APPENDIX 1
Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Authorised limit for external debt
These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

	2012/13 Prudential Indicator	2012/13 Actual as at 31st Dec. 2012
	£'000	£'000
Borrowing	171,000	120,000
Other long term liabilities	2,000	0
Cumulative Total	**173,000**	**120,000**

2. Operational limit for external debt
The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2012/13 Prudential Indicator	2012/13 Actual as at 31st Dec. 2012
	£'000	£'000
Borrowing	161,000	120,000
Other long term liabilities	2,000	0
Cumulative Total	**163,000**	**120,000**

3. Upper limit for fixed interest rate exposure
This is the maximum amount of total borrowing, which can be at fixed interest rate, less any investments for a period greater than 12 months, which has a fixed interest rate.

	2012/13 Prudential Indicator	2012/13 Actual as at 31st Dec. 2012
	£'000	£'000
Fixed interest rate exposure	**171,000**	**100,000***

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the rate increase)

4. Upper limit for variable interest rate exposure
While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates less any investments at variable interest rates (this includes any investments that have a fixed rate for less than 12 months).

	2012/13 Prudential Indicator	2012/13 Actual as at 31st Dec. 2012
	£'000	£'000
Variable interest rate exposure	**0**	**-68,900***

*This is the variable rate debt (LOBOs of £20m) less the £88.9m variable rate investments.

5. Upper limit for total principal sums invested for over 364 days
This is the maximum % of total investments, which can be over 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.

	2012/13 Prudential Indicator	**2012/13 Actual as at 31st Dec. 2012**
	£'000	£'000
Investments over 364 days	**30,000**	**1,000**

6. Maturity Structure of new fixed rate borrowing during 2012/13
This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	**Lower Limit**	**2012/13 Actual as at 31st Dec. 2012**
	%	%	%
Under 12 months	50	Nil	0
12 months and within 24 months	50	Nil	0
24 months and within 5 years	50	Nil	0
5 years and within 10 years	50	Nil	0
10 years and above	100	Nil	100

7. Average Credit Rating
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**

	2012/13 Prudential Indicator	**2012/13 Actual as at 31st Dec. 2012**
	Rating	Rating
Minimum Portfolio Average Credit Rating	**A+**	**AA-**

APPENDIX 2

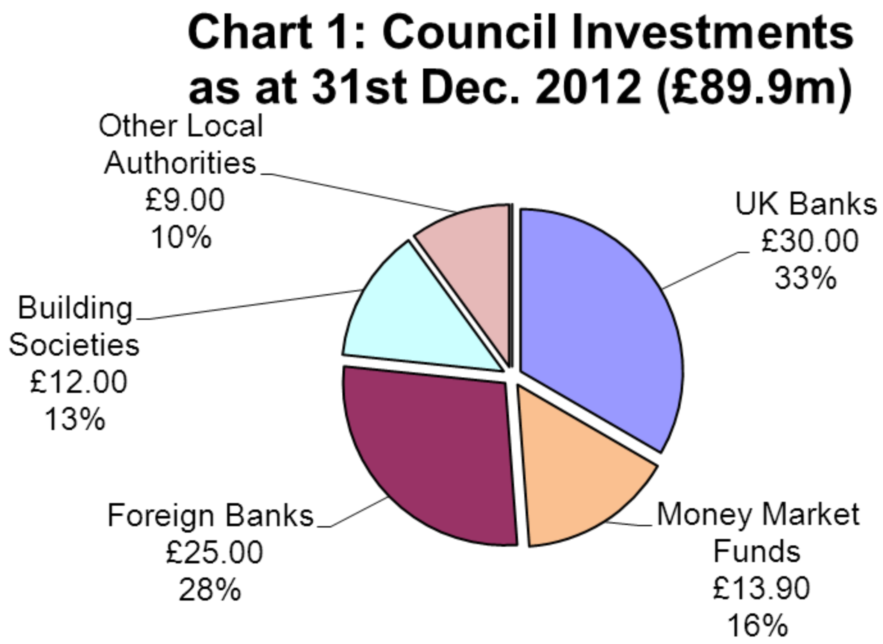
The Council's Investment position at 31st December 2012

	Balance at 31st December 2012
	£'000's
Notice (instant access funds)	13,900
Up to 1 month	7,000
1 month to 3 months	30,000
Over 3 months	39,000
Total	**89,900**

The investment figure of £89.9 million is made up as follows:

	Balance at 31st December 2012
	£'000's
B&NES Council	72,121
B&NES PCT	8,829
West Of England Growth Points	1,162
Schools	7,788
Total	**89,900**

The Council had an average net positive balance of £90.7m (including Growth Points & B&NES PCT Funding) during the period April 2012 to December 2012.



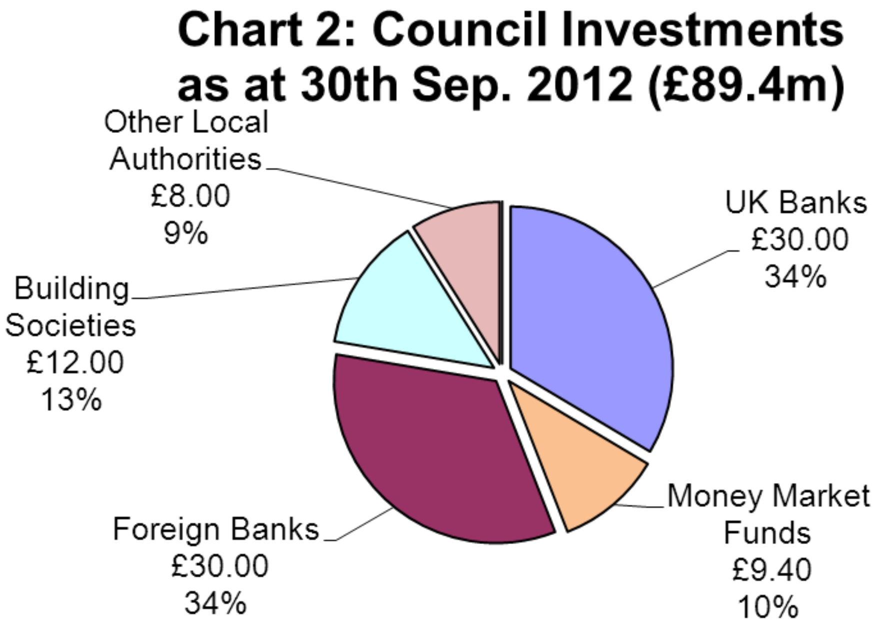


Chart 2: Council Investments as at 30th Sep. 2012 (£89.4m)
Other Local Authorities £8.00 9%
UK Banks £30.00 34%
Building Societies £12.00 13%
Money Market Funds £9.40 10%
Foreign Banks £30.00 34%

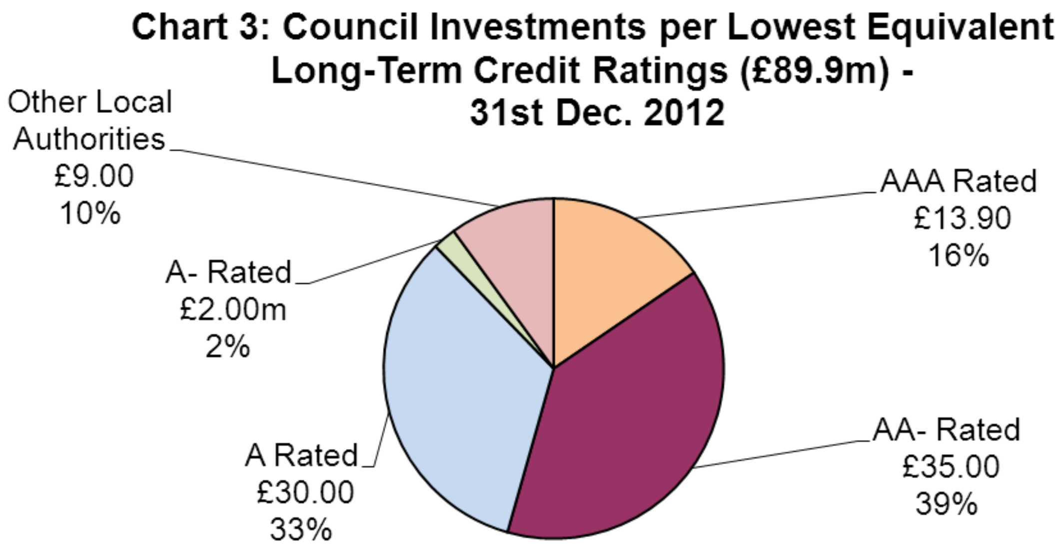
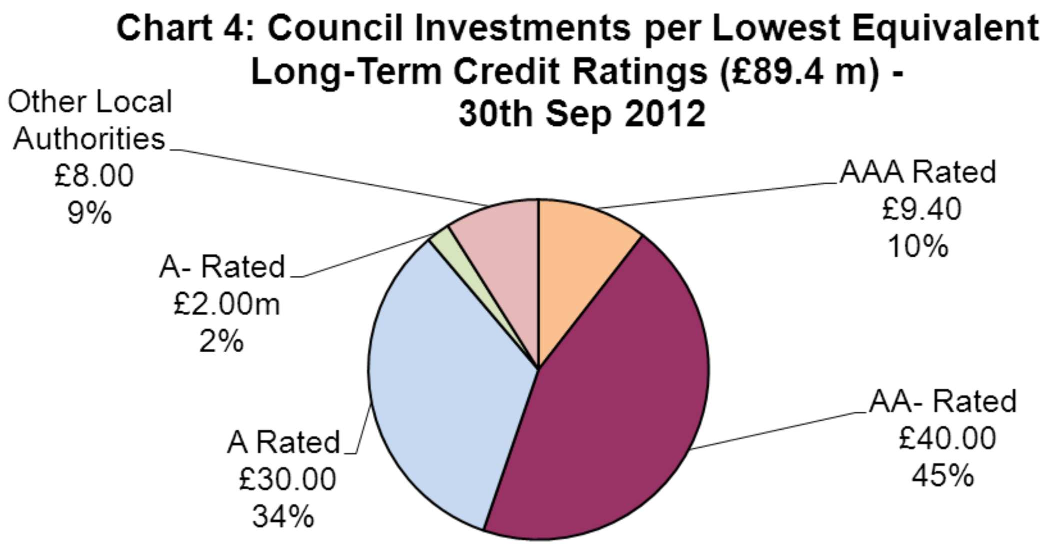


Chart 3: Council Investments per Lowest Equivalent Long-Term Credit Ratings (£89.9m) - 31st Dec. 2012
Other Local Authorities £9.00 10%
AAA Rated £13.90 16%
A- Rated £2.00m 2%
A Rated £30.00 33%
AA- Rated £35.00 39%



APPENDIX 3

Average rate of return on investments for 2012/13

	April %	May %	June %	July %	August %	Sept. %
Average rate of interest earned	1.11%	1.10%	1.03%	1.01%	0.87%	0.88%
Benchmark = Average 7 Day LIBID rate +0.05%	0.50%	0.50%	0.49%	0.47%	0.45%	0.44%
Performance against Benchmark %	+0.61%	+0.60%	+0.54%	+0.54%	+0.42%	+0.44%

	Oct. %	Nov. %	Dec. %	Average for Period
Average rate of interest earned	0.75%	0.70%	0.68%	**0.91%**
Benchmark = Average 7 Day LIBID rate +0.05%	0.42%	0.42%	0.41%	**0.46%**
Performance against Benchmark %	+0.33%	+0.28%	+0.27%	**+0.45%**

APPENDIX 4
Councils External Borrowing at 31st December 2012

LONG TERM	Amount	Fixed Term	Interest Rate	Variable Term	Interest Rate
PWLB	10,000,000	30 yrs	4.75%	n/a	n/a
PWLB	20,000,000	48 yrs	4.10%	n/a	n/a
PWLB	10,000,000	46 yrs	4.25%	n/a	n/a
PWLB	10,000,000	50 yrs	3.85%	n/a	n/a
PWLB	10,000,000	47 yrs	4.25%	n/a	n/a
PWLB	5,000,000	25 yrs	4.55%	n/a	n/a
PWLB	5,000,000	50 yrs	4.53%	n/a	n/a
PWLB	5,000,000	20 yrs	4.86%	n/a	n/a
PWLB	10,000,000	18 yrs	4.80%	n/a	n/a
PWLB	15,000,000	50 yrs	4.96%	n/a	n/a
KBC Bank N.V*	5,000,000	2 yrs	3.15%	48 yrs	4.50%
KBC Bank N.V*	5,000,000	3 yrs	3.72%	47 yrs	4.50%
Eurohypo Bank*	10,000,000	3 yrs	3.49%	47 yrs	4.50%
TOTAL	**120,000,000**				

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower also has the option to repay the loan without penalty.

APPENDIX 5
Economic and market review for October 2012 to December 2012 (Arlingclose)

Despite some stronger economic growth data towards the end of 2012, UK consumers are yet to loosen their purse strings and businesses are still reticent to make long-term investment decisions. The momentum in GDP growth developed in the Olympics-affected Q3 is therefore unlikely to be sustained while uncertainty over the economic outlook persists. Consumer Price Inflation has picked up from the low of 2.2% in September to 2.7% in November and it is expected to be affected by volatility in energy and commodity prices throughout 2013.

The Bank of England's Monetary Policy Committee is monitoring current economic conditions after voting not to extend quantitative easing in November. Policymakers appear to be hoping the Funding for Lending Scheme (FLS), which started in August, is more effective at easing restricted credit conditions. Although HSBC has publically itself from the scheme, most of the UK's biggest lenders have now signed up. There has been some indication in recent data that the FLS is beginning to boost lending to the household sector, but business lending remains relatively subdued. Further asset purchases remain a distinct possibility, although above target inflation may constrain the MPC in the near future. Based on the last Inflation Report, Bank of England policymakers believe there is a good chance that the CPI rate will remain above target throughout 2013.

The US Federal Reserve has responded to the slowdown in growth and employment with large scale asset purchases of $85bn a month until the outlook for the labour market improves substantially. The US public finance 'fiscal cliff' remains a serious risk despite the last minute deal reached before the deadline at the end of December. The deal shied away from tackling the necessary spending cuts, although the issue of taxation has probably now been resolved. The political turmoil is likely to return in March when the various houses of government need to reach agreement on the debt ceiling to avoid default. This creates the stage for further political brinkmanship and likely means further volatility for financial markets.

The Eurozone is making slow headway, with the European Stability Mechanism now operational, announcements on the Outright Monetary Transactions programme well received, and some progress being made towards banking union. These have placated markets and curtailed some of the immediate risks to the stability of the monetary union. A sustainable solution to the Eurozone crisis is some way off though, as fiscal integration and mutualisation of Eurozone sovereign debt liabilities remain politically unpalatable.

APPENDIX 6
Interest & Capital Financing Costs – Budget Monitoring 2012/13 (April to December)

April to December 2012	YEAR END FORECAST			
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	ADV/FAV
Interest & Capital Financing				
- Debt Costs	6,200	6,200		
- Internal Repayment of Loan Charges	(5,362)	(5,362)		
- Ex Avon Debt Costs	1,432	1,432		
- Minimum Revenue Provision (MRP)	4,440	4,440		
- Interest on Balances	(492)	(492)		
Sub Total - Capital Financing	**6,218**	**6,218**		

APPENDIX 7
Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate san issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.