Finance and Resources Committee

10.00am, Thursday, 16 August 2018

Treasury Management: Annual Report 2017/18

Item number	7.9
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The purpose of this report is to give an update on Treasury Management activity in 2017/18.

The Strategy approved in March 2017 stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments. This overall approach was implemented and generated significant short-term savings in Loans Charges for the Council and forms part of a successful and sustainable long-term borrowing strategy.

The investment return for 2017/18 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

Report

Treasury Management: Annual Report 2017/18

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 Notes the Annual Report on Treasury Management for 2017/18; 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.

2. 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 must 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.

3. Main report

3.1 **Key Points**

3.1.1 The key points in this report are that:

- For the fourth year in a row, the Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £29.0m during the year;

- £53m of PWLB and £1m of market debt naturally matured during the year and was not replaced, reducing overall borrowing costs to the Council;

- the Council continued its successful medium-term strategy of funding capital expenditure from a reduction in temporary investments and at the end of the financial year the Council's external borrowing was £139m under its Capital Financing Requirement;

- 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 0.38%, which continued to outperform the benchmark, which was 0.22% 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 2017/18.

	2016/17 Actual £'000	2017/18 Original £'000	2017/18 Revised £'000	2017/18 Actual £'000
General Services				
Chief Executive	1,184	1,125	0	0
City Strategy and Economy	838	0	0	0
Communities and Families	41,816	27,278	36,118	35,989
Edinburgh Integrated Joint Board	4,527	108	302	496
Place	90,704	125,659	86,071	91,737
Resources	0	0	15,470	3,503
Resources - Asset Management Works	18,908	11,132	10,885	10,990
Recommended Expenditure Priorities	0	4,202	0	0
Unallocated	0	2,278	0	0
General Slippage across programme	0	0	-3,834	0
Trams	0	0	0	2,383
Council Wide Projects	0	0	0	364
Total General Services Capital Expenditure	**157,977**	**171,782**	**145,012**	**145,462**
Housing Revenue Account	43,627	79,459	79,459	72,816
Total	**201,604**	**251,241**	**224,471**	**218,278**

Table 1 – Capital Expenditure 2017/18

The capital programme is re-phased annually once the unaudited out-turn of the previous year is known. The original estimates above reflect the budget position as reported in the Treasury Strategy in March 2017, with the revised figures representing the projected position reported to the Finance and Resources Committee in September 2017 following the re-phasing of the programme.

The following table shows how the £218.3m of capital expenditure incurred in 2017/18 was funded:

	Gen Services	HRA	CEC Total	Police	Fire	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net Cap Adv (01/04/17)	1,034,448	363,833	**1,398,281**	14,198	1,043	**1,413,522**
Gross Cap Ex	145,462	72,816	**218,278**	0	0	**218,278**
Cap Income	130,946	37,738	**168,684**	0	0	**168,684**
Net Cap Ex	14,516	35,078	**49,594**	0	0	**49,594**
Capital Repaid	-57,810	-18,290	**-76,100**	-1,758	-724	**-78,582**
Net Cap Adv (01/04/18)	**991,154**	**380,621**	**1,371,775**	**12,440**	**319**	**1,384,534**

Table 2 – Source of Funding for Capital Expenditure 2017/18

The CEC Total column shows expenditure of £218.3m being partly funded by capital grants and capital receipts, leaving £49.6m to be funded by borrowing. However, the Council repaid principal of £76.1m for previous capital advances, giving a net reduction in the need to borrow of £26.5m. In addition, previous capital advances of £2.5m were repaid on behalf of the former Police and Fire joint boards, giving a total reduction in the need to borrow of £29.0m.

(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.

	2016/17 Actual %	2017/18 Estimate %	2017/18 Revised %	2017/18 Actual %
General Services	11.63	11.78	11.72	11.63
Housing Revenue Account	35.21	37.61	36.33	37.88

Table 3 – Ratio of Financing Costs to Net Revenue Stream

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

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

	2016/17 Actual £'000	2017/18 Original £'000	2017/18 Revised £'000	2017/18 Actual £'000
General Services (incl. finance leases)	1,250,818	1,272,527	1,222,218	1,195,243
Housing Revenue Account	364,934	398,199	391,106	380,621
Total	**1,615,752**	**1,670,726**	**1,613,324**	**1,575,864**

Table 4 – Capital Financing Requirement

The reduction in the out-turn is mainly due to the reduction in General Services underlying need to borrow as for the fourth year in a row, repayments for previous capital advances were greater than new capital advances.

In preparing Tables 4 and 5, all finance lease liabilities have been included for both current and prior year figures as required by the new Borrowing

Regulations in Scotland, rather than other long-term liabilities as defined by CIPFA's Prudential Code.

	2016/17 Actual £'000	2017/18 Actual £'000
General Services Capital Advances	1,034,931	991,154
HRA Capital Advances	364,934	380,621
Total CEC Borrowing CFR	**1,399,865**	**1,371,775**
Other Finance Lease Liabilities	215,887	204,089
Total CEC Debt CFR	**1,615,752**	**1,575,864**

Table 5 – Split of Capital Financing Requirement

3.2.2 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 The Council's treasury advisors, Arlingclose, have provided the following economic commentary for the year:

"2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

Economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September

2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year."

3.3.2 Figure 1 below shows the comparison of UK and US gilt yields. This shows that the significant divergence which arose in the latter part of 2016 increased further during 2017/18. The US economy has continued to recover with the Federal Reserve increasing its interest rate on three occasions during the 2017/18 financial year leading to a further de-coupling of UK and US short term interest rates.

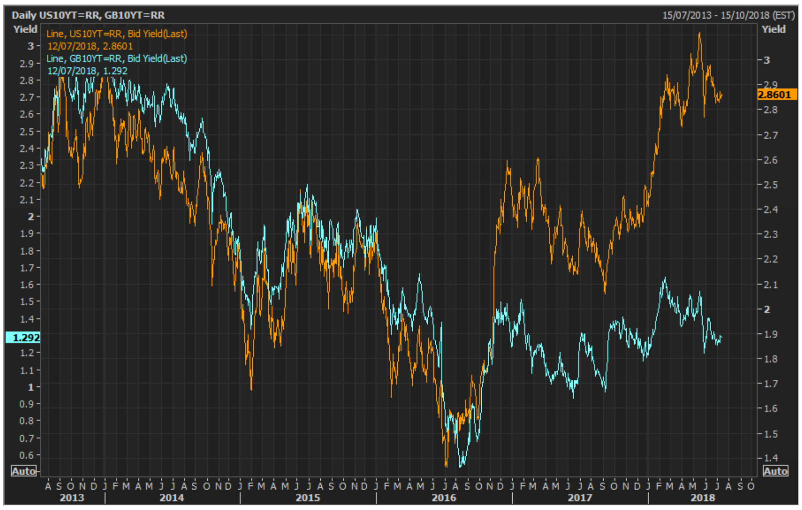

Figure 1 - UK and US 10 Year Sovereign Debt Yield

3.3.3 Figure 2 shows PWLB borrowing rates since 2008. This clearly shows an increase, particularly in the short dates, towards the financial year end. This was due partly to a rise in bond yields globally, and partly to market sentiment pointing towards a rise in UK Bank Rate in May, although the rise didn't materialise.

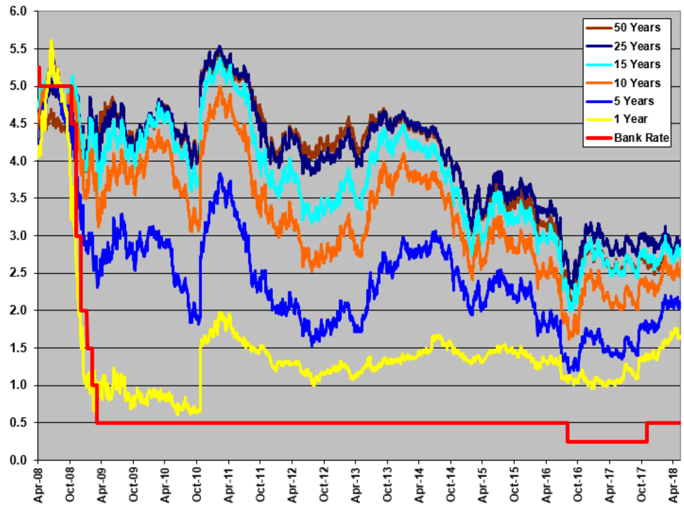

Figure 2 – PWLB Rates from April 2008 to Date

Source: DMO

3.3.4 The strategy for 2017/18 approved in March 2017 was to continue to fund capital expenditure in the short term by reducing the level of temporary investments. Other than a small amount of interest free loans taken in 2015 there has been no borrowing completed since December 2012. However, as detailed in Table 2, the total underlying need to borrow fell by £29.0m during the year. Table 6 below summarises the outstanding debt portfolio during the year.

Type of Loan	Balance 01.04.2017 £m	Borrowing Raised £m	Borrowing Repaid £m	Balance 31.03.2018 £m
PWLB - fixed	1,022.166	0.000	-53.052	969.114
PWLB - variable	0.000	0.000	0.000	0.000
Salix Finance Ltd	1.835	0.000	-0.303	1.532
Market	275.900	0.000	-1.000	274.900
	1,299.901	0	-54.355	1,245.545
Capital Advances	1,415.106			1,384.534
Under-borrowed	115.205		Under-borrowed	138.989

Table 6 – Outstanding Debt Portfolio 2017/18

3.3.5 £53.052m of PWLB and £1m of Market debt naturally matured during the year, and this was not replaced. The Council's borrowing therefore fell by £54.355m over the year.

3.3.6 The net capital advances fell by £29.0m. The Council's under-borrowed position increased from £115m to £139m. Figure 3 below shows how much the Council has been over or under borrowed at financial year end since 2006/07.

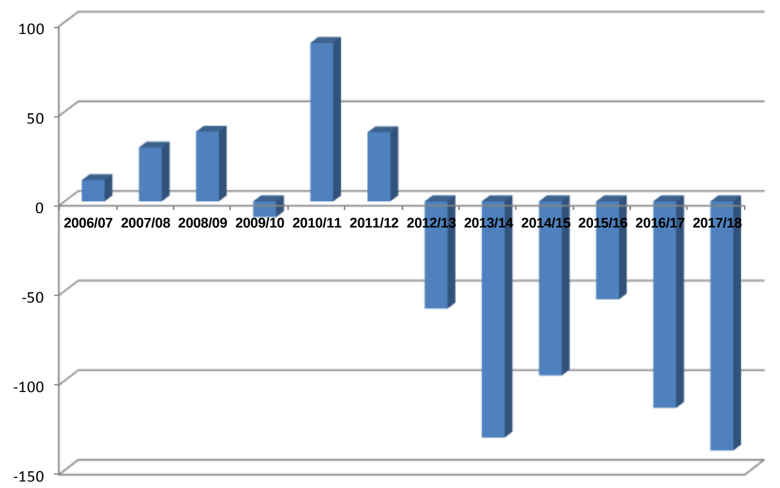

Figure 3 - Over / Under Borrowed position at year end

3.3.7 2017/18 was the fourth year in a row that the repayment of previous capital advances were greater than new capital advances funding by borrowing, reducing the Council's underlying need to borrow. This, and the under-borrowing strategy to not replace maturing debt, has meant that over the last four years the Council's external debt has fallen by £192m. Figure 4 below shows the Council's total borrowing and cost of the borrowing.

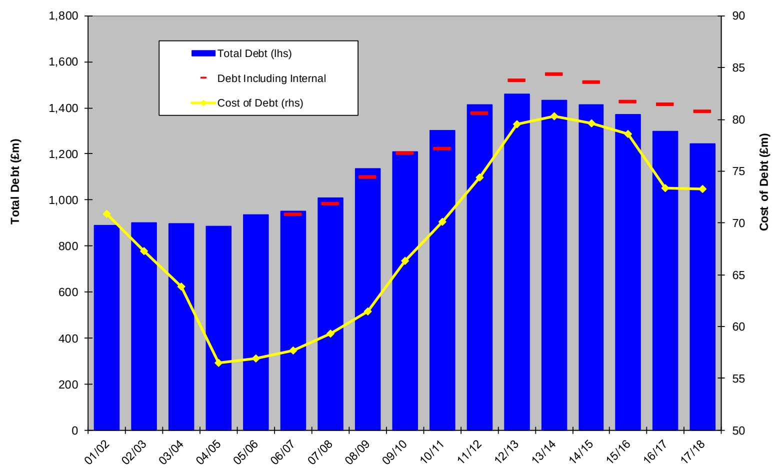

Figure 4 - CEC Borrowing and its Cost

3.3.8 The total interest cost in servicing the Council's debt remained at £73m.

3.4 Investment Out-turn 2017/18

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 5 below shows the investment performance since April 2011.

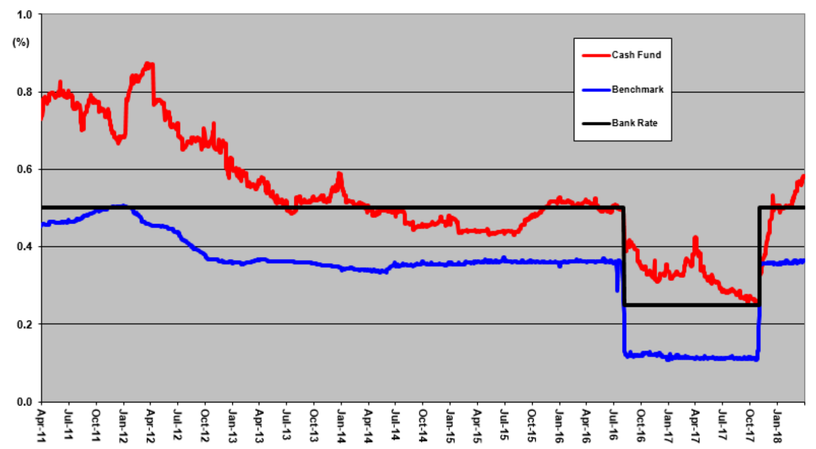

Figure 5 - Treasury Cash Fund Investment Performance

3.4.3 The average interest rate on the Fund for the year was 0.38%, which continued to outperform the benchmark which was 0.22% for the year. The Fund generated income of just under £950k 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 was held on instant access call and a large percentage of the fund was held with other Local Authorities on short term fixed deposits. Figure 6 below shows the distribution of the Cash Fund investments since April 2007

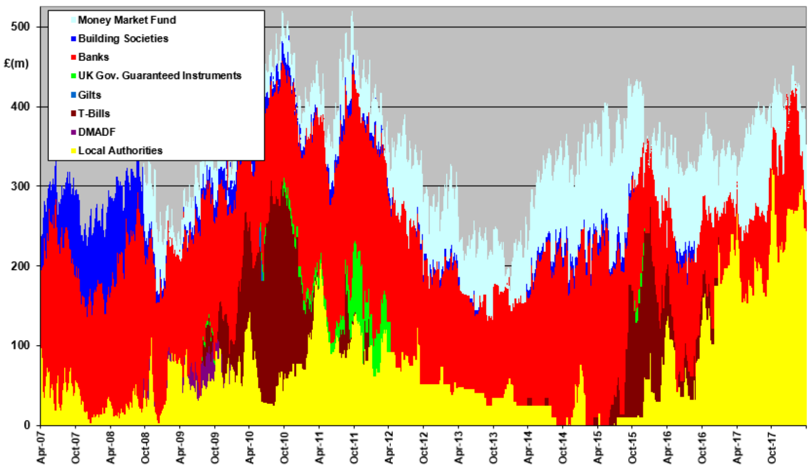

Figure 6 – Cash Fund Investments since inception

3.4.5 As can be seen in Figure 7 the rates on offer on Treasury Bills increased towards the end of the financial year as at that time there was an increased possibility of a rise in UK Bank Rate, however, rates being achieved with Local Authority deposits were more attractive than Treasury Bills. At the end of the financial year the Council had £244m on deposit with other Local Authorities. Some additional commentary on local authorities as an asset class was included in the 2018/19 Annual Treasury Strategy.

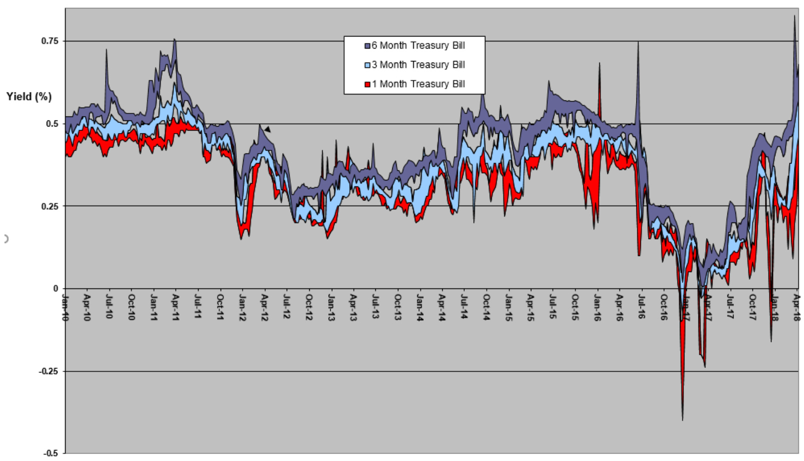

Figure 7 – UK Treasury Bill Yields

3.4.6 The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first-rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the EU referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening.

3.4.7 As the Cash Fund's Investment Strategy is based around the security of the investments the weighted average life (WAL) is fairly short at 45 days, as can be seen in Figure 8. This also means the fund can react quickly to any change in UK Bank Rate. The WAL of only 11 days on the day of the MPC meeting in November meant the fund was perfectly placed to take advantage of the rise in UK Bank Rate. Thereafter the cash fund used the inter-authority market to lengthen the portfolio duration again.

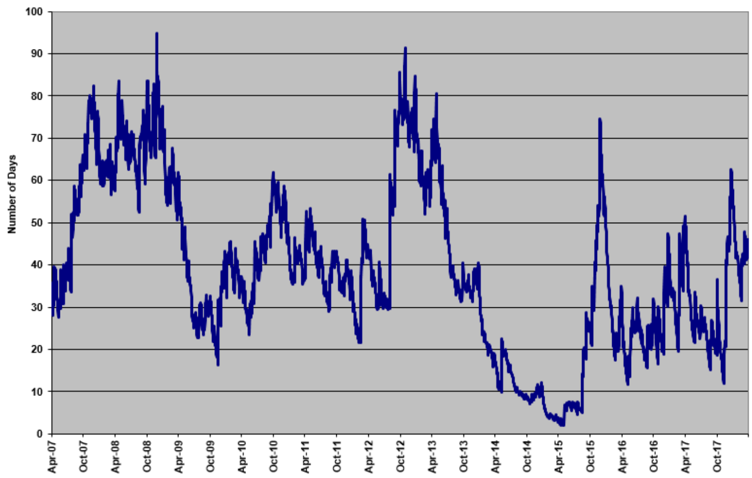

Figure 8 - Cash Fund Weighted Average Life

3.5 Significant Post End of Year Events

3.5.1 The 2018/19 Treasury Strategy Report showed that the Council's underlying need to borrow was projected to increase by £427m between 2018/19 and 2022/23. Over the same period £258m of the Council's debt naturally matures, giving a total borrowing requirement of £685m over the five years. In line with the strategy approved the intention is to address this requirement (subject to appropriate rates being available) by:

- Funding the 2018/19 requirement by continuing to use cash deposits;
- Borrowing for each tranche of LLP housing subject to business cases meeting the set criteria;
- Reviewing options of locking out interest rates in advance of expenditure; and
- Seeking to mitigate risk on other major projects as the requirement becomes more certain.

3.6 Conclusions

3.6.1 The Strategy set in March 2017 regarding borrowing was fully implemented.

3.6.2 The investment return for 2017/18 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

3.6.3 Significant work is being undertaken to implement the approved 2018/19 borrowing strategy, particularly in relation to mitigating the Council's future interest rate risk.

4. 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.

5. 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.

6. 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 2017/18.

7. Equalities impact

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

8. Sustainability impact

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

9. Consultation and engagement

9.1 None

10. Background reading/external references

10.1 None

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11. Appendices

Appendix 1 - Debt portfolio

Appendix 1: Debt outstanding

PWLB PROFILE	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING	INTEREST RATE	ANNUAL INTEREST
			£	%	£
M	23/04/2009	23/04/2018	15,000,000.00	3.24	486,000.00
M	17/09/1992	15/05/2018	8,496,500.00	9.75	828,408.75
M	09/06/2009	09/06/2018	5,000,000.00	3.75	187,500.00
M	17/09/1993	15/11/2018	5,000,000.00	7.875	393,750.00
M	23/03/1994	15/11/2018	5,000,000.00	8	400,000.00
M	14/03/1994	11/03/2019	2,997,451.21	7.625	228,555.65
M	18/10/1993	25/03/2019	5,000,000.00	7.875	393,750.00
M	30/03/2009	30/03/2019	5,000,000.00	3.46	173,000.00
M	21/04/2009	21/04/2019	10,000,000.00	3.4	340,000.00
M	23/04/2009	23/04/2019	5,000,000.00	3.38	169,000.00
A	12/11/2008	12/11/2019	1,076,445.62	3.96	57,745.68
M	23/03/1994	15/11/2019	5,000,000.00	8	400,000.00
M	07/12/1994	15/11/2019	10,000,000.00	8.625	862,500.00
A	01/12/2008	01/12/2019	1,062,994.17	3.65	52,619.92
M	01/12/2009	01/12/2019	5,000,000.00	3.77	188,500.00
M	14/12/2009	14/12/2019	10,000,000.00	3.91	391,000.00
M	15/02/1995	25/03/2020	5,000,000.00	8.625	431,250.00
M	21/04/2009	21/04/2020	10,000,000.00	3.54	354,000.00
M	12/05/2009	12/05/2020	10,000,000.00	3.96	396,000.00
M	21/10/1994	15/05/2020	5,000,000.00	8.625	431,250.00
M	07/12/1994	15/05/2020	5,000,000.00	8.625	431,250.00
M	21/11/2011	21/05/2020	15,000,000.00	2.94	441,000.00
M	16/08/1995	03/08/2020	2,997,451.21	8.375	251,036.54
M	09/12/1994	15/11/2020	5,000,000.00	8.625	431,250.00
A	10/05/2010	10/05/2021	1,777,198.88	3.09	65,921.74
M	21/10/1994	15/05/2021	10,000,000.00	8.625	862,500.00
M	10/03/1995	15/05/2021	11,900,000.00	8.75	1,041,250.00
M	12/06/1995	15/05/2021	10,000,000.00	8	800,000.00
M	02/06/2010	02/06/2021	5,000,000.00	3.89	194,500.00
M	16/08/1994	03/08/2021	2,997,451.21	8.5	254,783.35
M	28/04/1994	25/09/2021	5,000,000.00	8.125	406,250.00
M	23/04/2009	23/04/2022	5,000,000.00	3.76	188,000.00
M	12/06/1995	15/05/2022	10,200,000.00	8	816,000.00
M	14/06/2010	14/06/2022	10,000,000.00	3.95	395,000.00
M	31/03/1995	25/09/2022	6,206,000.00	8.625	535,267.50
M	16/02/1995	03/02/2023	2,997,451.21	8.625	258,530.17
M	24/04/1995	25/03/2023	10,000,000.00	8.5	850,000.00
M	05/12/1995	15/05/2023	5,200,000.00	8	416,000.00
M	20/09/1993	14/09/2023	2,997,451.21	7.875	236,049.28
M	20/09/1993	14/09/2023	584,502.98	7.875	46,029.61
M	08/05/1996	25/09/2023	10,000,000.00	8.375	837,500.00
M	13/10/2009	13/10/2023	5,000,000.00	3.87	193,500.00
PWLB	START	MATURITY	PRINCIPAL	INTEREST	ANNUAL

PROFILE	DATE	DATE	OUTSTANDING	RATE	INTEREST
			£	%	£
M	05/12/1995	15/11/2023	10,000,000.00	8	800,000.00
M	10/05/2010	10/05/2024	10,000,000.00	4.32	432,000.00
M	28/09/1995	28/09/2024	2,895,506.10	8.25	238,879.25
M	14/05/2012	14/11/2024	10,000,000.00	3.36	336,000.00
A	14/12/2009	14/12/2024	5,343,622.56	3.66	213,708.47
M	17/10/1996	25/03/2025	10,000,000.00	7.875	787,500.00
M	10/05/2010	10/05/2025	5,000,000.00	4.37	218,500.00
M	16/11/2012	16/05/2025	20,000,000.00	2.88	576,000.00
M	13/02/1997	18/05/2025	10,000,000.00	7.375	737,500.00
M	20/02/1997	15/11/2025	20,000,000.00	7.375	1,475,000.00
A	01/12/2009	01/12/2025	8,574,733.44	3.64	336,986.91
M	21/12/1995	21/12/2025	2,397,960.97	7.875	188,839.43
M	21/05/1997	15/05/2026	10,000,000.00	7.125	712,500.00
M	28/05/1997	15/05/2026	10,000,000.00	7.25	725,000.00
M	29/08/1997	15/11/2026	5,000,000.00	7	350,000.00
M	24/06/1997	15/11/2026	5,328,077.00	7.125	379,625.49
M	07/08/1997	15/11/2026	15,000,000.00	6.875	1,031,250.00
M	13/10/1997	25/03/2027	10,000,000.00	6.375	637,500.00
M	22/10/1997	25/03/2027	5,000,000.00	6.5	325,000.00
M	13/11/1997	15/05/2027	3,649,966.00	6.5	237,247.79
M	17/11/1997	15/05/2027	5,000,000.00	6.5	325,000.00
M	13/12/2012	13/06/2027	20,000,000.00	3.18	636,000.00
M	12/03/1998	15/11/2027	8,677,693.00	5.875	509,814.46
M	06/09/2010	06/09/2028	10,000,000.00	3.85	385,000.00
M	14/07/2011	14/07/2029	10,000,000.00	4.9	490,000.00
E	14/07/1950	03/03/2030	3,033.31	3	96.69
M	14/07/2011	14/07/2030	10,000,000.00	4.93	493,000.00
E	15/06/1951	15/05/2031	3,163.83	3	100.19
M	06/09/2010	06/09/2031	20,000,000.00	3.95	790,000.00
M	15/12/2011	15/06/2032	10,000,000.00	3.98	398,000.00
M	15/09/2011	15/09/2036	10,000,000.00	4.47	447,000.00
M	22/09/2011	22/09/2036	10,000,000.00	4.49	449,000.00
M	10/12/2007	10/12/2037	10,000,000.00	4.49	449,000.00
M	08/09/2011	08/09/2038	10,000,000.00	4.67	467,000.00
M	15/09/2011	15/09/2039	10,000,000.00	4.52	452,000.00
M	06/10/2011	06/10/2043	20,000,000.00	4.35	870,000.00
M	09/08/2011	09/02/2046	20,000,000.00	4.8	960,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	19/05/2006	19/11/2046	10,000,000.00	4.25	425,000.00
M	07/01/2008	07/01/2048	5,000,000.00	4.4	220,000.00
M	27/01/2006	27/07/2051	1,250,000.00	3.7	46,250.00
M	16/01/2007	16/07/2052	40,000,000.00	4.25	1,700,000.00
PWLB	START	MATURITY	PRINCIPAL	INTEREST	ANNUAL
PROFILE	DATE	DATE	OUTSTANDING	RATE	INTEREST

			£	%	£
M	30/01/2007	30/07/2052	10,000,000.00	4.35	435,000.00
M	13/02/2007	13/08/2052	20,000,000.00	4.35	870,000.00
M	20/02/2007	20/08/2052	70,000,000.00	4.35	3,045,000.00
M	22/02/2007	22/08/2052	50,000,000.00	4.35	2,175,000.00
M	08/03/2007	08/09/2052	5,000,000.00	4.25	212,500.00
M	30/05/2007	30/11/2052	10,000,000.00	4.6	460,000.00
M	11/06/2007	11/12/2052	15,000,000.00	4.7	705,000.00
M	12/06/2007	12/12/2052	25,000,000.00	4.75	1,187,500.00
M	05/07/2007	05/01/2053	12,000,000.00	4.8	576,000.00
M	25/07/2007	25/01/2053	5,000,000.00	4.65	232,500.00
M	10/08/2007	10/02/2053	5,000,000.00	4.55	227,500.00
M	24/08/2007	24/02/2053	7,500,000.00	4.5	337,500.00
M	13/09/2007	13/03/2053	5,000,000.00	4.5	225,000.00
M	12/10/2007	12/04/2053	5,000,000.00	4.6	230,000.00
M	05/11/2007	05/05/2057	5,000,000.00	4.6	230,000.00
M	15/08/2008	15/02/2058	5,000,000.00	4.39	219,500.00
M	02/12/2011	02/12/2061	5,000,000.00	3.98	199,000.00
			969,114,653.91		

NON LOBO

PROFILE	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING	INTEREST RATE	ANNUAL INTEREST
			£	%	£
M	30/06/2005	30/06/2065	5,000,000.00	4.4	220,000.00
M	07/07/2005	07/07/2065	5,000,000.00	4.4	220,000.00
M	21/12/2005	21/12/2065	5,000,000.00	4.99	249,500.00
M	28/12/2005	24/12/2065	12,500,000.00	4.99	623,750.00
M	14/03/2006	15/03/2066	15,000,000.00	5	750,000.00
M	18/08/2006	18/08/2066	10,000,000.00	5.25	525,000.00
M	01/02/2008	01/02/2078	10,000,000.00	3.95	395,000.00
			62,500,000.00		2,983,250.00

LOBO PROFILE	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING	INTEREST RATE	ANNUAL INTEREST
			£	%	£
M	12/11/1998	13/11/2028	3,000,000.00	4.75	142,500.00
M	15/12/2003	15/12/2053	10,000,000.00	5.25	525,000.00
M	18/02/2004	18/02/2054	10,000,000.00	4.54	454,000.00
M	28/04/2005	28/04/2055	12,900,000.00	4.75	612,750.00
M	25/02/2011	25/02/2060	15,000,000.00	7.34	586,806.99
M	25/02/2011	25/02/2060	10,000,000.00	7.34	391,204.66
M	26/02/2010	26/02/2060	5,000,000.00	7.31	191,151.09
M	26/02/2010	26/02/2060	10,000,000.00	7.31	382,302.20
M	01/07/2005	01/07/2065	10,000,000.00	3.86	386,000.00
M	24/08/2005	24/08/2065	5,000,000.00	4.4	220,000.00
M	07/09/2005	07/09/2065	10,000,000.00	4.99	499,000.00
M	13/09/2005	14/09/2065	5,000,000.00	3.95	197,500.00
M	03/10/2005	05/10/2065	5,000,000.00	4.375	218,750.00
M	23/12/2005	23/12/2065	10,000,000.00	4.75	475,000.00
M	06/03/2006	04/03/2066	5,000,000.00	4.625	231,250.00
M	17/03/2006	17/03/2066	10,000,000.00	5.25	525,000.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	07/04/2006	07/04/2066	10,000,000.00	4.75	475,000.00
M	05/06/2006	07/06/2066	20,000,000.00	5.25	1,050,000.00
M	05/06/2006	07/06/2066	16,500,000.00	5.25	866,250.00
			212,400,000.00		9,891,964.94

SALIX

FIXED/ VAR	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING	INTEREST RATE	ANNUAL INTEREST
			£	%	£
F	07/01/2015	01/09/2021	276,349.99	0	0.00
F	31/03/2015	01/04/2023	991,593.57	0	0.00
F	22/09/2015	01/10/2023	263,759.64	0	0.00
			1,531,703.20		0.00