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 30th Sep. 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 30th Sep. 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 30th Sep. 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 30th Sep. 2012
	£'000	£'000
Variable interest rate exposure	**0**	**-88,400***

*This is the variable rate debt (LOBOs of £20m) less the £88.4m 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 30th Sep. 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 30th Sep. 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 30th Sep. 2012**
	Rating	Rating
Minimum Portfolio Average Credit Rating	**A+**	**AA-**

APPENDIX 2

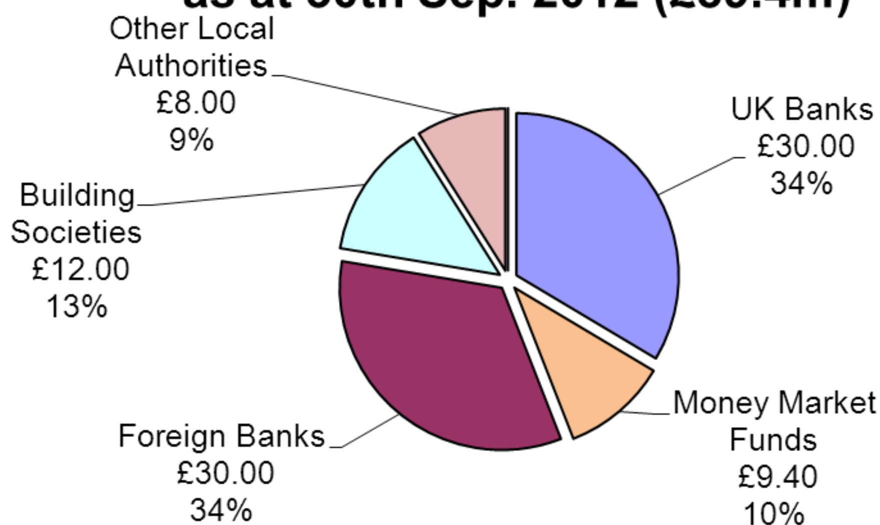
The Council's Investment position at 30th September 2012

	Balance at 30th September 2012
	£'000's
Notice (instant access funds)	9,400
Up to 1 month	17,000
1 month to 3 months	15,000
Over 3 months	48,000
Total	**89,400**

The investment figure of £89.4 million is made up as follows:

	Balance at 30th September 2012
	£'000's
B&NES Council	68,713
B&NES PCT	10,796
West Of England Growth Points	1,159
Schools	8,732
Total	**89,400**

The Council had an average net positive balance of £94.0m (including Growth Points & B&NES PCT Funding) during the period April 2012 to September 2012.



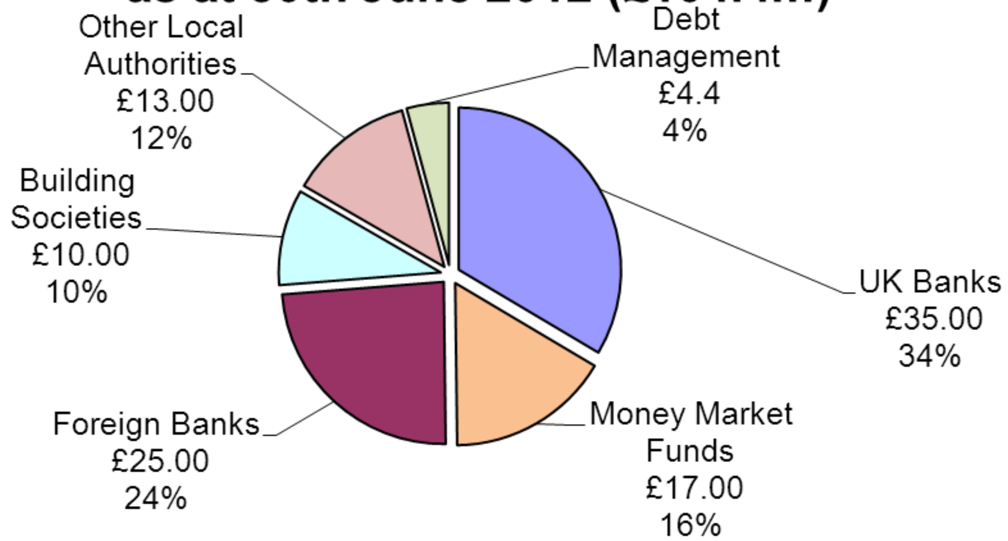


Chart 2: Council Investments
as at 30th June 2012 (£104.4m)
Other Local Authorities £13.00 12%
Debt Management £4.4 4%
Building Societies £10.00 10%
UK Banks £35.00 34%
Foreign Banks £25.00 24%
Money Market Funds £17.00 16%

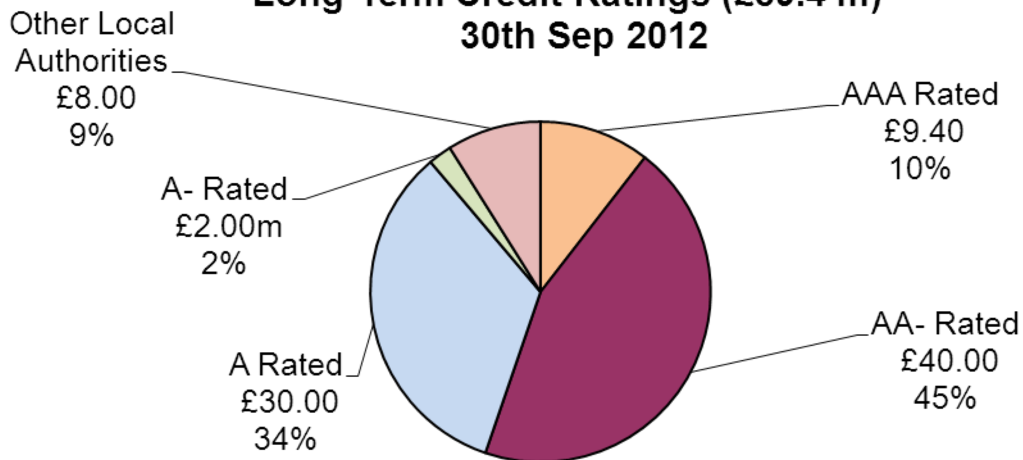


Chart 3: Council Investments per Lowest Equivalent
Long-Term Credit Ratings (£89.4 m) -
30th Sep 2012
Other Local Authorities £8.00 9%
AAA Rated £9.40 10%
A- Rated £2.00m 2%
AA- Rated £40.00 45%
A Rated £30.00 34%

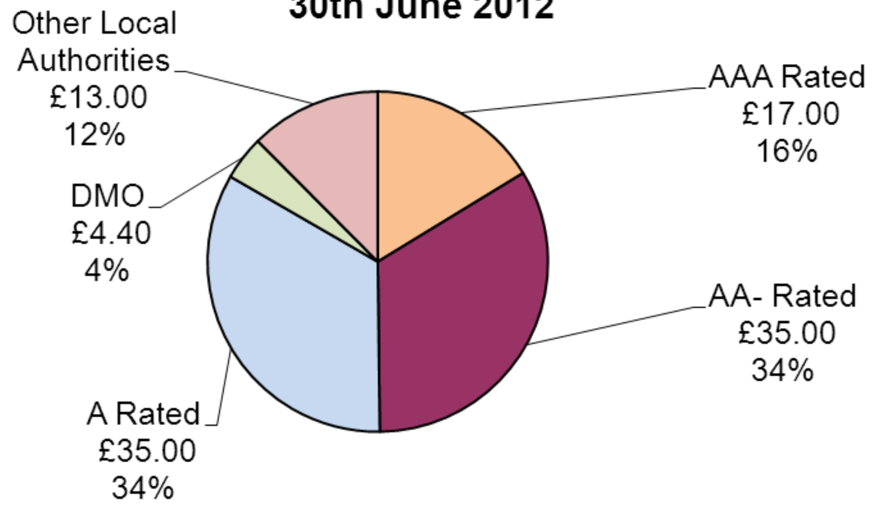


Chart 4: Council Investments per Lowest Equivalent Long-Term Credit Ratings (£104.4 m) - 30th June 2012
Other Local Authorities £13.00 12%
AAA Rated £17.00 16%
DMO £4.40 4%
AA- Rated £35.00 34%
A Rated £35.00 34%

APPENDIX 3

Average rate of return on investments for 2012/13

	April %	**May %**	**June %**	**July %**	**August %**	**Sept. %**	**Average for Period**
Average rate of interest earned	1.11%	1.10%	1.03%	1.01%	0.87%	0.88%	**1.00%**
Benchmark = Average 7 Day LIBID rate +0.05% (source: Sterling)	0.50%	0.50%	0.49%	0.47%	0.45%	0.44%	**0.47%**
Performance against Benchmark %	+0.61%	+0.60%	+0.54%	+0.54%	+0.42%	+0.44%	**+0.53%**

APPENDIX 4
Councils External Borrowing at 30th September 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 April 2012 to September 2012 (Sterling Consultancy Services)

The European Central Bank's (ECB) Long-Term Refinancing Operations (LTRO), in which the central bank supplied cheap funding to the Eurozone banking system, initiated a calmer period of financial market activity in the first quarter of the year relative to recent times. The calm was not to last, however, as the ECB intervention did not address the root causes of the Eurozone sovereign debt crisis, i.e. unsustainable debt levels in uncompetitive countries.

A number of events pushed the crisis back to the fore: the two Greek general elections, the failure of Spanish bank Bankia and subsequent bailout speculation for the sector, and signs that the Eurozone economy was experiencing a deeper downturn in economic activity than previously expected. Throughout the quarter, Germany resisted pressure for regional debt mutualisation or a banking union, unprepared to risk the moral hazard of supporting profligate Mediterranean countries. Meanwhile, yields on Spanish 10-year government bonds regularly exceeded seven percent, the danger level at which Ireland and Portugal approached the Eurozone/IMF for bailouts. Risk appetite plummeted; the FTSE 100 dropped 3.4% over the three months to June (it was down 8.8% at the end of May), while yields on safe haven bonds, including UK gilts and German bunds, regularly dipped to new record lows.

As the situation deteriorated, leaders made some progress towards a solution, prompted by the realisation that the link between sovereign and bank needed to be broken. At the EU summit at the end of June leaders agreed that the yet-to-be initiated bailout fund, the European Stability Mechanism (ESM), would have more flexibility, allowing it to buy the debt of struggling countries or directly recapitalise banks. These proposals appear close to implementation after the German Constitutional Court rejected claims the plan represented a transfer of power from Berlin to Brussels. Perhaps more significantly, the ECB announced a new policy at its September meeting, Outright Monetary Transactions, a plan for unlimited purchases of the short term sovereign debt of countries that applied to the Eurozone bailouts funds for financial assistance. The highly anticipated pledge reduced the risk of a short term collapse of the Eurozone, boosting risk appetite and prompting a significant reduction in Italian and Spanish government bond yields.

The reaction to the on-going sovereign crisis was exacerbated by the developing slowdown in global economic growth, as the Eurozone recession and uncertainty depressed confidence and business activity in other large economies. The US economy stuttered over the six months to September, resulting in significantly slower employment growth. This situation prompted the Federal Reserve to implement uncapped QE at its September meeting, pledging to purchase €40bn a month of mortgage financial assets until the economy and the labour market recovers. Slowing Chinese growth prompted multiple cuts in interest rates and the relaxation of commercial lending criteria by the People's Bank of China, while the Reserve bank of Australia followed suite and cut interest rates in early October. The deteriorating outlook for global growth had a significant impact on commodity prices, particularly oil prices. Over May and June the price of Brent crude fell around 30% from its April peak of $126 per barrel, although prices subsequently recovered part of these losses. At the end of September, the price was around $115 per barrel.

In the UK the recession continued into quarter two, with the loss of a working day to the Jubilee bank holiday the primary factor. However, the UK was highly exposed to the

uncertainty emanating from the Eurozone, and data during Q3 suggested that, despite the probable exit from recession due to technical reasons, underlying business conditions had weakened. Trade data indicated that goods exports to the Eurozone declined, a particular problem for a manufacturing sector struggling with weak domestic demand. The variable summer weather and the Olympics weighed on consumer activity, while construction sector output continued to decline amid both a weak housing market and a reduction in government capital spending.

The banking sector and credit bottleneck were perceived to be an important factor holding back economic recovery, prompting HM Treasury and the Bank of England to announce two schemes in June to reduce bank funding costs and increase the availability of cheaper finance for businesses. The Bank's intervention in the money markets placed downward pressure on Libor rates; 3-month LIBOR declined around 40 basis points during the half year to 0.60%. The deteriorating domestic and global economic conditions also boosted support for further monetary stimulus. The MPC duly increased the Asset Purchase Facility by £50bn to £375bn in July, the third tranche of quantitative easing, and looks set to extend the facility further in November after disappointing economic data.

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

April to September 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.