Treasury Management
Quarterly Report to 30 June 2023

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr
BRIDGEND County Borough Council

1.0 INTRODUCTION

Treasury management activities are the *'management of the organisation's borrowing, investments and cash flows, including 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.'* (Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice (2021) (CIPFA TM Code).

The definition of 'Investments' includes:

- Treasury Management investments (held for the prudent management of financial affairs), and
- non-Treasury Investments, undertaken as part of a Capital Strategy either in the course of provision of services; or made for commercial reasons purely to make a financial gain. These are managed outside of normal treasury management activity.

The Council carries out its treasury management function in accordance with the CIPFA TM Code and the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code and Welsh Government Guidance.

The Council has an integrated Treasury Management Strategy where borrowing and investments are managed in accordance with best professional practice, which is assessed either from internal expertise or consultation with our external advisers. The Council will look to borrow money if needed to either meet short term cash flow needs or to fund capital schemes approved within the capital programme. Therefore, any actual loans taken are not generally associated with particular items of expenditure or assets.

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer. The Governance and Audit Committee are responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies and regular reports will be presented to the Committee for their consideration.

2.0 ECONOMIC CONTEXT

From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture. The UK situation was not welcome news for the Bank of England. GDP growth was weak, confirmed at 0.1% in the first quarter, although more recent monthly GDP data has been somewhat better. The housing market has stalled, consumer demand is weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.

April data showed the unemployment rate increased to 3.8% (3mth/year) while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the Covid pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.

Whilst inflation fell from its peak of 11.1% reached in October 2022, the annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.

After a sharp rise in interest rate expectations, with implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.

Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its expectations to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.

With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates at the end of their fixed rate period, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and the manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.

Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate. Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.

Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

3.0 EXTERNAL DEBT AND INVESTMENT POSITION

The Council's external debt and investments at 30 June 2023 is set out in Table 1 below. The Council held £99.79 million of Long Term Borrowing comprising:

- Public Works Loan Board (PWLB - central government) at fixed rates and duration
- Lender's Option Borrower's Option (LOBO) which may be rescheduled ahead of their maturity of 22 January 2054,
- £2.92 million of Salix interest-free loans

In addition, the Council had £94 million of investments for treasury management purposes and £5.84 million of investments for commercial purposes.

Table 1: Council's external debt and investment position as of 30 June 2023

Investments for Treasury Purposes	Principal as at 31/03/2023 £m	Principal as at 30/06/2023 £m	Average Rate 30/06/2023 %
External Long Term Borrowing			
Public Works Loan Board	77.62	77.62	4.70
Lender's Option Borrower's Option	19.25	19.25	4.65
Salix Loans (interest Free)	3.06	2.92	NIL
Total External Long Term Borrowing	**99.93**	**99.79**	**4.69***
Other Long Term Liabilities			
Private Finance Initiative**	13.90	13.57	
Other Long Term Liabilities	0.23	0.23	
Total Other Long Term Liabilities	**14.13**	**13.80**	
Total Gross Debt	**114.06**	**113.59**	
Investments for treasury management purposes			
Debt Management Office	7.50	18.00	4.57
Local Authorities	53.00	40.00	3.62
Money Market Funds (instant access)	NIL	23.00	4.79
Banks	14.00	13:00	4.12
Total Treasury Investments	**74.50**	**94.00**	**4.16**
Net Debt	**39.56**	**19.59**	

Investments for Commercial Purposes	Fair Value as at 31/03/2023 £m	Anticipated return 30/06/2023 £m
Investments	5.84	0.46

** Excluding Salix loans which are interest free*
*** (PFI) arrangement for the provision of a Secondary School in Maesteg 10.75 years remaining term*

The current profile of repayment of the Council's long-term debt is set out in the Liability Benchmark chart below. The table assumes that the Public Works Loan Board and Lender's Option Borrower's Option loans will be repayable on their maturity date. However, although shown as maturing in 2054 the £19.25 million of Lender's Option Borrower's Option loans may be rescheduled ahead of their maturity date of 22 January 2054.

Recent changes to PWLB lending criteria now requires that the Council does not invest purely for financial return if it wishes to access any new PWLB borrowing. The CIPFA TM Code sets out that it is not prudent for local authorities to invest for financial return.

All borrowing by the Council is as a single pool of debt rather than having loans specific to individual schemes. Where a Council finances capital expenditure by debt, it must put aside revenue to repay that debt in later years, known as Minimum Revenue Provision (MRP). The forecast MRP that will need to be set aside for 2023-24 is £2.709 million.

Liability benchmark

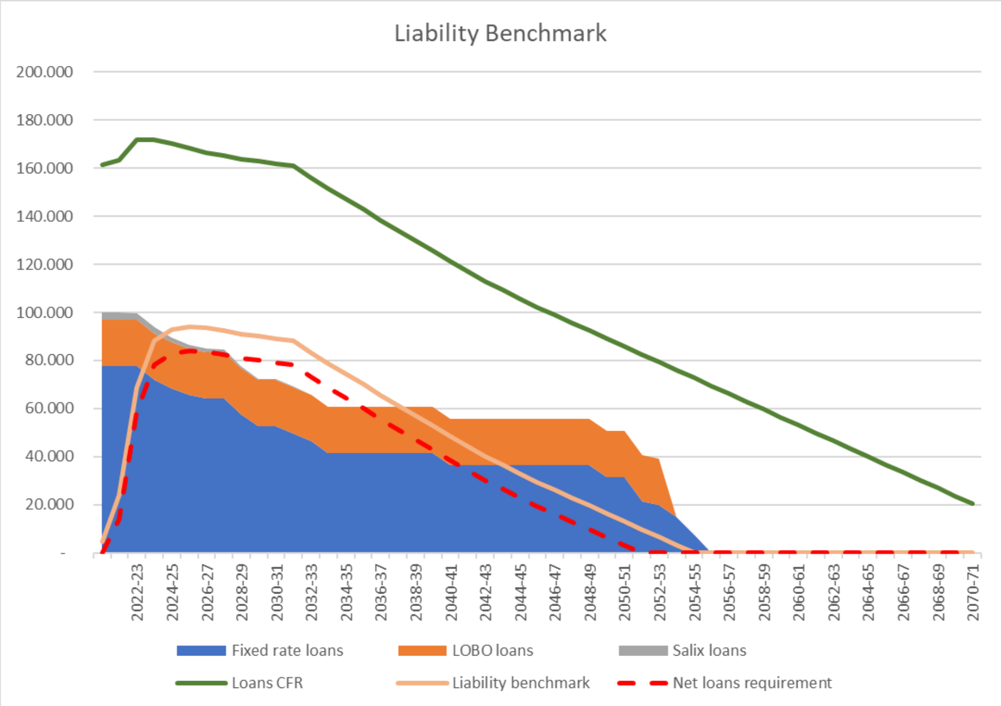
The liability benchmark is a tool which helps to assess the lowest level of borrowing the Council needs, taking into account available cash resources to fund capital expenditure in the short term. A minimum level of liquidity is factored into the calculation, set at £10 million, to ensure the Council has available cash resources to meet day-to-day cash flow requirements. Forecast borrowing needs are based on capital expenditure estimates and available useable reserves. The underlying need to borrow to fund capital expenditure (known as the Capital Financing Requirement or CFR) is the amount of capital expenditure which is not funded via grants, capital receipts or contributions from revenue and earmarked reserves.

Table 2 below shows the Capital Financing Requirement and the calculation of the liability benchmark. It is important to note that the graph is based on the current approved capital programme and the borrowing associated therewith. Any new schemes which require debt financing will increase the CFR and loans requirement.

Table 2: Liability benchmark

	31 March 2023 actual £m	31 March 2024 estimate (TMS) £m	31 March 2024 forecast £m	31 March 2025 forecast £m	31 March 2026 forecast £m
Capital Financing Requirement	177.12	181.81	184.67	183.82	181.01
Less: Other debt liabilities	(13.90)	(12.97)	(12.97)	(11.97)	(10.90)
Loans Capital Financing Requirement	***163.22***	***171.83***	***171.70***	***171.85***	***170.11***
Less: Balance Sheet Resources	(149.16)	(84.14)	(113.19)	(93.67)	(87.28)
Plus: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability Benchmark	**24.06**	**97.69**	**68.51**	**88.18**	**92.83**

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its **current** capital plans while keeping treasury investments at the minimum level to manage day-to-day cash flow.



Curently it is forecast that the Council has sufficient reserves to not need any new borrowing until 2027-28, although this is based on a number of assumptions including the forecast captial programme expenditure and the level and use of reserves.

The Section 151 Officer will monitor and update the liability benchmark assumptions on an on-going basis and report any significant changes within the treasury management monitoring reports to Cabinet, Governance and Audit Committee and Council as appropriate. This could be as a result of changes in the level of usable reserves at year end, slippage within the Capital Programme or changes within the working capital assumptions which may affect the Council's need to take new long-term borrowing.

4.0 BORROWING

As at 31 March 2023 the Council held £99.79 million of Long-Term Borrowing, £96.87 million of which is fixed long term loans as part of its strategy for funding previous years' capital programmes. Based on the forecast capital programme and current assumptions regarding the use of reserves, it is anticipated that the Council will not need to borrow long term until 2027-28.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB). This was the source of funding the last time the Council took long-term borrowing of £5 million in March 2012. The Council will however consider long term loans from other sources including banks, pension funds and other local authorities if appropriate. The Council will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA TM Code.

The Council has loans from PWLB maturing within the next 3 years that it will need to repay. Whilst at present it is anticipated that the Council will have resources to repay these loans, it will be dependent on the level of cash resources available. The value of the loans due to be repaid over the next 3 years is shown in Table 3.

Table 3: Value of PWLB maturing debt

	2023-24 £ million	2024-25 £ million	2025-26 £ million
Value of maturing debt	Nil	5.580	3.709

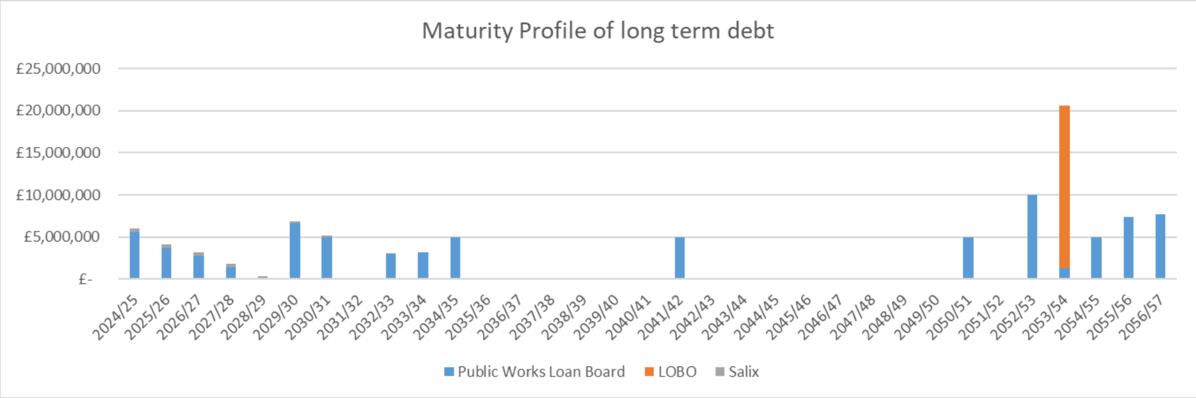
Maturity structure of borrowing

The maturity structure of borrowing indicator is set to control the Council's exposure to refinancing risk with respect to the maturity of the Council's external borrowing. The limits are set to avoid having large amounts of debt maturing in a short space of time. and is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. Where the maturity date of borrowing is unknown, as in the case of LOBO loans, the maturity should normally be determined by reference to the earliest date at which the lender can require repayment. The £19.25 million of LOBO loans has therefore been included in the 'Under 12 months' category.

Table 4: Maturity Structure of Borrowing 2023-24

Maturity structure of borrowing	Upper limit	lower limit	£ million	As at 30 June 2023
Under 12 months	50%	0%	19.65	19.69%
12 months and within 24 months	25%	0%	5.96	5.97%
24 months and within 5 years	25%	0%	9.02	9.04%
5 years and within 10 years	40%	0%	15.63	15.66%
10 years and within 20 years	50%	0%	13.14	13.17%
20 years and above	60%	25%	36.39	36.47%

As can be seen from the table the maturity structure remains within the limits approved as part of the Treasury Management Strategy 2023-24. The following chart provides the maturity profile of the Council's long term debt.



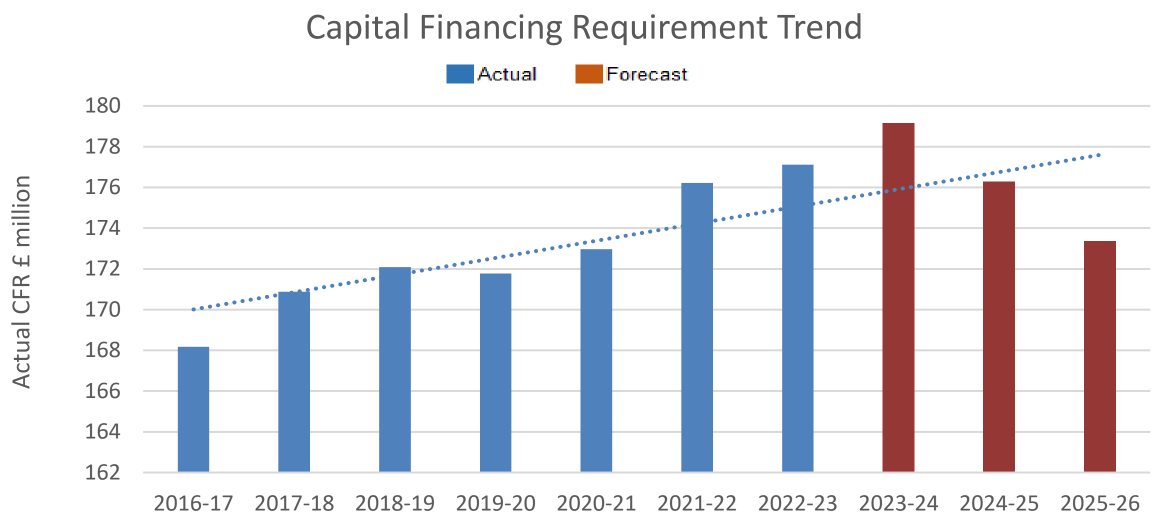
None of the LOBO loans have had to be repaid during the first quarter of 2023-24. All the LOBO loans are subject to the lender having the right to change the rate of interest payable during the financial year at either of two trigger points in January and July, with the Council having the right to refuse the change, triggering early repayment and the need to re-finance. This is a manageable risk should repayment be needed during the current financial year as the Council has sufficient funds available in the short term.

Table 5: LOBO loans

Commencement date	Loan value £m	Potential repayment date	Option frequency	Full term maturity
22 January 2004	4.00	22 July 2023	6 months	22 January 2054
22 January 2004	5.00	22 July 2023	6 months	22 January 2054
22 January 2004	10.25	22 July 2023	6 months	22 January 2054

In accordance with the Treasury Management Strategy, the Council is internally borrowing, which is when it uses temporary cash balances it holds in the short term instead of undertaking external borrowing. The current level of internal borrowing is £71.08 million as at 30 June 2023. This is shown by the Council's current Capital Financing Requirement (CFR) net of its external level of debt including other long term debt liabilities. The Council's current CFR is £184.67 million, external borrowing is £113.59 million.

The chart below shows the trend in the CFR based on **current** capital commitments within the approved capital programme. The CFR is anticipated to increase in the current year assuming capital expenditure is incurred as currently anticipated. The CFR in future years shows a reduction, however, this is on the assumption of no new schemes which require debt financing. If new schemes requiring debt financing are added, the CFR will continue to increase.



5.0 TREASURY INVESTMENTS

The Council holds treasury investments as a result of temporary cash balances arising from its day-to-day activities. The management of the day-to-day cash requirements of the Council is undertaken in-house with advice from Arlingclose, the Council's Treasury Management advisors. This may involve temporary borrowing to meet cash-flow needs or temporary lending of surplus funds. Investment balances can fluctuate daily and arise as a result of a range of circumstances, including timing differences of revenue and capital cash flows, reserves and other balances held for future use.

Investments are made in institutions approved by Council as part of its Treasury Management Strategy and in accordance with investment guidelines issued by the Welsh Government. As part of the Markets and Financial Instruments Directive II, the Council elected for 'professional' status, which covers national and regional governments and public bodies. The categories of investments the Council can invest in can be changed, any proposed changes being presented to Council for approval.

Treasury investments are made primarily on the basis of ensuring security of the funds invested, whilst managing liquidity, and only then considering a commensurate return on the investment. As at 30 June 2023 the Council held £94.00 million of investments, with a average return of 4.16% (£74.50 million at 2.55% as at 31 March 2023). Table 6 below shows the investment profile as at 30 June 2023.

Table 6: Investments by counterparty type

Investment Category	Balance 1 April 2023 £m	Investments made in period £m	Investments repaid in period £m	Balance 30 June 2023 £m	Weighted interest rate 1 April 2023 to 30 June 2023 %
Government DMO	7.50	135.50	(125.00)	18.00	4.36
Local Authorities	53.00	4.00	(17.00)	40.00	3.33
Money Market Funds	-	32.00	(9.00)	23.00	4.37
Banks (fixed maturity dates)	3.00	9.00	(9.00)	3.00	4.30
Banks (instant access/notice accounts)	11.00	16.20	(17.20)	10.00	3.27
TOTAL	**74.50**	**196.70**	**(177.20)**	**94.00**	**3.73**

The following should be noted:

- During the period to 30 June 2023 all investments made were in line with the approved counterparties within the Treasury Management Strategy.
- Investments are diversified over a number of organisations across different sectors, demonstrating a diversified investment portfolio.
- All investments are in sterling and are rated A- and above as per the approved criteria or with a public body.
- The weighted average rates are for all investments made during 1 April 2023 to 30 June 2023

The overall interest receivable from treasury investments for the period 1 April 2023 to 30 June 2023 was £0.917 million. As interest rates rise so will the returns on new investments made, however there will be a time lag on the overall average rates for existing investments until historic investments mature and monies are reinvested at higher rates. The Council will continue to take a cautious approach to investing to ensure as its primary concern the security of any investments made. The risk of default for investments held is considered negligible.

All investments longer than 364 days will be made with a cautious approach to cash flow requirements and advice from the Council's Treasury Management advisors will be sought as necessary. The Treasury Management Strategy 2023-24 reduced the maximum duration for new investments to local authorities from 25 years (as grouped with other government agencies) to 2 years. There is only one investment for a period longer than 12 months outstanding as at 30 June 2023. This is with Medway Council and was agreed for a period of 2 years and is due to be repaid in July 2024. All other investments as at 30 June 2023 were short term of less than one year duration.

Table 7: Sums invested for periods longer than a year

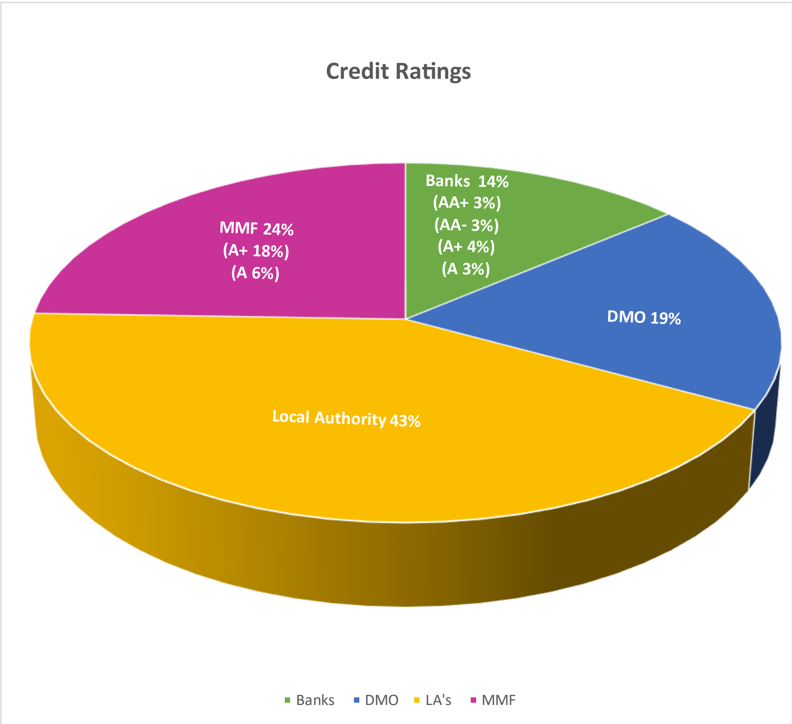
Price risk indicator	TMS 2023-24 £m	Actual £m	Full term maturity
Limit on principal invested beyond financial year end	15	5	25 July 2024

The below table details the Council's investments by counterparty and maturity profile.

Table 8: Investments by maturity

Counterparty Category	Instant Access £m	Deposits maturing within 1 month £m	Deposits maturing within 2-3 months £m	Deposits maturing within 4-12 months £m	Deposits maturing after 12 months £m	TOTAL £m
Government DMO	-	18.00	-	-		18.00
Local Authorities	-	-	7.00	28.00	5.00	40.00
Money Market Funds	23.00	-	-	-		23.00
Banks	7.00	6.00	-	-		13.00
Total	**30.00**	**24.00**	**7.00**	**28.00**		**94.00**

The pie chart below summarises the distribution of the Council's investments by credit ratings. Most local authorities do not have credit ratings but are considered secure investment counterparties. The DMO is the UK government and rated AA.



6.0 INTEREST RATE EXPOSURES

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. Short term and variable rate loans expose the Council to the risk of short-term interest rate rises and are therefore subject to the Treasury Management indicator below.

The following Table is based on investments at 30 June 2023.

Table 9: Interest Rate Exposure

Interest rate risk indicator	£ million
One year revenue impact of a 1% rise in interest rates	(0.725)
One year revenue impact of a 1% fall in interest rates	0.917

It is important to note that this is an indicator not a limit. It is calculated at a point in time on the assumption that maturing loans and investments would be replaced at rates 1% higher or lower than they are currently, and that the treasury investment and borrowing portfolios remain unchanged over the next 12 months, which in practice is not the case. The figure for the 1% fall in interest rates indicator is not the same figure as the 1% increase (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would only exercise their option if there was an increase in interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates.

A comparison of interest expenditure and income due for the period 1 April 2023 to 30 June 2023 is shown below.

Table 10: Interest

	01 April 2023 – 30 June 2023 £ million
Interest expenditure payable on long term borrowing	1.135
Interest income received in period	(0.898)
Net interest cost	0.237

7.0 NON-TREASURY INVESTMENTS

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities include investments in subsidiaries and investments in property. A schedule of the Council's existing non-treasury investments (currently limited to owned property) is set out in Table 11 below. Recent PWLB guidance requires that local authorities should review their investment portfolio if they wish to secure PWLB borrowing but does not require the local authority to sell existing investment assets. This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. These assets are valued on an annual basis, which provides security of their value and continued benefit to the Council.

Table 11: Non-treasury investments

Non-treasury investments	£ million
Bridgend Science Park - Units 1 & 2	3.985
Waterton Cross Land	0.600
Brynmenyn Industrial Estate Plot 53	0.675
Village Farm Plots 32,119 & 120	0.385
Tyrewise Bridgend	0.200
Total at Fair Value	**5.845**
Anticipated annual return 2023-24	**0.460**

The Council considers that the scale of its investment properties is proportionate to the resources of the Council as the investment represents less than 1% of its total long-term assets. In addition, the value of these investments has increased from the previous year.

In accordance with Welsh Government Investment Guidance, these are be classified as non-treasury investments.

Schedule A – Credit Rating Equivalence Table

Credit Rating Equivalence Table

Grade	Description	Fitch Long	Fitch Short	Moody's Long	Moody's Short	Standard & Poor's Long	Standard & Poor's Short
INVESTMENT GRADE	Extremely strong	AAA	F1+	Aaa	P-1	AAA	A-1+
	Very strong	AA+		Aa1		AA+	
		AA		Aa2		AA	
		AA-		Aa3		AA-	
	Strong	A+	F1	A1		A+	A-1
		A		A2		A	
		A-	F2	A3	P-2	A-	A-2
	Adequate	BBB+		Baa1		BBB+	
		BBB	F3	Baa2		BBB	A-3
		BBB-		Baa3	P-3	BBB-	
SPECULATIVE GRADE	Speculative	BB+	B	Ba1	Not Prime (NP)	BB+	B
		BB		Ba2		BB	
		BB-		Ba3		BB-	
	Very speculative	B+		B1		B+	
		B		B2		B	
		B-		B3		B-	C
	Vulnerable	CCC+	C	Caa1		CCC+	
		CCC		Caa2		CCC	
		CCC-		Caa3		CCC-	
		CC		Ca		CC	
		C				C	
	Defaulting	D	D	C		D	D

Schedule B – Arlingclose Economic & Interest Rate Forecast – June 2023

Underlying assumptions:

- UK inflation and wage growth has proven to be even more stubborn, with headline rates remaining steady, core rates rising, and wage growth accelerating. As a result, the Bank of England sought to shock markets and underline its inflation fighting credentials by increasing Bank Rate by 0.50% to 5.0%. However, this is unlikely to be the peak.

- The UK economy has been resilient in the face of the dual headwinds of inflation and interest rates, albeit the majority rise in Bank Rate is yet to impact households. Government cost of living support, stronger wage growth and household savings have had an offsetting effect, while timing issues around mortgage resets have delayed the impact of monetary tightening.

- Employment demand has remained strong and, alongside inflation expectations, has driven stronger wage growth. This in turn is adding upward pressure to inflation, particularly services inflation. Core CPI and services inflation have increased of late despite previous monetary tightening.

- The Bank's credibility issues mean that it can no longer afford to wait until the effect of past increases in Bank Rate affect activity. This suggests that further monetary tightening is necessary to have the desired immediate effect on inflation.

- However, the lagged effect of aggressive monetary tightening will increasingly pressure economic activity. A recession appears inevitable. Household spending will be affected by increases in mortgage payments, while business investment/spending will fall back due to higher borrowing costs. Unemployment will increase.

- Inflation will fall sharply this year, albeit at a slower pace than expected. Recessionary conditions eventually create downside risks for inflation and will entail monetary easing in the medium term to stimulate economic activity.

- Global bond yields remain volatile, although UK gilt yields have been more affected by its seemingly idiosyncratic inflation issues. The Federal Reserve and other central banks see persistently higher policy rates through 2023 as key to dampening domestic inflationary pressure.

- Downside risks for bond yields arising from a global economic slowdown are increasing.

Forecast:

- The MPC raised Bank Rate by 50bps to 5.0% in June. Due to current inflation and wage data, we believe that Bank Rate will rise to 5.25% in August and to 5.50% in September.

- The risks lie to the upside. Further strong inflation data for June (released in July) will likely result in another 50bps rise in Bank Rate in August.

- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until services inflation and wage growth ease. The stickiness of these data suggests that rate cuts will happen later than previously expected. We see rate cuts from Q2 2024 to a low of around 3% by mid 2025.

- Arlingclose Ltd expects long-term gilt yields to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility.

	Current	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00
Downside risk	0.00	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.40	5.60	5.60	5.60	5.30	4.80	4.30	3.80	3.30	3.05	3.05	3.05	3.10
Downside risk	0.00	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.90	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Central Case	4.50	4.70	4.75	4.60	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.35	3.45
Downside risk	0.00	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.90	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Central Case	4.26	4.50	4.55	4.30	4.20	4.00	3.60	3.50	3.50	3.60	3.60	3.70	3.80
Downside risk	0.00	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.90	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Central Case	4.43	4.60	4.60	4.50	4.40	4.30	4.20	4.20	4.20	4.20	4.20	4.20	4.20
Downside risk	0.00	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.90	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Central Case	3.96	4.15	4.15	4.15	4.10	4.00	4.00	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; UKIB Rate (Maturity Loans) = Gilt yield + 0.60%