

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Treasury Management: Annual Report 2014/15 - referral report from the Finance and Resources Committee

| | |
|---------------|-----|
| Item number | 8.4 |
| Report number | |
| Wards | All |

Executive summary

The Finance and Resources Committee on 27 August 2015 considered an update report on Treasury Management activity in 2014/15. The report has been referred to The City of Edinburgh Council for approval of the Treasury Management Activity and subsequent referral to the Governance, Risk and Best Value Committee for their scrutiny.

Links

| | |
|---------------------------------|---------------------|
| Coalition pledges | See attached report |
| Council outcomes | See attached report |
| Single Outcome Agreement | See attached report |
| Appendices | See attached report |

Terms of Referral

Treasury Management: Annual Report 2014/15

Terms of referral

- 1.1 The Council had adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management had to be submitted to the Council after the end of each financial year. A separate mid-term report would also be produced during the financial year and therefore no update on the current year was included in the report by the Deputy Chief Executive.
- 1.2 The key points in the report by the Deputy Chief Executive were:
 - The Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £30.92 million during the year.
 - £27.74 million of PWLB debt naturally matured during the year and was not replaced.
 - The Council continued its strategy of funding capital expenditure from a reduction in temporary investments and was £97 million under-borrowed at the year end.
 - The Council had not borrowed PWLB or market debt since December 2012.
 - The average interest rate on the Cash Fund for the year was 0.47%, which continued to outperform the benchmark, which was 0.35% for the year.
- 1.3 The Finance and Resources Committee agreed to:
 - 1.3.1 Note the Annual Report on Treasury Management for 2014/15 by the Deputy Chief Executive.
 - 1.3.2 Refer the report by the Deputy Chief Executive to Council for approval of the Treasury Management activity and to subsequently refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report by the Deputy Chief Executive to The City of Edinburgh Council for approval of the Treasury

Management activity and to subsequently refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

Background reading / external references

[Treasury Management: Annual Report 2014/15](#)

Carol Campbell

Head of Legal, Risk and Compliance

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Links

| | |
|---------------------------------|---------------------|
| Coalition pledges | See attached report |
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| Single Outcome Agreement | See attached report |
| Appendices | See attached report |

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Treasury Management: Annual Report 2014/15

| | |
|--------------------------|------|
| Item number | 7.11 |
| Report number | |
| Executive/routine | |
| Wards | |

Executive summary

The purpose of this report is to give an update on Treasury Management activity in 2014/15.

In the Strategy set in March 2014 the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments. The only borrowing completed was £1.995m interest free funding from Salix in relation to street lighting. This approach generated significant short-term savings in Loans Charges for the Council.

The investment return for 2014/15 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

Treasury Management: Annual Report 2014/15

Recommendations

- 1.1 It is recommended that the Committee:
- 1.1.1 notes the Annual Report on Treasury Management for 2014/15; and
 - 1.1.2 refers the report to Council for approval and subsequent referral by Council to the Governance Risk and Best Value Committee for their scrutiny.

Background

- 2.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management has to be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year and therefore, no update on the current year is included in this report.

Main report

3.1 Key Points

- 3.1.1 The key points in this report are that:
- the Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £30.92m during the year;
 - £27.74m of PWLB debt naturally matured during the year and was not replaced;
 - the Council continued its strategy of funding capital expenditure from a reduction in temporary investments and was £97m under-borrowed at the year end;
 - the Council has not borrowed PWLB or market debt since December 2012; and
 - the average interest rate on the Cash Fund for the year was 0.47%, which continued to outperform the benchmark, which was 0.35% for the year.

3.2 Prudential Indicators

(a) Prudential Indicator 1 - Estimate of Capital Expenditure

This gives a breakdown of the actual capital expenditure incurred during 2014/15.

| | 2013/14 Actual £'000 | 2014/15 Estimate £'000 | 2014/15 Actual £'000 |
|--------------------------------|----------------------------|------------------------------|----------------------------|
| Children & Families | 15,670 | 31,563 | 16,903 |
| Corporate Governance | 4,211 | 5,433 | 7,582 |
| Economic Development | 1 | 0 | 0 |
| Health & Social Care | 4,160 | 3,934 | 4,616 |
| Services for Communities | 108,953 | 93,017 | 85,260 |
| SfC Asset Management Programme | 17,082 | 25,965 | 18,657 |
| Other Capital Projects | 923 | 933 | 1,049 |
| Trams | 53,198 | 0 | 5,246 |
| Unallocated funding | 0 | 0 | 0 |
| Total General Services | 204,198 | 160,845 | 139,313 |
| Housing Revenue Account | 39,206 | 48,195 | 37,308 |
| Total | 243,404 | 209,040 | 176,621 |

Table 1 – Capital Expenditure 2014/15

Members are asked to note that the above estimates reflect the budget position as at February 2014. Expenditure is re-phased on an annual basis, with a revised programme being reported annually to the Finance and Resources Committee in August. Change relate to re-phasing of works across the five-year programme, based on cash-flow information. Re-phased projects included the school replacement programme and various infrastructure works in Services for Communities and the Housing Revenue Account.

As can be noted from the above table, actual expenditure decreased from £243m in 2013/14 to £177m, a reduction of £66m, of which £48m relates to the tram project, reflecting completion of the project.

Further detail on the capital expenditure is included in the Finance & Resources Committee report 'Capital Monitoring 2014/15 – Out-turn and receipts'.

[Link](#)

The following table shows how the £176.6m of capital expenditure incurred in 2014/15 was funded

| | Gen Fund £'000 | HRA £'000 | CEC Total £'000 | Police £'000 | Fire £'000 | Total £'000 |
|--------------------------------|-------------------|--------------|--------------------|-----------------|---------------|------------------|
| Net Cap Adv (01/04/14) | 1,150,258 | 369,361 | 1,519,619 | 20,351 | 4,467 | 1,544,437 |
| Gross Cap Ex | 139,313 | 37,308 | 176,621 | 0 | 0 | 176,621 |
| Cap Income | 108,339 | 17,487 | 125,826 | 0 | 0 | 125,826 |
| Net Cap Ex | 30,974 | 19,821 | 50,795 | 0 | 0 | 50,795 |
| Capital Repaid | -60,585 | -21,129 | -81,714 | -2,089 | -1,275 | -85,078 |
| Net Cap Adv (01/04/15) | 1,120,647 | 368,053 | 1,488,700 | 18,262 | 3,192 | 1,510,154 |

Table 2 – Source of Funding for Capital Expenditure 2014/15

The CEC Total column shows £125.8m being funded by capital grants and capital receipts, leaving £50.8m to be funded by borrowing. However, the Council repaid principal of £81.71m for previous capital advances, giving a net reduction in the need to borrow of £30.92m. In addition, previous capital advances of £3.36m were repaid on behalf of the former Police and Fire joint boards, giving a total reduction in the need to borrow of £34.28m.

(b) Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

This gives an indication of the cost of the Council's debt relative to its income.

| | 2013/14 Actual % | 2014/15 Estimate % | 2014/15 Actual % |
|-------------------------|---------------------------------|-----------------------------------|---------------------------------|
| General Services | 11.60 | 12.93 | 11.63 |
| Housing Revenue Account | 36.01 | 39.63 | 33.97 |

Table 3 – Ratio of Financing Costs to Net Revenue Stream

The movement in the HRA prudential indicator can be explained by lower than anticipated borrowing required to fund HRA capital expenditure during 2013/14 and 2014/15, in addition to voluntary contributions made towards outstanding debt during the same period.

(c) Indicator 3 - Capital Financing Requirement (CFR)

This shows the Council underlying need to borrow / take on other forms of Capital funding.

| | 2013/14 Actual £'000 | 2014/15 Estimate £'000 | 2014/15 Actual £'000 |
|---|-------------------------------------|---------------------------------------|-------------------------------------|
| General Services (including finance leases) | 1,359,099 | 1,350,332 | 1,357,972 |
| Housing Revenue Account | 369,361 | 394,568 | 368,053 |
| Total | 1,728,460 | 1,744,900 | 1,726,025 |

Table 4 – Capital Financing Requirement

Although the total CFR including both General Fund and HRA remained broadly the same over the last year, the balance of liabilities changed as can be seen from the following break down of the CFR figures:

| | 2013/14 Actual £'000 | 2104/15 Actual £'000 |
|--------------------------------|-------------------------------------|-------------------------------------|
| General Fund Capital Advances | 1,150,258 | 1,120,647 |
| HRA Capital Advances | 369,361 | 368,053 |
| Total CEC Borrowing CFR | 1,519,619 | 1,488,700 |
| Other Long Term Liabilities | 208,841 | 237,325 |
| Total CEC Debt CFR | 1,728,460 | 1,726,025 |

Table 5 – Split of Capital Financing Requirement

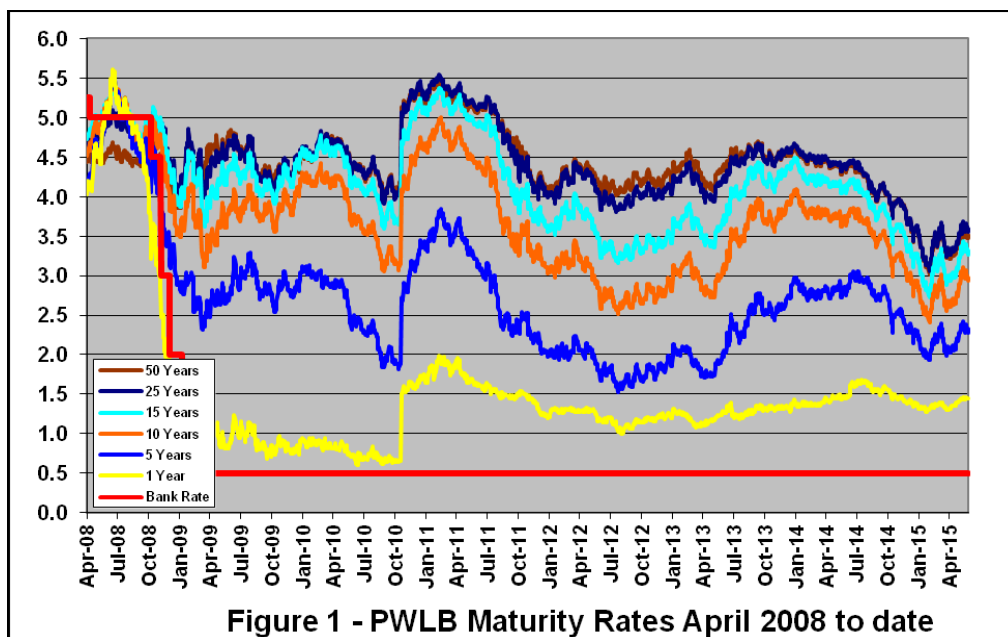
The reduction of £30.92m in Net Capital Advances shown in Table 2 above was offset by a similar increase in Other Long Term Liabilities – i.e. Finance Leases.

The increase in other-long term liabilities is mainly the result of inclusion of costs relating to on-going works at James Gillespies High School.

3.2.1 The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.

3.3 Borrowing Overview

3.3.1 2014/15 was characterised by a number of significant global macro economic issues and political uncertainties. There were concerns over the Ukraine conflict and the effect that the sanctions on Russia would have on the EU economy. These were compounded by the political uncertainty in Greece as growth in the Eurozone stalled. There were concerns too over the growth in the Chinese economy slowing. On top of this, oil and energy prices reduction led to inflation in the UK and Europe at or below zero. All this meant that the bubble in Bond prices continued, particularly at the long end, with the 10 year UK Gilt yield dropping to 1.33% in January 2015. Figure 1 shows PWLB borrowing rates since 2008.



3.3.2 This shows the drop in interest rates for borrowing last year, particularly for the longer maturities.

3.3.3 The strategy for 2014/15 approved in March 2014 was

“Depending on the Council’s cash flows, it is intended to use investments and temporary borrowing to fund the net borrowing requirement for 2014/15. PWLB borrowing, if any, is also likely to be short term and will be considered as the economy and interest rates evolve.”

However, as detailed in Table 2, the total underlying need to borrow actually fell by £34.28m during the year. Table 6 below summarises the outstanding debt portfolio during the year.

| Type of Loan | Balance 01.04.2014 £m | Borrowing Raised £m | Borrowing Repaid £m | Balance 31.03.2015 £m |
|--------------|-----------------------------|---------------------------|---------------------------|-----------------------------|
|--------------|-----------------------------|---------------------------|---------------------------|-----------------------------|

| | | | | |
|-------------------|------------------|----------------|----------------|------------------|
| PWLB - fixed | 1,141.43 | 0.000 | -27.743 | 1,113.687 |
| PWLB - variable | 0.000 | 0.000 | 0.000 | 0.000 |
| Salix Finance Ltd | 0.000 | 1.995 | -0.039 | 1.956 |
| Market | 280.900 | 0.000 | 0.000 | 280.900 |
| Temp | 11.959 | 7.168 | -2.672 | 16.455 |
| | <u>1,434.289</u> | <u>9.163</u> | <u>-30.454</u> | <u>1,412.998</u> |
| Capital Advances | <u>1,544.437</u> | | | <u>1,510.154</u> |
| Under-borrowed | <u>110.148</u> | Under-borrowed | | <u>97.156</u> |

Table 6 – Outstanding Debt Portfolio 2014/15

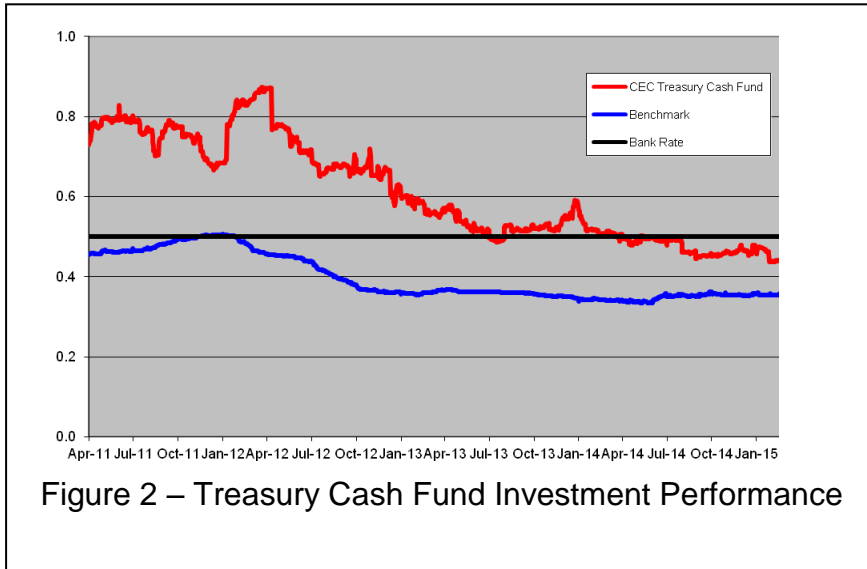
3.3.4 £27.74m of PWLB debt naturally matured during the year, and this was not replaced. The only external borrowing undertaken during the year was £2m in interest free loans from Salix in relation to street lighting replacement projects.

3.3.5 When the PWLB borrowing rates fell to the lows in January, serious consideration was given to taking some further short to medium term debt. However, with the reduced need to borrow, the cost of carrying the debt was still going to be significant, and it was determined to continue to use temporary investments to fund capital expenditure at the time. The Council's borrowing therefore fell by £21.29m over the year, but since the net capital advances fell more, the Council's under-borrowed position reduced from £110m to £97m.

3.4 Investment Out-turn 2014/15

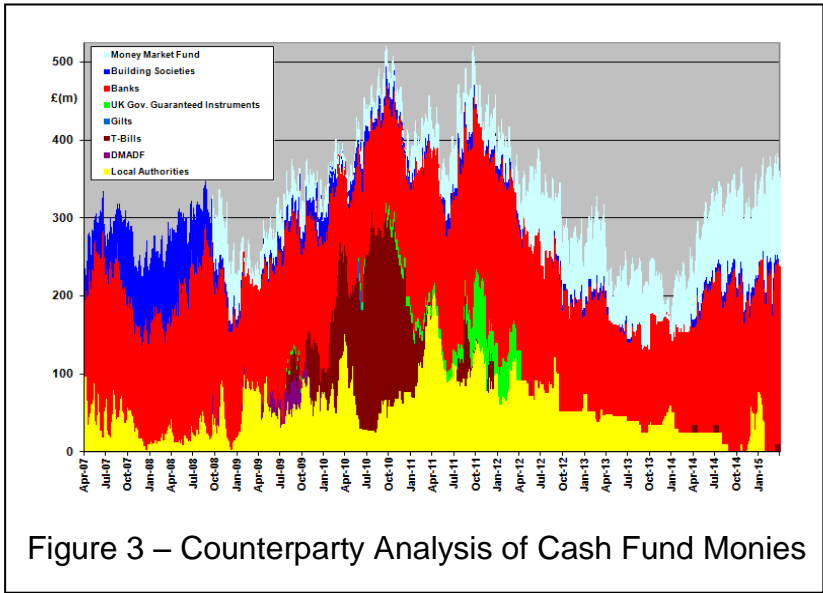
3.4.1 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day LIBID.

3.4.2 Figure 2 below shows the investment performance during the financial year.



3.4.3 The average interest rate on the Fund for the year was 0.47%, which continued to outperform the benchmark which was 0.35% for the year. The Fund generated income of just over £482k for the financial year to CEC.

3.4.4 The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money invested with banking institutions is mostly on call or on short term fixed deposit. Rates being achieved with Local Authority deposits and in Treasury Bills have remained low during the year which has given another year of difficulty securing principal while achieving an attractive interest rate. Once again in December rates paid by Local Authorities for short term cash increased due to seasonal cash shortage and fewer participants in the market. The Council was able to take advantage of this albeit the investment was only for a short duration. Figure 3 below shows the distribution of the Cash Fund investments since April 2007.



3.4.5 The Cash Fund's Investment Strategy continued to be based around the security of the investments. Figure 4 below shows the weighted average life (WAL) of the Cash Fund since inception.

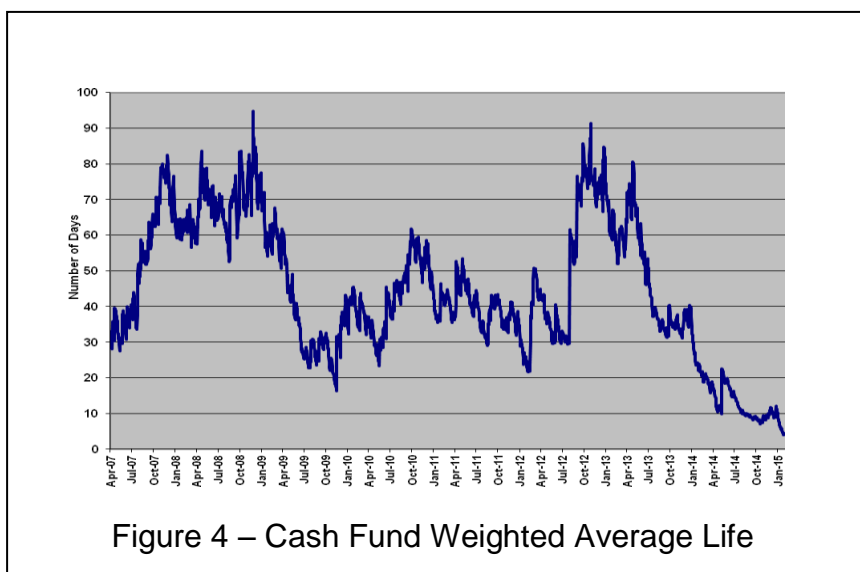


Figure 4 – Cash Fund Weighted Average Life

3.4.6 With the short term deposits placed with other local authorities over the Christmas and New Year periods maturing, the WAL (weighted average time to the final maturity of investments) has decreased. As the market returned to pre-holiday period levels, short term inter-authority rates reverted to around 0.30%.

3.5 Other Issues

3.5.1 There are a number of other issues on Treasury Management which have arisen during the year. These include:

The Scottish Government are reviewing the regulations for local authority borrowing and are likely to issue a consultation document later in the year with a view to implementation on 01 April 2016. While the new regulations are likely to have little impact on borrowing, they may well have longer term implications for the repayment profile of future capital advances and therefore Council expenditure.

MiFID (the Markets in Financial Instruments Directive) is the cornerstone of the European Union's regulation of financial markets. The EU have revised the directive to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. The FCA is currently considering how MiFID II will be implemented in practice in the UK. It is likely that local authorities will be re-classified as 'retail' rather than 'professional' clients with criteria set to enable an opt up to 'professional' status.

3.5.2 Both of these are at an early stage and will be covered in more depth in future reports as the issues and implication for the City of Edinburgh Council become clearer.

3.6 Conclusions

- 3.6.1 The Strategy set in March 2014 the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments rather than borrowing. The only borrowing completed was £1.995m in interest free funding. This approach continues to generate significant short term savings for the Council.
- 3.6.2 The investment return for 2014/15 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

Measures of success

- 4.1 The success of the Treasury Section can be measured by the out-performance of the Treasury Cash Fund against its benchmark and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

Financial impact

- 5.1 The Council continues to manage its debt portfolio so as to minimise the medium term cost of funding its capital projects.
- 5.2 The Treasury Cash Fund has generated significant additional income for the Council.

Risk, policy, compliance and governance impact

- 6.1 The Council complies with the relevant CIPFA code of practice whilst undertaking Treasury Management activities. The significant financial risks associated with Treasury Management activities have been successfully managed during 2014/15.

Equalities impact

- 7.1 There are no adverse equality impacts arising from this report.

Sustainability impact

- 8.1 There are no adverse sustainability impacts arising from this report.

Consultation and engagement

9.1 None.

Background reading / external references

None.

Alastair Maclean

Chief Operating Officer

Deputy Chief Executive

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Links

| | |
|---------------------------------|--|
| Coalition pledges | P30 - Continue to Maintain a sound financial position including long-term financial planning |
| Council outcomes | C025 - The Council has efficient and effective services that deliver on objectives |
| Single Outcome Agreement | SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all |
| Appendices | Appendix 1 - PWLB Debt Portfolio |

Appendix 1

Outstanding PWLB debt as at 31st March 2015

| Loan Ref | Start Date | Maturity Date | Loan Type | Principal Outstanding | Interest Rate % |
|----------|------------|---------------|-----------|-----------------------|-----------------|
| 495502 | 12/05/2009 | 12/05/2015 | M | 10,000,000.00 | 3.08 |
| 468121 | 23/02/1990 | 15/05/2015 | M | 8,000,000.00 | 10.875 |
| 468872 | 06/11/1990 | 25/03/2016 | M | 10,000,000.00 | 11.375 |
| 469721 | 17/05/1991 | 25/03/2016 | M | 10,000,000.00 | 11 |
| 496093 | 13/10/2009 | 13/04/2016 | M | 5,000,000.00 | 2.95 |
| 495471 | 23/04/2009 | 23/04/2016 | M | 5,000,000.00 | 2.96 |
| 469013 | 17/01/1991 | 15/05/2016 | M | 15,000,000.00 | 11.25 |
| 495565 | 09/06/2009 | 09/06/2016 | M | 5,000,000.00 | 3.37 |
| 470061 | 27/09/1991 | 25/09/2016 | M | 2,736,307.00 | 10.5 |
| 469898 | 15/08/1991 | 15/11/2016 | M | 10,000,000.00 | 10.875 |
| 495143 | 10/12/2008 | 10/12/2016 | M | 5,000,000.00 | 3.61 |
| 499194 | 02/12/2011 | 02/06/2017 | M | 5,000,000.00 | 2.28 |
| 471030 | 27/03/1992 | 25/09/2017 | M | 10,000,000.00 | 10.625 |
| 494911 | 09/10/2008 | 09/10/2017 | M | 5,000,000.00 | 4.39 |
| 471179 | 03/04/1992 | 25/03/2018 | M | 30,000,000.00 | 10.875 |
| 495472 | 23/04/2009 | 23/04/2018 | M | 15,000,000.00 | 3.24 |
| 471710 | 17/09/1992 | 15/05/2018 | M | 8,496,500.00 | 9.75 |
| 495566 | 09/06/2009 | 09/06/2018 | M | 5,000,000.00 | 3.75 |
| 473528 | 17/09/1993 | 15/11/2018 | M | 5,000,000.00 | 7.875 |
| 474273 | 23/03/1994 | 15/11/2018 | M | 5,000,000.00 | 8 |
| 474226 | 14/03/1994 | 11/03/2019 | M | 2,997,451.21 | 7.625 |
| 473697 | 18/10/1993 | 25/03/2019 | M | 5,000,000.00 | 7.875 |
| 495414 | 30/03/2009 | 30/03/2019 | M | 5,000,000.00 | 3.46 |
| 495457 | 21/04/2009 | 21/04/2019 | M | 10,000,000.00 | 3.4 |
| 495473 | 23/04/2009 | 23/04/2019 | M | 5,000,000.00 | 3.38 |
| 495030 | 12/11/2008 | 12/11/2019 | A | 2,540,803.99 | 3.96 |
| 474274 | 23/03/1994 | 15/11/2019 | M | 5,000,000.00 | 8 |
| 474935 | 07/12/1994 | 15/11/2019 | M | 10,000,000.00 | 8.625 |
| 495086 | 01/12/2008 | 01/12/2019 | A | 2,520,023.77 | 3.65 |
| 496260 | 01/12/2009 | 01/12/2019 | M | 5,000,000.00 | 3.77 |
| 496354 | 14/12/2009 | 14/12/2019 | M | 10,000,000.00 | 3.91 |
| 475161 | 15/02/1995 | 25/03/2020 | M | 5,000,000.00 | 8.625 |
| 495458 | 21/04/2009 | 21/04/2020 | M | 10,000,000.00 | 3.54 |
| 495501 | 12/05/2009 | 12/05/2020 | M | 10,000,000.00 | 3.96 |
| 474801 | 21/10/1994 | 15/05/2020 | M | 5,000,000.00 | 8.625 |
| 474936 | 07/12/1994 | 15/05/2020 | M | 5,000,000.00 | 8.625 |
| 499159 | 21/11/2011 | 21/05/2020 | M | 15,000,000.00 | 2.94 |
| 476237 | 16/08/1995 | 03/08/2020 | M | 2,997,451.21 | 8.375 |
| 474958 | 09/12/1994 | 15/11/2020 | M | 5,000,000.00 | 8.625 |
| 497203 | 10/05/2010 | 10/05/2021 | A | 3,155,846.94 | 3.09 |
| 474802 | 21/10/1994 | 15/05/2021 | M | 10,000,000.00 | 8.625 |
| 475259 | 10/03/1995 | 15/05/2021 | M | 11,900,000.00 | 8.75 |

| | | | | | |
|---------|------------|------------|---|---------------|-------|
| 476031 | 12/06/1995 | 15/05/2021 | M | 10,000,000.00 | 8 |
| 497378 | 02/06/2010 | 02/06/2021 | M | 5,000,000.00 | 3.89 |
| 474661 | 16/08/1994 | 03/08/2021 | M | 2,997,451.21 | 8.5 |
| 474418 | 28/04/1994 | 25/09/2021 | M | 5,000,000.00 | 8.125 |
| 495474 | 23/04/2009 | 23/04/2022 | M | 5,000,000.00 | 3.76 |
| 476030 | 12/06/1995 | 15/05/2022 | M | 10,200,000.00 | 8 |
| 497425 | 14/06/2010 | 14/06/2022 | M | 10,000,000.00 | 3.95 |
| 475781 | 31/03/1995 | 25/09/2022 | M | 6,206,000.00 | 8.625 |
| 475176 | 16/02/1995 | 03/02/2023 | M | 2,997,451.21 | 8.625 |
| 475822 | 24/04/1995 | 25/03/2023 | M | 10,000,000.00 | 8.5 |
| 476731 | 05/12/1995 | 15/05/2023 | M | 5,200,000.00 | 8 |
| 473573 | 20/09/1993 | 14/09/2023 | M | 2,997,451.21 | 7.875 |
| 473574 | 20/09/1993 | 14/09/2023 | M | 584,502.98 | 7.875 |
| 477656 | 08/05/1996 | 25/09/2023 | M | 10,000,000.00 | 8.375 |
| 496094 | 13/10/2009 | 13/10/2023 | M | 5,000,000.00 | 3.87 |
| 476732 | 05/12/1995 | 15/11/2023 | M | 10,000,000.00 | 8 |
| 497197 | 10/05/2010 | 10/05/2024 | M | 10,000,000.00 | 4.32 |
| 476350 | 28/09/1995 | 28/09/2024 | M | 2,895,506.10 | 8.25 |
| 501250 | 14/05/2012 | 14/11/2024 | M | 10,000,000.00 | 3.36 |
| 496355 | 14/12/2009 | 14/12/2024 | A | 7,249,741.49 | 3.66 |
| 1478311 | 17/10/1996 | 25/03/2025 | M | 10,000,000.00 | 7.875 |
| 497199 | 10/05/2010 | 10/05/2025 | M | 5,000,000.00 | 4.37 |
| 501723 | 16/11/2012 | 16/05/2025 | M | 20,000,000.00 | 2.88 |
| 1478760 | 13/02/1997 | 18/05/2025 | M | 10,000,000.00 | 7.375 |
| 1478830 | 20/02/1997 | 15/11/2025 | M | 20,000,000.00 | 7.375 |
| 496261 | 01/12/2009 | 01/12/2025 | A | 11,203,753.09 | 3.64 |
| 476771 | 21/12/1995 | 21/12/2025 | M | 2,397,960.97 | 7.875 |
| 1479368 | 21/05/1997 | 15/05/2026 | M | 10,000,000.00 | 7.125 |
| 1479530 | 28/05/1997 | 15/05/2026 | M | 10,000,000.00 | 7.25 |
| 479851 | 29/08/1997 | 15/11/2026 | M | 5,000,000.00 | 7 |
| 1479594 | 24/06/1997 | 15/11/2026 | M | 5,328,077.00 | 7.125 |
| 1479783 | 07/08/1997 | 15/11/2026 | M | 15,000,000.00 | 6.875 |
| 1480039 | 13/10/1997 | 25/03/2027 | M | 10,000,000.00 | 6.375 |
| 1480175 | 22/10/1997 | 25/03/2027 | M | 5,000,000.00 | 6.5 |
| 1480241 | 13/11/1997 | 15/05/2027 | M | 3,649,966.00 | 6.5 |
| 1480257 | 17/11/1997 | 15/05/2027 | M | 5,000,000.00 | 6.5 |
| 501797 | 13/12/2012 | 13/06/2027 | M | 20,000,000.00 | 3.18 |
| 1480580 | 12/03/1998 | 15/11/2027 | M | 8,677,693.00 | 5.875 |
| 497854 | 06/09/2010 | 06/09/2028 | M | 10,000,000.00 | 3.85 |
| 498768 | 14/07/2011 | 14/07/2029 | M | 10,000,000.00 | 4.9 |
| 368245 | 14/07/1950 | 03/03/2030 | E | 3,791.77 | 3 |
| 498769 | 14/07/2011 | 14/07/2030 | M | 10,000,000.00 | 4.93 |
| 80101 | 15/06/1951 | 15/05/2031 | E | 3,866.97 | 3 |
| 497855 | 06/09/2010 | 06/09/2031 | M | 20,000,000.00 | 3.95 |
| 499252 | 15/12/2011 | 15/06/2032 | M | 10,000,000.00 | 3.98 |
| 498994 | 15/09/2011 | 15/09/2036 | M | 10,000,000.00 | 4.47 |
| 499019 | 22/09/2011 | 22/09/2036 | M | 10,000,000.00 | 4.49 |

| | | | | | |
|--------|------------|------------|---|-------------------------|------|
| 494139 | 10/12/2007 | 10/12/2037 | M | 10,000,000.00 | 4.49 |
| 498974 | 08/09/2011 | 08/09/2038 | M | 10,000,000.00 | 4.67 |
| 498995 | 15/09/2011 | 15/09/2039 | M | 10,000,000.00 | 4.52 |
| 499052 | 06/10/2011 | 06/10/2043 | M | 20,000,000.00 | 4.35 |
| 498851 | 09/08/2011 | 09/02/2046 | M | 20,000,000.00 | 4.8 |
| 491119 | 23/01/2006 | 23/07/2046 | M | 10,000,000.00 | 3.7 |
| 491226 | 23/01/2006 | 23/07/2046 | M | 10,000,000.00 | 3.7 |
| 491628 | 19/05/2006 | 19/11/2046 | M | 10,000,000.00 | 4.25 |
| 494202 | 07/01/2008 | 07/01/2048 | M | 5,000,000.00 | 4.4 |
| 491258 | 27/01/2006 | 27/07/2051 | M | 1,250,000.00 | 3.7 |
| 492718 | 16/01/2007 | 16/07/2052 | M | 40,000,000.00 | 4.25 |
| 492853 | 30/01/2007 | 30/07/2052 | M | 10,000,000.00 | 4.35 |
| 492908 | 13/02/2007 | 13/08/2052 | M | 20,000,000.00 | 4.35 |
| 492937 | 20/02/2007 | 20/08/2052 | M | 70,000,000.00 | 4.35 |
| 492960 | 22/02/2007 | 22/08/2052 | M | 50,000,000.00 | 4.35 |
| 493036 | 08/03/2007 | 08/09/2052 | M | 5,000,000.00 | 4.25 |
| 493334 | 30/05/2007 | 30/11/2052 | M | 10,000,000.00 | 4.6 |
| 493377 | 11/06/2007 | 11/12/2052 | M | 15,000,000.00 | 4.7 |
| 493383 | 12/06/2007 | 12/12/2052 | M | 25,000,000.00 | 4.75 |
| 493428 | 05/07/2007 | 05/01/2053 | M | 12,000,000.00 | 4.8 |
| 493516 | 25/07/2007 | 25/01/2053 | M | 5,000,000.00 | 4.65 |
| 493701 | 10/08/2007 | 10/02/2053 | M | 5,000,000.00 | 4.55 |
| 493872 | 24/08/2007 | 24/02/2053 | M | 7,500,000.00 | 4.5 |
| 493920 | 13/09/2007 | 13/03/2053 | M | 5,000,000.00 | 4.5 |
| 493979 | 12/10/2007 | 12/04/2053 | M | 5,000,000.00 | 4.6 |
| 494045 | 05/11/2007 | 05/05/2057 | M | 5,000,000.00 | 4.6 |
| 494725 | 15/08/2008 | 15/02/2058 | M | 5,000,000.00 | 4.39 |
| 499195 | 02/12/2011 | 02/12/2061 | M | 5,000,000.00 | 3.98 |
| Total | | | | <u>1,113,687,597.12</u> | |

Outstanding Market debt as at 31st March 2015

| Loan Ref | Start Date | Maturity Date | Principal Outstanding | Interest Rate % | Counterparty |
|----------|------------|---------------|-----------------------|-----------------|---|
| 6000007 | 03/12/1990 | 04/12/2015 | 2,000,000.00 | 11 | PRUDENTIAL PORTFOLIOMANAGERS UK LTD |
| 6000008 | 12/12/1990 | 11/12/2015 | 2,000,000.00 | 11 | PRUDENTIAL PORTFOLIOMANAGERS UK LTD |
| 6000017 | 30/03/1992 | 30/03/2017 | 1,000,000.00 | 10.25 | BAYERISCHE LANDESBANKGIROZENTRALE |
| 6000019 | 21/08/1992 | 21/08/2017 | 500,000.00 | 9.75 | DRESDNER BANK AG |
| 6000020 | 21/08/1992 | 21/08/2017 | 500,000.00 | 9.75 | DRESDNER BANK AG |
| 6000091 | 12/11/1998 | 13/11/2028 | 3,000,000.00 | 4.75 | DEUTSCHE PFANDBRIEFBANK AG |
| 6000102 | 15/12/2003 | 15/12/2053 | 10,000,000.00 | 5.25 | FMS WERTMANAGEMENT AoR |
| 6000105 | 18/02/2004 | 18/02/2054 | 10,000,000.00 | 4.54 | DEXIA CREDIT LOCAL |
| 6000109 | 28/04/2005 | 28/04/2055 | 12,900,000.00 | 4.75 | FMS WERTMANAGEMENT AoR |
| 6000110 | 01/07/2005 | 01/07/2065 | 10,000,000.00 | 3.86 | DEXIA CREDIT LOCAL BARCLAYS BANKGLOBAL |
| 6000111 | 30/06/2005 | 30/06/2065 | 5,000,000.00 | 4.4 | SERVICES BARCLAYS BANKGLOBAL |
| 6000112 | 07/07/2005 | 07/07/2065 | 5,000,000.00 | 4.4 | SERVICES |
| 6000113 | 24/08/2005 | 24/08/2065 | 5,000,000.00 | 4.4 | DEXIA CREDIT LOCAL |
| 6000114 | 07/09/2005 | 07/09/2065 | 10,000,000.00 | 4.99 | ECPKA IN LUXEMBURG S.A. |
| 6000115 | 13/09/2005 | 14/09/2065 | 5,000,000.00 | 3.95 | ECPKA IN LUXEMBURG S.A. |
| 6000116 | 03/10/2005 | 05/10/2065 | 5,000,000.00 | 4.375 | KA FINANZ AG BARCLAYS BANKGLOBAL |
| 6000117 | 21/12/2005 | 21/12/2065 | 5,000,000.00 | 4.99 | SERVICES BARCLAYS BANKGLOBAL |
| 6000118 | 28/12/2005 | 24/12/2065 | 12,500,000.00 | 4.99 | SERVICES |
| 6000119 | 23/12/2005 | 23/12/2065 | 10,000,000.00 | 4.75 | FMS WERTMANAGEMENT AoR |

| | | | | | |
|---------|------------|------------|-----------------------|-------|---|
| 6000120 | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | DEXIA CREDIT LOCAL |
| 6000121 | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | DEXIA CREDIT LOCAL |
| 6000122 | 03/04/2006 | 01/04/2066 | 10,000,000.00 | 4.875 | DEXIA CREDIT LOCAL |
| 6000123 | 07/04/2006 | 07/04/2066 | 10,000,000.00 | 4.75 | ECPKA IN LUXEMBURG S.A. |
| 6000124 | 06/03/2006 | 04/03/2066 | 5,000,000.00 | 4.625 | DANSKE BANK LONDON BARCLAYS BANKGLOBAL |
| 6000125 | 14/03/2006 | 15/03/2066 | 15,000,000.00 | 5 | SERVICES BARCLAYS BANKGLOBAL |
| 6000126 | 18/08/2006 | 18/08/2066 | 10,000,000.00 | 5.25 | SERVICES |
| 6000127 | 17/03/2006 | 17/03/2066 | 10,000,000.00 | 5.25 | DEXIA CREDIT LOCAL |
| 6000128 | 05/06/2006 | 07/06/2066 | 20,000,000.00 | 5.25 | DEXIA CREDIT LOCAL |
| 6000129 | 05/06/2006 | 07/06/2066 | 16,500,000.00 | 5.25 | DEXIA CREDIT LOCAL BARCLAYS BANKGLOBAL |
| 6000130 | 01/02/2008 | 01/02/2078 | 10,000,000.00 | 3.95 | SERVICES |
| 6000131 | 26/02/2010 | 26/02/2060 | 5,000,000.00 | 7.144 | Royal Bank of Scotland plc |
| 6000132 | 26/02/2010 | 26/02/2060 | 10,000,000.00 | 7.144 | Royal Bank of Scotland plc |
| 6000133 | 25/02/2011 | 25/02/2060 | 15,000,000.00 | 7.16 | Royal Bank of Scotland plc |
| 6000134 | 25/02/2011 | 25/02/2060 | 10,000,000.00 | 7.16 | Royal Bank of Scotland plc |
| Total | | | <u>280,900,000.00</u> | | |

Outstanding Special Loan debt as at 31st March 2015

| Loan Ref | Start Date | Maturity Date | Principal Outstanding | Interest Rate % | Counterparty |
|----------|------------|---------------|-----------------------|-----------------|-------------------|
| 8000029 | 07/01/2015 | 01/09/2021 | 513,221.41 | 0 | SALIX FINANCE LTD |
| 8000030 | 31/03/2015 | 01/04/2023 | <u>1,442,317.95</u> | 0 | SALIX FINANCE LTD |
| Total | | | <u>1,955,539.36</u> | | |