

**Report for:** Corporate Committee 21<sup>st</sup> March 2017

**Item number:** 7

**Title:** Treasury Management Q3 Update

**Report authorised by:** Tracie Evans, Chief Operating Officer (COO)

**Lead Officer:** Thomas Skeen, Head of Pensions  
[thomas.skeen@haringey.gov.uk](mailto:thomas.skeen@haringey.gov.uk) 020 8489 1341

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Non Key decision

## 1. Describe the issue under consideration

- 1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides an additional quarterly update.
- 1.2. The Council's Treasury Management Strategy for 2016/17 was approved by Full Council on 22 February 2016.
- 1.3. This report updates the Committee on the Council's treasury management activities and performance in the nine months to 31<sup>st</sup> December 2016 in accordance with the CIPFA Treasury Management Code of Practice.

## 2. Cabinet Member Introduction

- 2.1. Not applicable.

## 3. Recommendations

- 3.1. That members note the Treasury Management activity undertaken during the nine months to 31<sup>st</sup> December 2016 and the performance achieved.
- 3.2. That members note that all treasury activities were undertaken in line with the approved Treasury Management Strategy: in particular the prudential indicators with fixed limits shown in appendix 1.

## 4. Reason for Decision

4.1. None.

## 5. Other options considered

5.1. None.

## 6. Background information

### Q3 Review

- 6.1. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually, Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local Council's investments and 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."
- 6.2. The Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives reports quarterly.
- 6.3. However, overall responsibility for treasury management remains with Full Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2016/17 on 22<sup>nd</sup> February 2016. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports. This report forms the 3<sup>rd</sup> quarterly monitoring report for 2016/17.
- 6.4. Government guidance on local Council treasury management states that local authorities should consider the following factors in the order they are stated:  
  
Security - Liquidity - Yield
- 6.5. The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.
- 6.6. The quarterly reports during 2016/17 are structured to cover borrowing first and then investments according to these factors, so that members can see how they are being addressed operationally.

## **7. Contribution to Strategic Outcomes**

7.1. None.

## **8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

### Finance and Procurement

8.1. Interest rates earned on investments remain low and significantly less than the cost of new borrowing and therefore the strategy of minimising cash balances is continuing in 2016-17. Borrowing will be taken only when required for liquidity purposes with the preference being short term local authorities' loans at very low rates. However longer term interest rates continue to be carefully monitored. The ability to take advantage of low interest rates in this way has resulted in anticipated savings on the treasury management budget.

### Legal

8.2. The contents and recommendation of this report are in accordance the Treasury Management Strategy Statement and consistent with legislation governing the financial affairs of the Council. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.

### Equalities

8.3. There are no equalities issues arising from this report.

## **9. Use of Appendices**

9.1. Appendix 1 – Prudential Indicators  
Appendix 2 – Money Markets Data & PWLB Rates  
Appendix 3 – Cost of Early Repayment of PWLB Loans

## **10. Local Government (Access to Information) Act 1985**

10.1. Not applicable.

## **11. External Context and Economic Commentary and Outlook**

11.1. Following the sharp decline in household, business and investor sentiment that was prompted by the unexpected outcome of the referendum on EU membership in Q2, the preliminary estimate of Q3 2016 GDP defied expectations as the economy grew 0.5% quarter-on-quarter, down only slightly from 0.7% in Q2 and year on year growth running at a healthy pace of 2.3%.

- 11.2. Economic data continued to challenge the current sentiment throughout the quarter. Consumer Price Inflation (CPI) fell to 0.9% in October but rose to 1.2% in November, both predominantly driven by clothing, fuel and hotel prices although the Office for National Statistics (ONS) were quick to point out that there was little evidence to link this rise to the decline in the value of sterling. With sterling having now fallen by around 20% post Brexit, with its likely impact on prices still to come, according to the ONS, CPI will be heading close towards the Bank of England's target rate of 2% in the first half of 2017, consistent with the forecasts contained within the Bank's last quarterly Inflation Report issued in November 2016
- 11.3. After a weak August, British consumers picked up the pace of their spending in Q3. UK retail sales growth surged to a 14-year high in October as consumers kept spending and colder weather boosted clothing sales. According to the British Retail Consortium (BRC), fears over Brexit are likely to weigh on sales in the period ahead.
- 11.4. Labour market data also proved resilient, showing a small rise in the level of unemployment by 10,000, and average earnings dipping slightly, but at 2.3% still delivering real earnings growth although clearly under pressure from higher prices. The ILO unemployment rate remained at 4.9%, its lowest level in 11 years.
- 11.5. At its August meeting, the Bank of England's Monetary Policy Committee (MPC) had stated that the majority of members expected to support a further cut in Bank Rate at one of the MPC's forthcoming meetings during the course of the year. However, in the final calendar quarter of 2016 the MPC kept Bank Rate unchanged at 0.25% and asset purchases at £435 bn.
- 11.6. In a further twist to an extraordinary year in political events, the US voted Donald Trump as the 45th President of the United States who will take up office on 20th January 2017. Uncertainty surrounds whether or not the President-elect will make good the fiscal, regulatory and policy initiatives and changes which were central to his campaign and, if so, their timing and size and their effect on growth, employment and inflation both domestic and globally.
- 11.7. Following a strengthening labour market, in a move that was largely anticipated, at its meeting in December, the Federal Reserve's Open Market Committee (FOMC) increased the target range for official interest rates for just the second time in the last decade. The range was increased to between 0.5% and 0.75%, from 0.25% and 0.5%. In the accompanying statement, FOMC Chair Janet Yellen also highlighted the expectation of three further rate hikes in 2017, followed by three hikes in each of 2018 and 2019.

## Market Reaction

- 11.8. Following the referendum result, gilt yields had fallen sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. Since September there has been a reversal in longer dated gilt yields which have moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, which is almost back at pre-Brexit levels of 1.37% on 23rd June. 20- and 50-year gilt yields have also risen considerably in the third quarter to 1.76% and 1.7% respectively, and are nearly back up to pre-Brexit levels.
- 11.9. However, this recovery was not realised across all maturities. The 1 year gilt yield dropped from 0.13% at the end of September to -0.004% at the end of December. The one year gilt yield first went negative at the beginning of December, having only been negative intra-day previously. 2 and 3 year gilt yields have also continued to fall.
- 11.10. Movements in gilt yields are reflected in the PWLB borrowing rates, as evidenced in Tables 2 and 3 in Appendix 2.
- 11.11. After recovering from an initial sharp drop in Quarter 2, equity markets appear to have continued their rally, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7142.83 and 3873.22 respectively on 30th December, up 3.5% and 3.1% over the quarter.
- 11.12. Money market rates for very short-dated periods (overnight to 1 month) have largely started recovering from a noticeable fall in the previous quarter. 7-day and 1-month LIBID rates increased by about 0.1%, to 0.35% and 0.61% respectively. Longer-dated periods (6 months to 2 years) also increased by between 10 and 20 basis points; on 30th December the 6-month LIBID rate was 0.64%, 12-month 0.81% and the 2-year swap rate 0.60%.

## **12. Local Context**

- 12.1. At 31/3/2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £583.7m. The Council had £312.2m of borrowing and £29.15m of investments.
- 12.2. The Council's current strategy is to maintain borrowing and below the Capital Financing Requirement (CFR), this is referred to as internal borrowing.

- 12.3. The Council has an increasing CFR over the next 3 years due to the capital programme, but minimal investments which can be used to fund capital plan cashflows. The Council is likely to need to borrow over the forecast 3 year period.

### 13. Borrowing Strategy During the Quarter

- 13.1. At 31/12/2016 the Council held £273.6m of long term loans, (a decrease of £9.7m on 31/3/2016), as part of its strategy for funding previous years' capital programmes. The Council does not expect to take out long term borrowing in 2016/17.
- 13.2. The Council's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 13.3. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. Based on professional advice received from the Council's Treasury Management advisor Arlingclose, short-term interest rates are likely to remain low for a significant period, lower than long-term rates, and the Council determined it was more cost effective in the short-term to use internal resources or borrow with short-term loans instead.
- 13.4. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose, the Council's treasury management advisor assists the Council with this 'cost of carry' and breakeven analysis.

#### Borrowing Activity

<b>Borrowing</b>	Balance at 1 Apr 2016 £'000	Borrowing Raised £'000	Maturities £'000	Balance at 31 Dec 16 £'000	Avg Rate %
Short term Borrowing					
- UK Local Authorities	29,000	227,600	214,600	42,000	0.30

Long Term Borrowing					
- PWLB	158,233	0	9,682	148,551	5.52
- LOBO	125,000	0	0	125,000	4.72
<b>TOTAL BORROWING</b>	<b>312,233</b>	<b>227,600</b>	<b>224,282</b>	<b>315,551</b>	<b>4.51</b>

13.5. **LOBOs:** The Council holds £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £125m of these LOBOS had options during the quarter, none of which were exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

#### Debt Rescheduling

13.6. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. If existing debt profile is maintained, it is estimated that the Council will incur a net cost of £31m if all PWLB loans were rescheduled. Consequently, no rescheduling activity has been undertaken.

13.7. An analysis of the cost of early repayment on all outstanding PWLB loans has been attached at Appendix 3 of this report.

## **14. Investment Activities**

14.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2016/17 the Council's investment balances would range between £0 and £50 million.

14.2. 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

14.3. The Council has sought to minimise its security risk by setting limits on each institution on the lending list. The Council has complied with all these limits during the financial year to date.

14.4. The economic environment remains uncertain, and given this background, the Council has kept cash investments to a minimum and short term. Money Market Funds continue to be used extensively as the portfolios are spread across a range of underlying investments to diversify risk. They also provide instant access enabling officers to take action quickly if there are any concerns about creditworthiness. The

remainder of the Council's investments are held with the DMO (government agency).

### Investment Activity

Investments	Balance at 1 Apr 2016 £'000	Investments Made £'000	Maturities £'000	Balance at 31 Dec 16 £'000	Avg Rate /Yield %
Short term Investments (call accounts, deposits)					
- Banks & Building Societies	0	0	0	0	0
UK Government:					
- Deposits at Debt Management Office	0	259,805	259,805	0	0.19
- UK Local Authorities	10,000	0	10,000	0	0.50
Money Market Funds	7,600	200,020	184,220	23,400	0.37
<b>TOTAL INVESTMENTS</b>	17,600	459,825	454,025	23,400	0.34

### Credit Risk

- 14.5. The table below shows counterparty credit quality as measured by credit ratings and the percentage of the in-house investment portfolio exposed to bail-in risk.

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating	Investments exposed to bail-in risk
					%
31/03/2016	2.61	AA-	2.33	AA-	21
30/06/2016	3.71	AA-	3.71	AA-	100
30/09/2016	3.98	AA-	3.98	AA-	100
31/12/2016	4.49	AA-	4.49	AA-	100

Scoring:

- Value weighted average reflects the credit quality of investments according to the size of the deposit
- Time weighted average reflects the credit quality of investments according to the maturity of the deposit
- AAA = highest credit quality = 1
- D = lowest credit quality = 26
- Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

### Budgeted Income and Outturn

- 14.6. The UK Bank Rate had been maintained at 0.5% since March 2009 until August 2016, when it was cut to 0.25%. It is likely to fall further towards zero but not go negative. Short-term money market rates have remained at relatively low levels. Following the reduction in Bank Rate, rates for very short-dated periods (overnight – 1 month) fell to between 0.1% and 0.2%. Debt Management Account Deposit Facility



(DMADF) rates fell to 0.15% for periods up to 3 months and to 0.10% for 4 – 6 month deposits.

14.7. Investments in Money Market Funds generated an average rate of 0.34%. The Council's forecast investment income for the year is estimated at £79k.

14.8. The Bank Rate is may be cut further towards zero in the coming months, which would in turn lower the rates short-dated money market investments with banks and building societies. As the Council's surplus cash continues to be invested in short-dated money market instruments, this scenario would most likely result in a fall in investment income over the year.

### 15. Compliance with Prudential Indicators

15.1. The Council confirms compliance with its Prudential Indicators for 2016/17, which was set in February 2016 as part of the Council's Treasury Management Strategy Statement.

#### Treasury Management Indicator

15.2. The Council measures and manages its exposures to treasury management risks using the following indicators.

15.3. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net [principal borrowed] will be:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	100%	100%	100%
Actual	99%		
Upper limit on variable interest rate exposure	40%	40%	40%
Actual	1%		

15.4. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

15.5. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Maturity structure of borrowing (U: upper, L: lower)	L	U	Forecast 31 Dec 2016
under 12 months	0%	40%	5.2%

12 months & within 2 years	0%	35%	3.9%
2 years & within 5 years	0%	35%	10.3%
5 years & within 10 years	0%	35%	8.0%
10 yrs & within 20 yrs	0%	35%	4.4%
20 yrs & within 30 yrs	0%	35%	3.7%
30 yrs & within 40 yrs	0%	35%	33.6%
40 yrs & within 50 yrs	0%	50%	31.0%
50 yrs & above	0%	50%	0.0%

15.6. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

15.7. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. Given the policy of spending down cash balances and use of internal borrowing the Council does not expect to invest beyond 364 days in the medium term.

## **16. Outlook for the remainder of 2016/17**

16.1. Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short/medium term than previously expected.

16.2. Arlingclose, the Council's treasury management advisor believes that the Bank Rate will remain at 0.25%, but there is a low possibility of a drop to close to zero, with a very small chance of a reduction below zero.

16.3. Gilt yields have risen over the past quarter, but remain at relatively low levels. Arlingclose believes that yields will decline when the government triggers Article 50.

## Appendix 1: Treasury & Prudential Indicators

No.	Prudential Indicator	2016/17 Original Indicator	2016/17 Position/Forecast December 2016
<b>CAPITAL INDICATORS</b>			
1	Capital Expenditure	£'000	£'000
	General Fund	50,682	67,795
	HRA	64,307	61,886
	TOTAL	114,989	129,681
2	Ratio of financing costs to net revenue stream	%	%
	General Fund	1.93	1.89
	HRA	8.88	9.06
3	Capital Financing Requirement	£'000	£'000
	General Fund	290,670	308,590
	HRA	293,002	271,096
	TOTAL	583,672	579,686
4	Incremental impact of capital investment decisions	£	£
	Band D Council Tax	32.04	1.58
	Weekly Housing rents	1.51	0.81
5	Borrowing Limits	£'000	£'000
	Authorised Limit / actual debt	528,231	315,551
	Operational Boundary/actual debt	472,772	315,551

No.	Prudential Indicator	2016/17 Original Indicator	Forecast 31 Dec 2016	
6	HRA Debt Cap	£'000	£'000	
	Headroom	44,235	56,442	
7	Gross debt compared to CFR	£'000	£'000	
	Gross debt	312,233	315,551	
	CFR	583,672	579,686	
8	Upper limit – fixed rate exposure	100%	99%	
	Upper limit – variable rate	40%	1%	
9	Maturity structure of borrowing (U: upper, L: lower)	L	U	Forecast 31 Dec 2016
	under 12 months	0%	40%	5.2%
	12 months & within 2 years	0%	35%	3.9%
	2 years & within 5 years	0%	35%	10.3%
	5 years & within 10 years	0%	35%	8.0%
	10 yrs & within 20 yrs	0%	35%	4.4%
	20 yrs & within 30 yrs	0%	35%	3.7%
	30 yrs & within 40 yrs	0%	35%	33.6%
	40 yrs & within 50 yrs	0%	50%	31.0%
50 yrs & above	0%	50%	0.0%	
10	Sums invested for > 364 days	£0	£0	
11	Adoption of CIPFA Treasury Management Code of Practice	√	√	
12	<b>LOBO Adjusted</b> Maturity structure of borrowing (U: upper, L: lower)	L	U	Forecast 31 Dec 2016
	under 12 months	0%	40%	51.0%
	12 months & within 2 years	0%	35%	3.9%
	2 years & within 5 years	0%	35%	10.3%
	5 years & within 10 years	0%	35%	8.0%
	10 yrs & within 20 yrs	0%	35%	0.8%
	20 yrs & within 30 yrs	0%	35%	3.7%
	30 yrs & within 40 yrs	0%	35%	18.9%
	40 yrs & within 50 yrs	0%	50%	3.5%
50 yrs & above	0%	50%	0.0%	

## Appendix 2

### Money Market Data and PWLB Rates

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

Please note that the PWLB rates below are Standard Rates. Haringey is eligible for the Certainty Rate which means it can borrow at a 0.20% reduction of Standard Rates.

**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
01/4/2016	0.50	0.36	0.36	0.39	0.46	0.61	0.88	0.78	0.83	0.98
30/4/2016	0.50	0.36	0.36	0.38	0.47	0.62	0.90	0.86	0.95	1.13
31/5/2016	0.50	0.35	0.37	0.39	0.46	0.61	0.89	0.82	0.92	1.09
30/6/2016	0.50	0.35	0.36	0.39	0.43	0.55	0.80	0.49	0.49	0.60
31/7/2016	0.50	0.15	0.45	0.42	0.52	0.64	0.77	0.47	0.47	0.54
31/8/2016	0.25	0.11	0.18	0.18	0.38	0.54	0.69	0.42	0.42	0.48
30/9/2016	0.25	0.10	0.25	0.45	0.51	0.61	0.74	0.43	0.42	0.47
31/10/2016	0.25	0.11	0.20	0.25	0.42	0.55	0.75	0.61	0.68	0.83
30/11/2016	0.25	0.11	0.20	0.38	0.52	0.63	0.81	0.65	0.75	0.95
30/12/2016	0.25	0.00	0.35	0.58	0.56	0.64	0.81	0.60	0.68	0.86
<b>Average</b>	0.25	0.20	0.32	0.40	0.51	0.64	0.92	0.82	0.87	0.61
<b>Maximum</b>	0.25	0.43	0.55	0.80	0.72	0.83	0.88	1.04	0.88	1.20
<b>Minimum</b>	0.25	0.00	0.15	0.18	0.30	0.50	0.55	0.66	0.38	0.42
<b>Spread</b>	--	0.43	0.40	0.62	0.42	0.33	0.33	0.38	0.51	0.78

**Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans (Standard Rate)**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/4/2016	125/16	1.33	1.82	2.51	3.24	3.33	3.19	3.15
30/4/2016	165/16	1.37	1.95	2.65	3.34	3.40	3.25	3.21
31/5/2016	205/16	1.36	1.93	2.56	3.22	3.27	3.11	3.07
30/6/2016	249/16	1.17	1.48	2.09	2.79	2.82	2.61	2.57
31/7/2016	292/16	1.07	1.31	1.84	2.57	2.65	2.48	2.44
31/8/2016	336/16	1.09	1.23	1.65	2.22	2.29	2.12	2.08
30/9/2016	380/16	1.02	1.20	1.70	2.34	2.43	2.29	2.27
31/10/2016	422/16	1.18	1.65	1.93	2.28	2.67	2.90	2.71
30/11/2016	466/16	1.01	1.65	2.00	2.42	2.82	2.99	2.77
30/12/2016	505/16	0.97	1.55	1.88	2.28	2.68	2.87	2.66
	Low	0.960	1.150	1.330	1.620	1.980	2.270	0.960
	Average	1.152	1.557	1.820	2.177	2.600	2.879	2.679
	High	1.400	2.000	2.320	2.710	3.150	3.460	3.280

**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
01/4/2016	125/16	1.50	1.86	2.54	2.99	3.25	3.34
30/4/2016	165/16	1.59	1.99	2.68	3.11	3.34	3.42
31/5/2016	205/16	1.58	1.97	2.58	2.99	3.23	3.30
30/6/2016	249/16	1.24	1.51	2.11	2.55	2.79	2.86
31/7/2016	292/16	1.13	1.34	1.87	2.31	2.58	2.67
31/8/2016	336/16	1.12	1.25	1.67	2.02	2.23	2.31
30/9/2016	380/16	1.05	1.22	1.72	2.13	2.36	2.44
31/10/2016	422/16	1.36	1.49	1.69	2.02	2.68	2.93
30/11/2016	466/16	1.25	1.42	1.69	2.12	2.83	3.03
30/12/2016	505/16	1.19	1.34	1.59	1.99	2.69	2.91
	Low	1.030	1.070	1.170	1.400	2.000	2.280
	Average	1.289	1.399	1.589	1.916	2.615	2.907
	High	1.630	1.790	2.040	2.420	3.170	3.480

**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
1/4/2016	0.61	0.65	0.67	1.51	1.55	1.57
30/4/2016	0.61	0.65	0.67	1.51	1.55	1.57
31/5/2016	0.65	0.66	0.70	1.55	1.56	1.60
30/6/2016	0.64	0.62	0.62	1.54	1.52	1.52
31/7/2016	0.55	0.48	0.45	1.45	1.38	1.35
31/8/2016	0.38	0.41	0.48	2.18	1.31	1.38
30/9/2016	0.38	0.40	0.48	1.28	1.30	1.38
31/10/2016	1.08	1.12	1.22	1.28	1.32	1.42
30/11/2016	1.05	1.08	1.11	1.25	1.28	1.31
30/12/2016	1.05	1.10	1.13	1.25	1.30	1.33

*Please note post CSR rates are standard rates*

**Cost of Early Replacement of PWLB Loans**

**Appendix 3**

Loan No	Balance Outstanding	PREM	DISC	Years to Maturity	Loan rate	New Rate to Match Profile	Interest Pymt to Maturity	Interest to Maturity New Rate	Cost of Early Repayment	Net Cost / Saving of Early Repayment
452514	10,650,715.68	1,713,644.72	0	1.641096	10.125%	1.01%	1,769,733	219,940.86	1,933,585.58	163,852.45
452731	823,210.28	247,122.46	0	3.060274	10.375%	1.15%	261,372	40,400.52	287,522.98	26,150.90
452732	6,777,728.16	2,034,630.62	0	3.060274	10.375%	1.15%	2,151,952	332,629.18	2,367,259.80	215,307.90
496953	3,872,987.52	-	0	3.430137	0.670%	1.15%	89,009	152,781.68	152,781.68	63,773.00
453310	6,777,728.16	2,576,501.29	0	4.063014	10.125%	1.26%	2,788,223	510,288.21	3,086,789.50	298,566.76
501694	5,000,000.00	392,864.84	0	5.054795	2.360%	1.37%	596,466	379,591.80	772,456.64	175,990.89
501715	5,000,000.00	375,768.51	0	5.057534	2.290%	1.37%	579,088	378,366.10	754,134.61	175,046.94
450600	2,947,470.96	1,637,329.79	0	5.967123	10.500%	1.43%	1,846,732	416,498.15	2,053,827.94	207,096.06
483960	16,702,258.68	4,549,142.78	0	7.421918	4.875%	1.62%	6,043,186	2,596,573.94	7,145,716.72	1,102,530.65
483959	2,178,555.48	643,428.72	0	8.421918	4.875%	1.73%	894,446	417,359.90	1,060,788.62	166,342.38
490024	12,103,086.00	4,467,280.60	0	18.58082	4.450%	2.46%	10,007,395	7,714,254.40	12,181,534.99	2,174,139.78
492069	2,904,740.64	1,550,041.87	0	35.85479	4.200%	2.42%	4,374,253	3,890,400.66	5,440,442.54	1,066,189.63
492208	2,904,740.64	1,442,825.36	0	35.94521	4.050%	2.42%	4,228,666	3,796,704.50	5,239,529.86	1,010,864.14
492070	2,904,740.64	1,598,995.56	0	36.85479	4.200%	2.40%	4,496,252	4,009,099.53	5,608,095.09	1,111,843.08
492209	2,904,740.64	1,489,364.68	0	36.94521	4.050%	2.40%	4,346,308	3,911,301.63	5,400,666.31	1,054,358.60
492071	2,904,740.64	1,638,092.64	0	37.85479	4.200%	2.38%	4,618,251	4,118,611.91	5,756,704.55	1,138,453.43
492210	2,420,617.20	1,271,855.69	0	37.94521	4.050%	2.38%	3,719,958	3,347,353.71	4,619,209.40	899,251.31
493430	7,261,851.60	5,302,094.20	0	38.25205	4.800%	2.37%	13,333,476	11,502,980.13	16,805,074.33	3,471,598.55
492072	2,904,740.64	1,677,119.37	0	38.85479	4.200%	2.37%	4,740,250	4,245,411.74	5,922,531.11	1,182,280.89
493431	7,261,851.60	5,421,779.36	0	39.25205	4.800%	2.36%	13,682,045	11,864,152.34	17,285,931.70	3,603,887.05
491796	14,523,703.20	9,547,064.56	0	39.71781	4.450%	2.35%	25,669,810	22,695,092.99	32,242,157.55	6,572,347.76
492073	2,904,740.64	1,716,085.73	0	39.85753	4.200%	2.35%	4,862,584	4,354,547.11	6,070,632.84	1,208,049.26
497811	9,682,468.80	5,411,345.66	0	43.88219	3.920%	2.32%	16,655,608	15,443,398.19	20,854,743.85	4,199,136.10
<b>Totals</b>	<b>158,233,115.74</b>	<b>57,479,644.39</b>					<b>131,755,060.70</b>	<b>106,337,739.17</b>	<b>163,042,118.19</b>	<b>31,287,057.49</b>