was revised from +0.8% to -0.1% in 2012. Growth in subsequent years was also trimmed with the trend level of UK growth of 2.7% only being achieved by 2016. The OBR views the government to be "on course" (i.e. a greater than 50% chance) to meet its fiscal mandate of balancing the budget over a 5 year period. The target to have debt falling as a share of GDP has been pushed back one year to 2016/17.

9.3.5 In Europe, Greece has managed to obtain some respite from its lenders as European Finance Ministers eased the terms on its emergency aid financing. Yields on Spanish, Italian and even Portuguese government debt eased despite the Eurozone sliding back into economic recession.

9.3.6 In the US, the Federal Reserve opted to increase QE by purchasing $85bn (£53bn) per month of government bonds and mortgage backed securities when its current Operation Twist concludes at the end of this year (Twist involves the sale of short-dated government debt to fund the purchase of long dated paper thus suppressing yields and encouraging investment and growth). Of greater interest was the decision to signal that US official interest rates would remain low until the unemployment rate fell below 6.5%. Nevertheless, markets remained cautious as the resolution of the 'Fiscal Cliff' remained extremely fluid; it was vital that this was concluded by the end of the year to avoid automatic tax rises and spending cuts likely to send the US economy into recession. As expected, the White House and Senate Republicans forged an agreement solely on the issue of taxes, delaying a tougher decision on spending cuts into 2013.

9.4 Debt Management

9.4.1 The total value of long term loans as at 31 December 2012 was £304.08m. There has been no external borrowing in the financial year to date. The average total cost of borrowing for the quarter ending 31 December 2012 was 3.89%. Money Market data and Public Works Loan Board (PWLB) rates are attached at Appendix A.

9.4.2 **Gilt Yields and PWLB Borrowing**: Continued low gilt yields during the quarter means that PWLB borrowing rates remain at low rates but there has been a slight upward movement since Q2. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns is significant (over 3%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure. This has, for

the time being, lowered overall treasury risk by reducing both external debt and temporary investments. The latest advice from Arlingclose is that there is no benefit from taking new long term debt while borrowing costs are forecast to remain at current levels.

9.4.3 The Council's long term debt position to the quarter ended 31 December 2012 was as follows:

	31 December 2012	
	Principal	Average Rate
PWLB	£139.00m	4.19%
Market	£ 62.50m	3.91%
Total	£201.50m	4.10%
PWLB HRA self-financing	£102.58m	3.36%
Total	£304.08m	3.89%

There has been no new borrowing or debt repayment in the financial year to date.

9.4.4 The Council's long-term debt portfolio is a mixture of PWLB and market loans in the form of Lender's Option Borrower's Option, (LOBO's) loans that are at a fixed interest rate for an initial period, following which the lender can change the interest rate but the borrower has the option to repay the loan if the rate is changed and not considered value for money.

9.4.5 PWLB Borrowing: Despite the issue of Circular 147 in October 2010, where new borrowing rates for fixed loans increased by approximately 0.87% across all maturities, the PWLB remains the preferred source of borrowing for the Council as it offers flexibility and control.

9.4.6 The Council successfully qualified for borrowing at the 'Certainty Rate', following the submission of the Certainty Rate form to Central Government, which included details of the capital expenditure and borrowing plans for the authority over the next three years. PWLB borrowing from 1st November 2012 will be undertaken at a 20bps reduction from the standard rate (certainty rate is approximately gilt plus 80bps).

9.4.7 In the Autumn Statement of 5th December 2012, the anticipated 'Scrutiny Rate' for PWLB borrowing was rebadged as the 'Project Rate'. It has been set at 40bps below standard PWLB rates, and therefore 20bps below the Certainty Rate, and will be introduced in November 2013. The amount offered at this discounted rate will be capped at £1.5bn (outside London) and is linked to single projects identified by Local Enterprise Partnerships (LEPs). At the current time, the announcement referred only to English authorities as being eligible.

9.5 Counterparty Update

9.5.1 The DCLG's revised Investment Guidance came into effect on 1 April 2010 and reiterated the need to focus on security and liquidity, rather than yield. Security of capital remained the Authority's main investment objective. This was maintained by following and complying with the counterparty policy as out in the TMS 2012/13.

9.5.2 Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A - across all three rating agencies, Fitch, S&P and Moody's); credit default swaps; Gross Domestic Product (GDP) of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.

9.5.3 The ratings agencies had a busy quarter, with a number of rating actions on global institutions. S&P downgraded the Kingdom of Spain and as a result, a number of Spanish banks were also downgraded, although Santander UK was not. S&P also took rating action on Dutch, French and Canadian banks during Q3, and revised the outlook on a number of Swedish banks. France's sovereign rating was also downgraded to Aa1 by Moody's, following the agency's view of the country's economic growth and fiscal outlook.

9.5.4 Moody's placed four of the Council's approved Canadian banks on review for possible downgrade, although current long-term ratings for these banks are rated either 'Aaa' or in the 'Aa' category.

9.5.5 S&P revised the Lloyds Banking Group outlook to negative in November, as a result of the announcement that Lloyds made a further £1 billion provision in relation to payment protection insurance, bringing the cumulative amount over the past two years to £5.3 billion. S&P also placed the UK on negative outlook in December, reflecting the one-in-three chance that they could lower the ratings of the UK within the next two years. As a result of the UK's outlook changing to negative, S&P also revised the outlook on Standard Chartered and Nationwide Building Society.

9.5.6 Fitch downgraded HSBC from AA to AA-, reflecting the agency's consideration of the risks attached to the group's expansion to higher risk markets, including mainland China, and the intensifying competition in Hong Kong.

9.5.7 None of the long-term ratings of the banks on the Council's lending list were downgraded to below the Council's minimum A-/A3 credit rating threshold in the quarter, so there was no suspension or temporary removal of any financial institution on the Council's lending list.

9.5.8 **Safe Custody Arrangements:** The Council set up a custody account with King and Shaxston in November 2012. By opening a custody account, the Council now has access to more approved investment instruments, as outlined in the 2012/13 Treasury Management Strategy to further diversify the investment portfolio. Investment instruments requiring a custodian facility include Treasury Bills, Certificates of Deposit, Gilts, Corporate Bonds and Supranational Bonds. By establishing custody arrangements, the Council is better-placed to consider the use of alternative investment instruments in response to evolving credit conditions.

9.6 Prudential Indicators

9.6.1 The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of its indebted status. This is a statutory limit which should not be breached. The Council's Authorised Limit (also known as the Affordable Borrowing Limit) was set and approved at £465.248 million.

9.6.2 The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included with the Authorised Limit. The Council's Operational Boundary for 2012/2013 was set and approved at £450.218million

9.6.3 During the quarter end to 31 December 2012 there were no breaches of the Authorised Limit and the Operational Boundary.

9.6.4 Further details of compliance with prudential indicators are contained in Appendix C.

9.7 Compliance

9.7.1 The current 2012/2013 TMS was approved by Council on 6 March 2012. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.

9.7.2 All Deposits placed during the quarter ended 31 December 2012 were compliant with the TMS as approved on 6 March 2012.

9.7.3 Treasury management procedures are monitored and reviewed in light of CIFPA guidance and current market conditions.

9.8. Outlook for Q4 2012

9.8.1 UK growth is unlikely to return to above trend for the foreseeable future. Q3 GDP was strong at 1% but this momentum is unlikely to be

sustained in Q4 or in 2013. The rebalancing from public-sector driven consumption to private sector demand and investment is yet to manifest, and there is little sign of productivity growth. An uncertain outlook for Europe and a slowdown in the global economy have exacerbated the weakness. The first estimate of Q4 GDP released showed the UK economy contracting by 0.3% over the quarter and remaining flat (0.0%) year-on-year. Although contraction was expected these figures were weaker than forecast (market consensus was for -0.1% Quarter on Quarter).

9.8.2. Inflation is expected to remain above the Monetary Policy Committee's 2% target for the next year or so, as the planned utility price increases and the rise in global food prices take effect. The latest market statistics released by the Office of National Statistics show the UK labour market continuing to grow but the pace of expansion slowing, suggesting recent resilience may be starting

9.8.2 At the time of writing this activity report, the outlook for interest rates is as follows.

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Official Bank Rate													
Upside risk			0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	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	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

10. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the third quarter of the financial year 2012/13. As indicated earlier in this report, none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

11. LIST OF BACKGROUND PAPERS

11.1 None.

Cleared by Finance (Officer's initials)	**JH**
Cleared by Legal (Officer's initials)	**SWS**

Appendix A Money Market Data and PWLB Rates

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

Table 1: Bank Rate, Money Market Rates

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
01/04/2012		0.50		0.55	0.55	0.61	1.00	1.33	1.84	1.22	1.30	1.59
30/04/2012		0.50		0.50	0.65	0.60	0.99	1.32	1.84	1.35	1.43	1.68
31/05/2012		0.50		0.48	0.65	0.57	0.97	1.30	1.82	1.20	1.20	1.34
30/06/2012		0.50		0.50	0.50	0.55	0.83	1.13	1.65	0.96	0.99	1.25
31/07/2012		0.50		0.50	0.65	0.45	0.63	0.92	1.43	0.76	0.77	1.02
31/08/2012		0.50		0.50	0.52	0.40	0.57	0.81	1.23	0.75	0.78	1.03
30/09/2012		0.50		0.25	0.52	0.40	0.47	0.66	0.95	0.70	0.76	1.00
31/10/2012		0.50		0.25	0.44	0.40	0.44	0.55	0.82	0.69	0.77	1.05
30/11/2012		0.50		0.25	0.30	0.40	0.44	0.54	0.80	0.73	0.80	1.05
31/12/2012		0.50		0.25	0.43	0.40	0.44	0.54	0.80	0.69	0.76	1.00
Average		**0.50**		**0.39**	**0.50**	**0.47**	**0.67**	**0.91**	**1.32**	**0.90**	**0.95**	**1.19**
Maximum		**0.50**		**0.55**	**0.65**	**0.61**	**1.00**	**1.33**	**1.84**	**1.38**	**1.45**	**1.72**
Minimum		**0.50**		**0.25**	**0.30**	**0.40**	**0.44**	**0.54**	**0.80**	**0.63**	**0.68**	**0.95**
Spread		**0.00**		**0.30**	**0.35**	**0.21**	**0.56**	**0.79**	**1.04**	**0.76**	**0.77**	**0.77**

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

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2012	130/12	1.29	2.07	3.25	4.22	4.43	4.46	4.41
30/04/2012	166/12	1.31	2.09	3.15	4.13	4.38	4.42	4.39
31/05/2012	210/12	1.19	1.76	2.74	3.79	4.13	4.19	4.16
29/06/2012	248/12	1.20	1.84	2.83	3.79	4.11	4.19	4.16
31/07/2012	292/12	1.01	1.57	2.58	3.60	3.97	4.07	4.05
31/08/2012	336/12	1.07	1.62	2.61	3.62	4.05	4.14	4.11
28//09/2012	376/12	1.15	1.67	2.64	3.71	4.12	4.20	4.14
31/10/2012	422/12	1.19	1.82	2.82	3.81	4.17	4.25	4.19
30/11/2012	466/12	1.22	1.81	2.74	3.74	4.10	4.16	4.11
31/12/2012	504/12	1.22	1.89	2.83	3.82	4.18	4.25	4.21
	Low	1.00	1.52	2.52	3.57	3.94	4.00	3.96
	Average	1.18	1.80	2.80	3.81	4.17	4.24	4.20
	High	1.33	2.15	3.28	4.23	4.45	4.47	4.43

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
02/04/2012	130/12	1.56	2.14	3.29	3.91	4.23	4.38
30/04/2012	166/12	1.60	2.15	3.19	3.81	4.14	4.31
31/05/2012	210/12	1.37	1.81	2.78	3.41	3.81	4.03
29/06/2012	248/12	1.41	1.89	2.87	3.45	3.80	4.01
31/07/2012	292/12	1.17	1.63	2.62	3.32	3.61	3.85
31/08/2012	336/12	1.22	1.67	2.65	3.25	3.64	3.90
28//09/2012	376/12	1.29	1.72	2.68	3.31	3.73	3.99
31/10/2012	422/12	1.39	1.88	2.86	3.46	3.83	4.05
30/11/2012	466/12	1.41	1.86	2.78	3.37	3.75	3.98
31/12/2012	504/12	1.45	1.94	2.87	3.46	3.83	4.06
	Low	1.14	1.57	2.56	3.18	3.58	3.81
	Average	1.38	1.86	2.84	3.45	3.82	4.05
	High	1.64	2.21	3.32	3.94	4.24	4.39

Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
02/04/2012	0.59	0.60	0.62	1.49	1.50	1.52
30/04/2012	0.58	0.60	0.62	1.48	1.50	1.52
31/05/2012	0.58	0.58	0.58	1.48	1.48	1.48
29/06/2012	0.58	0.57	0.56	1.48	1.47	1.46
31/07/2012	0.56	0.54	0.49	1.46	1.44	1.39
31/08/2012	0.55	0.54	0.52	1.45	1.44	1.42
28//09/2012	0.57	0.56	0.54	1.47	1.46	1.44
31/10/2012	0.54	0.54	0.53	1.44	1.44	1.43
30/11/2012	0.55	0.55	0.54	1.45	1.45	1.44
31/12/2012	0.56	0.56	0.56	1.46	1.46	1.46
Low	0.54	0.53	0.48	1.44	1.43	1.38
Average	0.57	0.56	0.56	1.47	1.46	1.46
High	0.60	0.60	0.62	1.50	1.50	1.52

Appendix B

DEPOSITS OUTSTANDING AS AT 31 DECEMBER 2012 FOR LONDON BOROUGH OF BARNET

Deal Number	Counter Party	Start Date	Maturity Date	Rate of Interest %	Principal Outstanding	Fitch Rating		
						L Term	S Term	Inc
2000011404	Peterborough Borough Council	25-Oct-12	25-Oct-13	0.42	5,000,000			
	UK Banks & Building Societies							
2000010341	BANK OF SCOTLAND	09-Sep-12	CALL A/C	0.75	20,000,000	A	F1	#N/A N.A.
2000010411	BANK OF SCOTLAND	19-Dec-12	19-Jun-13	1.00	5,000,000	A	F1	#N/A N.A.
2000010527	BARCLAYS COMMERCIAL BANK	11-Feb-10	CALL A/C	0.45	25,000,000	A	F1	a
2000011401	NATIONWIDE BUILDING SOCIETY	10-Oct-12	10-Jan-13	0.47	16,500,000	A+	F1	a+
2000011408	NATIONWIDE BUILDING SOCIETY	30-Nov-12	31-May-13	0.62	8,500,000	A+	F1	a+
2000011409	STANDARD CHARTERED BANK	05-Dec-12	05-Jun-13	0.49	10,000,000	AA-	F1+	aa-
2000011378	CO-OPERATIVE Bank	24-Dec-12	overnight reserve	0.56	22,011,000	BBB+	F2	bbb-
					107,011,000			
	(MONEY MARKET FUNDS)							
2000011238	FEDERATED PRIME RATE CAPITAL MANAGEMENT	10-Apr-12	on call	0.44	20,000,000	AAA		
2000011284	GOLDMAN SACHS ASSET MANAGEMENT	09-Dec-11	on call	0.41	20,000,000	AAA		
2000011405	AVIVA INVESTORS	19-Nov-12	on call	0.38	10,000,000	AAA		
2000011406	INVESCO GLOBAL	19-Nov-12	on call	0.36	10,000,000	AAA		
					60,000,000			

	Non UK Banks & UK Building Societies							
2000011407	AUSTRALIA & NEW ZEALAND BANKING GRP LTD	22-Nov-12	22-Feb-13	0.40	15,000,000	AA-	F1+	aa-
2000011402	AUSTRALIA & NEW ZEALAND BANKING GRP LTD	16-Oct-12	16-Jan-13	0.41	10,000,000	AA-	F1+	aa-
2000011410	CANADIAN IMPERIAL BANK OF COMMERCE	07-Dec-12	31-Jan-13	0.36	15,000,000	AA-	F1+	aa-
2000011389	COMMONWEALTH BANK OF AUSTRALIA	21-Dec-12	21-Mar-13	0.37	15,000,000	AA-	F1+	aa-
					55,000,000			
			Average rate of return	**0.49**	227,011,000			

Investments outside TMS
Icelandic Banks

GLITNER BANK (ICELAND)	frozen	2,496,904
LANDISBANKI ISLANDS H.F.	frozen	6,921,287
		9,418,191

TOTAL VALUE OF INVESTMENTS AS AT 31 DECEMBER 2012	**236,429,191**
LESS ICELANDIC IMPAIRMENT AS AT 31 MARCH 2012	-3,144,410
	233,284,781

Appendix C: Prudential Indicator Compliance

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2012/13 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	40
Compliance with Limits:	Yes

Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	**Lower Limit %**	**Upper Limit %**	**Actual Fixed Rate Borrowing as at 31/12/12**	**% Fixed Rate Borrowing as at 30/12/12**	**Compliance with Set Limits?**
Under 12 months	0	50	0	0	N/A
12 months and within 24 months	0	50	0	0	N/A
24 months and within 5 years	0	75	0	0	N/A
5 years and within 10 years	0	75	0	0%	N/A
10 years and above	0	100	£304,080,000	100%	Yes