

SECTOR

Investment Performance

Watford Borough Council

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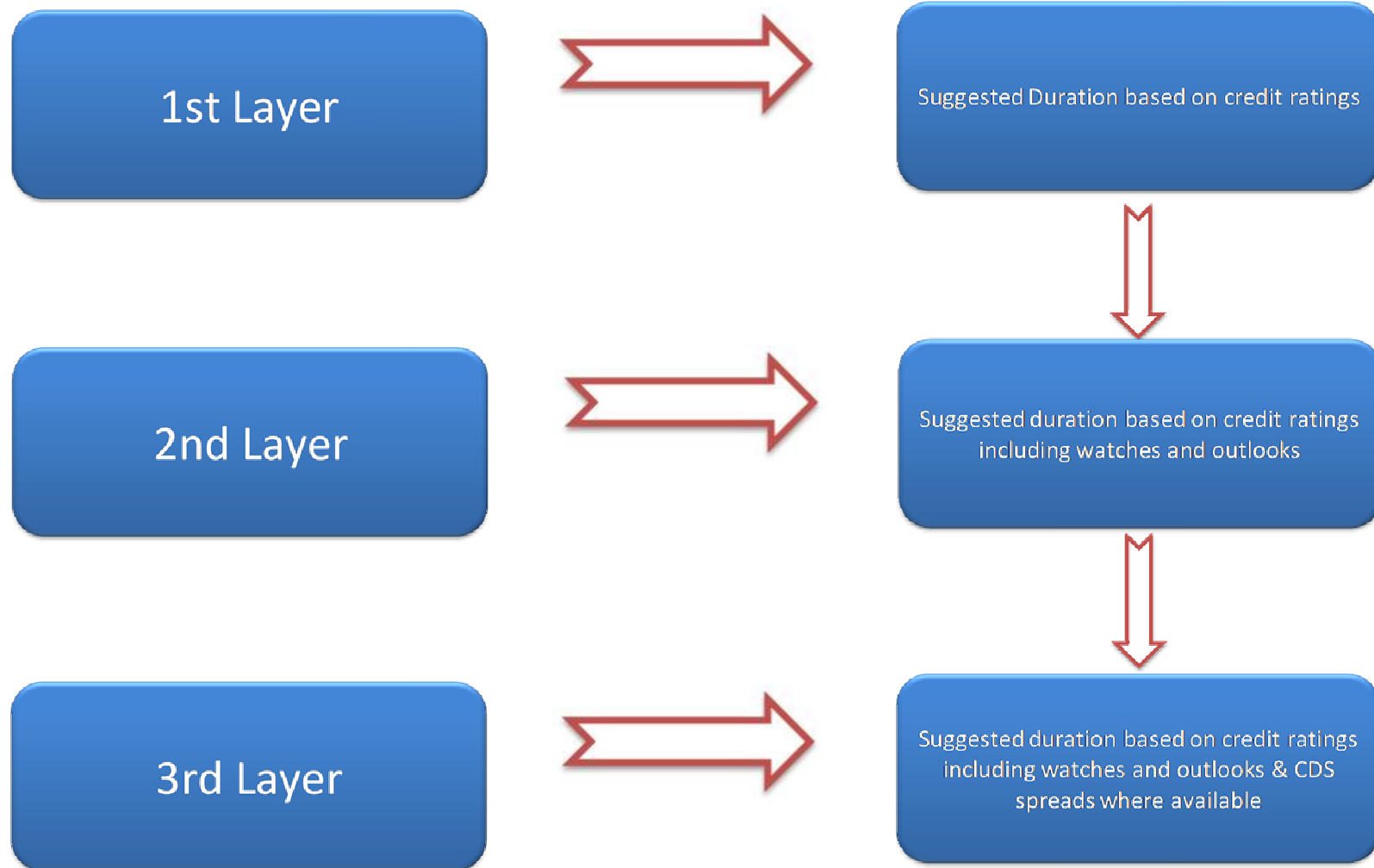
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U.K. Interest Rate Forecasts

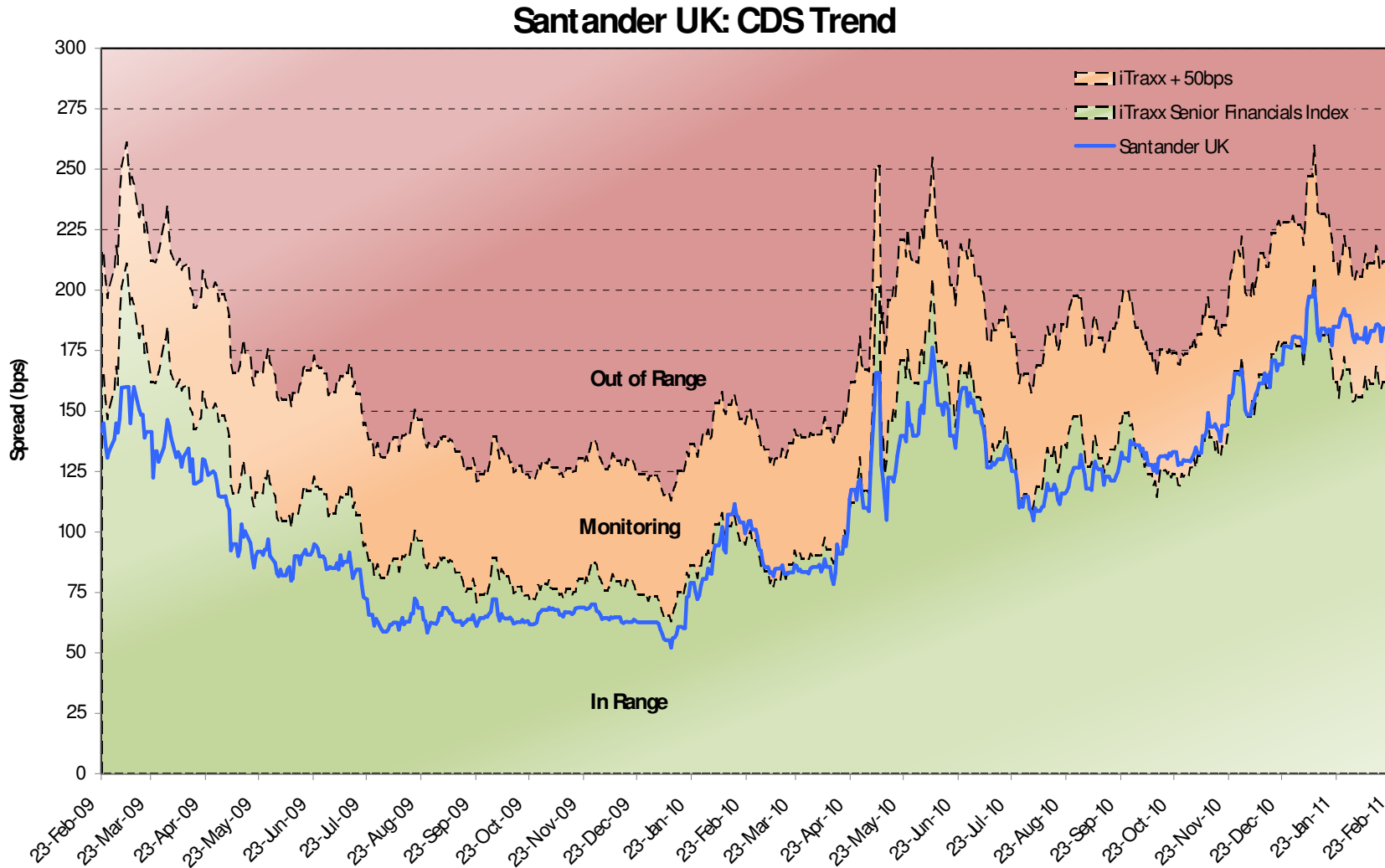
Bank Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%	3.00%	3.25%	3.25%
UBS	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%	-
5yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	3.63%	3.70%	3.70%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.50%	4.60%	4.70%	4.80%
UBS	3.63%	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	3.63%	3.50%	3.50%	3.20%	3.00%	3.00%	3.00%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%	-
10yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	4.79%	4.90%	4.90%	4.90%	4.90%	4.90%	5.00%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%
UBS	4.79%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%	5.40%	-	-	-	-	-
Capital Economics	4.79%	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%	-
25yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	5.38%	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%
UBS	5.38%	5.40%	5.45%	5.50%	5.50%	5.55%	5.60%	5.65%	5.65%	-	-	-	-	-
Capital Economics	5.38%	5.50%	5.50%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%	-
50yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	5.31%	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%
UBS	5.31%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%	-	-	-	-	-
Capital Economics	5.31%	5.50%	5.50%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%	-

Creditworthiness

Layer Approach in Determining Duration



Credit – Santander UK CDS Trend



Summary Treasury Position

FIXED DEBT						
		Principal Outstanding	Discount	Premium	Average Rate	Average Life
PWLB	Maturity	£0	-	-	-	-
	Annuity	-	-	-	-	-
	EIP	-	-	-	-	-
Total PWLB (fixed)		£0	-	-	-	-
Market	Maturity	£0	-	-	-	-
	Annuity	£0	-	-	-	-
	Stock	£0	-	-	-	-
Total MARKET (fixed)		£0	-	-	0.000%	0.00 yr
EIB	Maturity	£0	-	-	-	-
	Annuity	-	-	-	-	-
Total EIB (fixed)		£0	-	-	-	-
Total FIXED debt		£0	-	-	-	-

Total Fixed Debt	£0		
Total Variable Debt	£0	0.000%	-
Total External Debt	£0		

VARIABLE DEBT				
		Principal Outstanding	Average Rate	Average Life
PWLB	Variable	-	-	-
Market		£0	-	-
Temporary				
Total Variable Debt		£0	0.000%	-

TOTAL FIXED AND VARIABLE DEBT				
Total	Actual	%	Limit	%
Fixed	£0	0.0%	£0	0.0%
Variable	£0	0.0%	£0	0.0%

CAPITAL FINANCING LIMITS			
Capital Financing Requirements	Actual	Estimated	Estimated
As at 31st March...	2010	2011	2012
HRA Closing CFR			
Non HRA Closing CFR	£3,000,000	£3,000,000	£3,000,000
Total	£3,000,000	£3,000,000	£3,000,000
Subsidy Closing CFR 2010/11		(Housing authorities only)	
Adjustment A			
Authorised Limit	£7,000,000	£7,000,000	£7,000,000
Operational Boundary	£5,000,000	£5,000,000	£5,000,000

INVESTMENTS	
Managed Internally	£36,910,000

EXTERNALLY MANAGED INVESTMENTS	
Manager 1	
Manager 2	
Total	£36,910,000

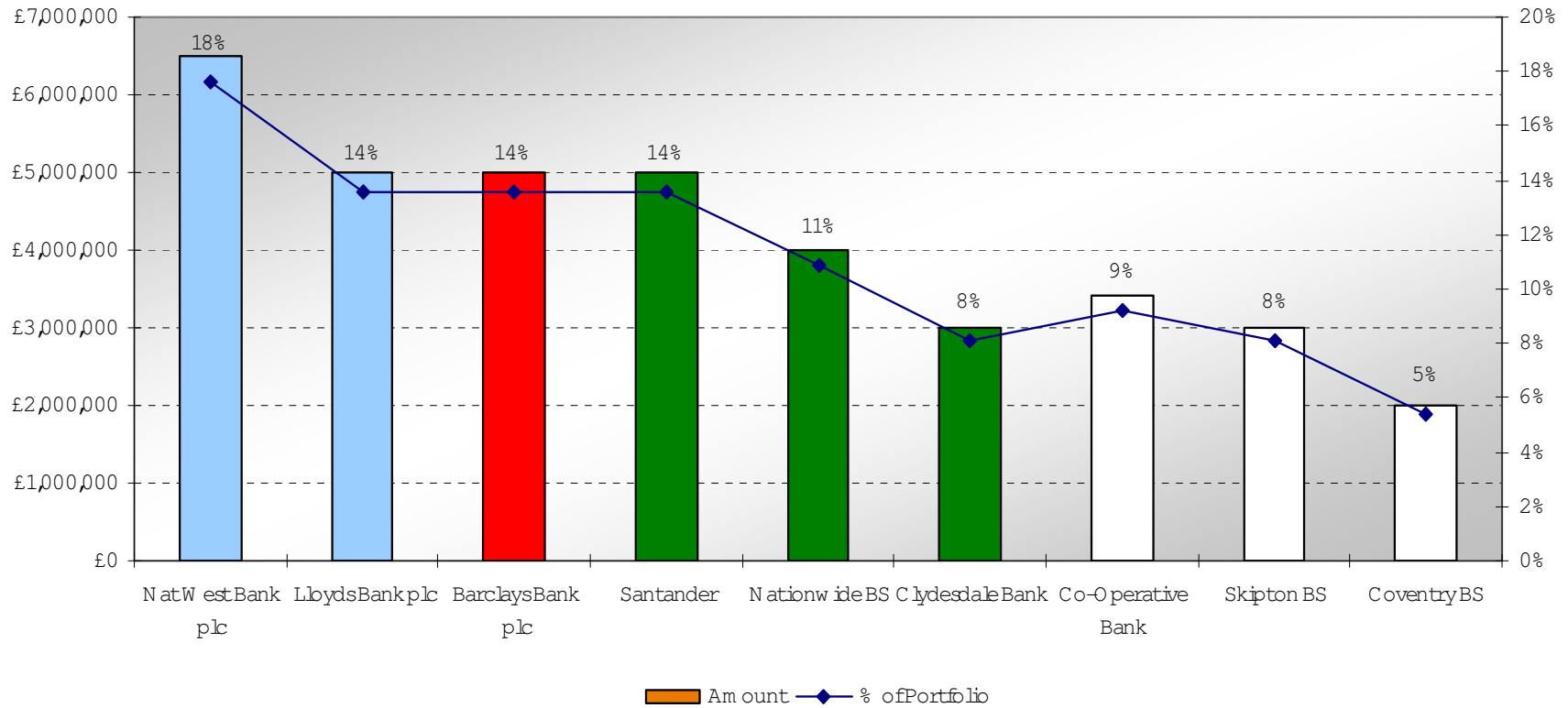
PRUDENTIAL CODE INDICATORS													
1. The first prudential indicator in respect to treasury management is that the local authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services		2. Upper limit for FIXED interest rate exposure (net of fixed investment)			4. Maturity structure of fixed interest rate borrowing.			5. The principal sums invested for periods longer than 364 days.					
		2010/11	2011/12	2012/13		*Actual	Upper	Lower					
		Limits	£0	£0	£0	Under 12 months	£0	0%	0%	Total principal sums invested for periods longer than 364 days			
		Actual	0.0%				0.0%			Specified Non-Specified Limits			
		£0				12 months and within 24 months	£0	0%	0%				
							0.0%						
		3. Upper limit for VARIABLE interest rate exposure (net of variable investment)			24 months and within 5 years	£0	0%	0%	Year 1	£0	£0	£2m	
		2010/11	2011/12	2012/13	5 years and within 10 years	£0	0%	0%	Year 2	N/A	£0	£2m	
Have you completed the TMPS		Yes					0.0%						
Have you completed the 12 TMPs		Yes	Limits	£0	£0	£0							
Have you placed the policy before the court		Yes	Actual	100.0%									
Do you undertake an annual review		Yes		-£36,910,000			£0	0%	0%	Year 3	N/A	£0	£2m
						10 years and above	£0	0%	0%				
							0.0%						

Investments

Current Investments

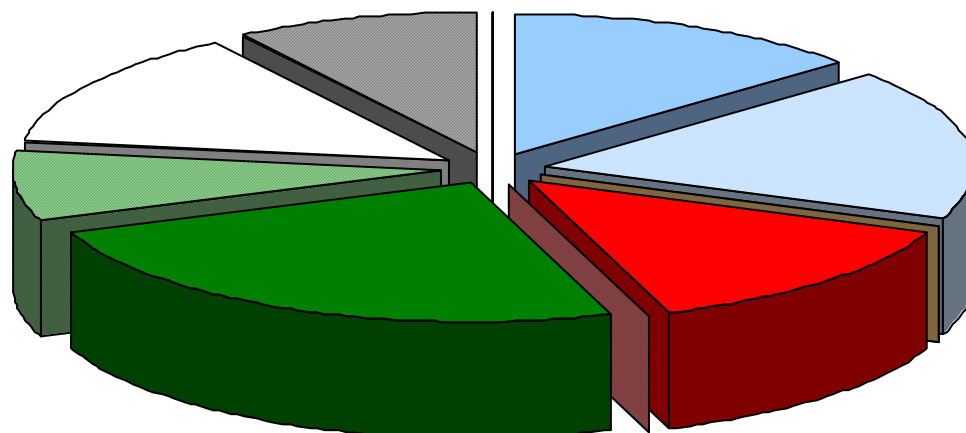
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Clydesdale Bank	3,000,000	0.85%		30 day notice
Co-Operative Bank	3,410,000	0.56%		Call
Nat West Bank plc	6,500,000	0.90%		Call
Santander	5,000,000	1.29%	29/10/2010	29/04/2011
Skipton BS	2,000,000	1.57%	08/06/2010	07/06/2011
Nationwide BS	2,000,000	1.36%	28/07/2010	27/07/2011
Coventry BS	2,000,000	1.33%	02/08/2010	01/08/2011
Skipton BS	1,000,000	1.57%	02/08/2010	01/08/2011
Barclays Bank plc	2,000,000	1.00%	09/02/2011	09/08/2011
Lloyds Bank plc	5,000,000	2.00%	07/09/2010	06/09/2011
Nationwide BS	2,000,000	1.33%	24/11/2010	23/11/2011
Barclays Bank plc	3,000,000	1.50%	09/02/2011	08/02/2012
Total Investments	£36,910,000	1.25%		

Counterparty Exposure



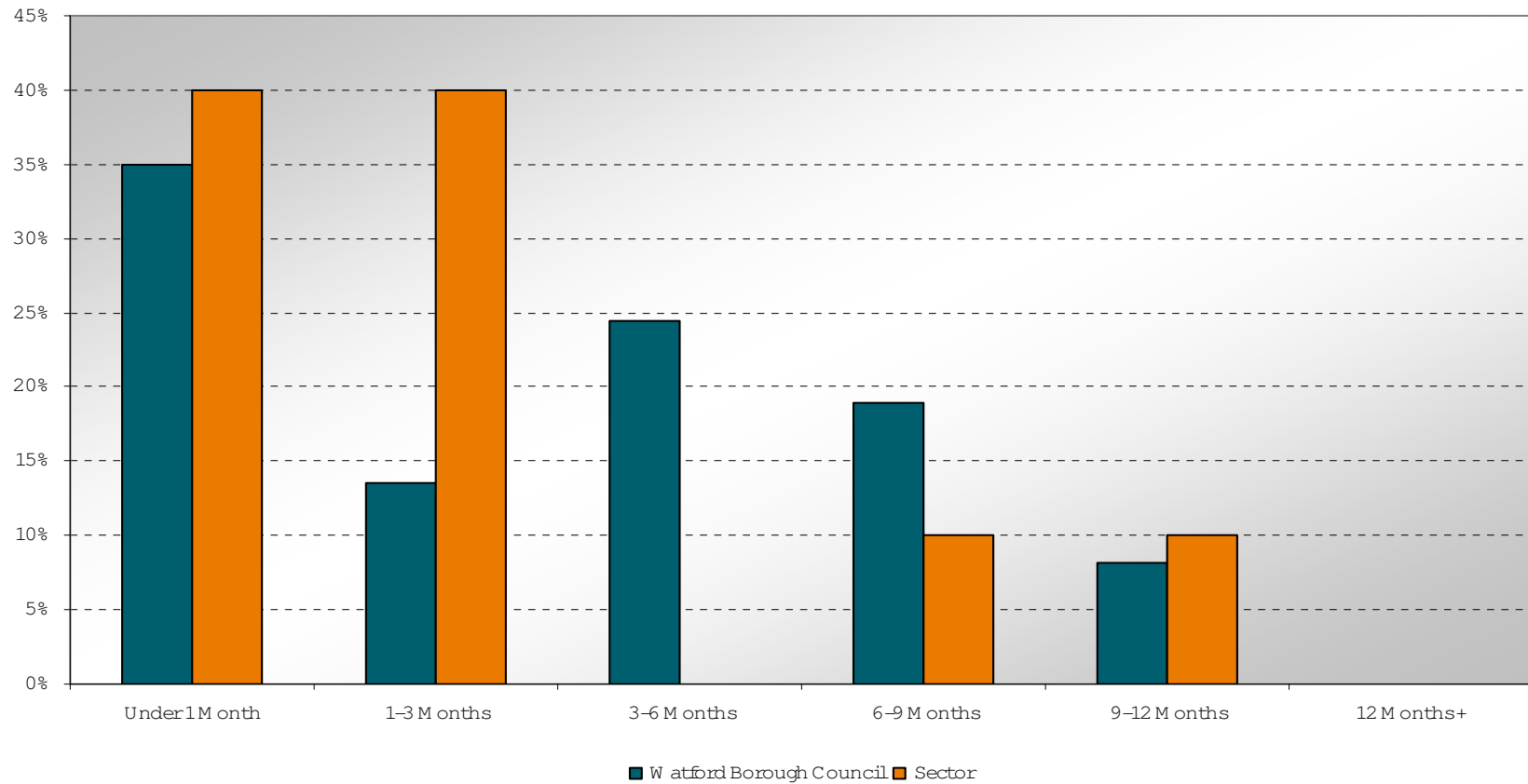
Y	P	B	O	R	G	N/C
1	2	3	4	5	6	7
1825	730	365	365	180	90	0

Counterparty Summary

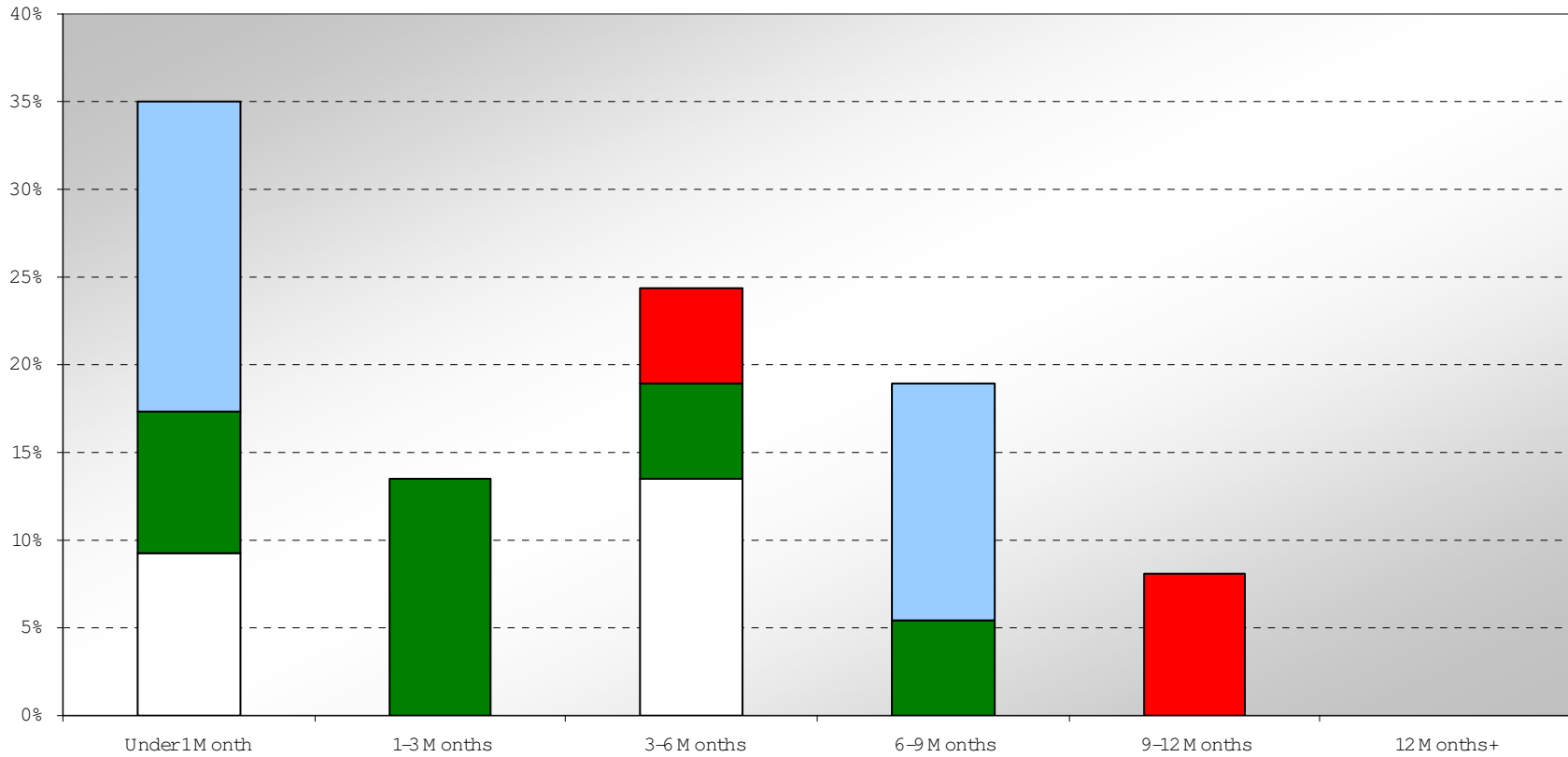


	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs	
									WAM	WAM at Execution
Yellow	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	31.16%	£11,500,000	56.52%	£6,500,000	17.61%	1.38%	81	158	186	0
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	13.55%	£5,000,000	0.00%	£0	0.00%	1.30%	268	291	268	291
Green	32.51%	£12,000,000	25.00%	£3,000,000	8.13%	1.20%	99	205	122	263
No Colour	22.79%	£8,410,000	40.55%	£3,410,000	9.24%	1.10%	76	216	128	364
	100.00%	£36,910,000	34.98%	£12,910,000	34.98%	1.25%	111	205	167	235

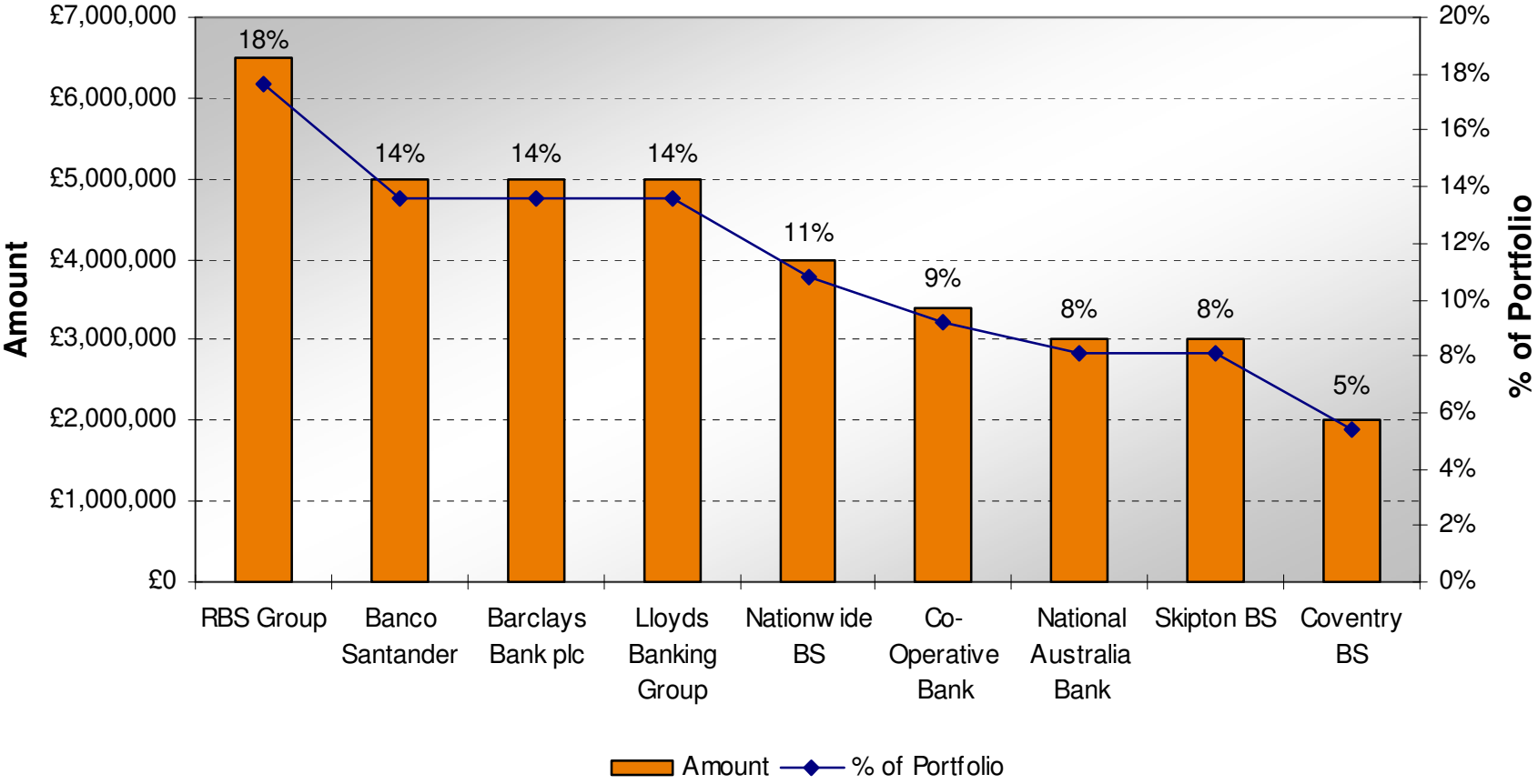
Maturity Profile



Credit Maturity Profile



Group Breakdown



Notice Accounts and Fixed Term Deposits

	SantanderUK		Clydesdale	Svenska Handelsbanken	
	15 Day Notice A/C	30 Day Notice A/C	30 day Notice A/C	10 Day Notice A/C	35 Day Notice A/C
Min. Balance	£500k	£1m	£500k	£1	£1
Rate	0.75%	0.90%	0.85%	0.50%	0.75%
AER	0.75%	0.90%	0.85%	0.50%	0.75%
Notes	No option for withdrawal before the notice period has expired. Available to new and existing clients.	No option for withdrawal before the notice period has expired. Available to new and existing clients.	New clients		
Access	15 days	30 days	30 days	10 days	35 days
Withdrawals	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Rate Calculation	Linked to Bank Rate	Linked to Bank Rate	Bank Rate + 35bps	Linked to Bank Rate	Linked to Bank Rate
Interest Payment	Monthly	Monthly	Monthly	Quarterly	Quarterly
Suggested Colour	Green	Green	Green	Orange	Orange

N/C	0 M onths
G	3 M onths
R	6 M onths
O	12 M onths
B	12 M onths
P	24 M onths
Y	60 M onths

	Special Tranche Rates				
	Barclays	Bank of Scotland and Lloyds		Cater Allen	SantanderUK
Minimum	£250,000	£250,000	£3m	£50,000+	£250,000+
Maximum	No Maximum	£3m	£5m	£25m	No Maximum
3 m onths	0.69%	1.21%	1.23%	0.90%	1.10%
6 m onths	1.05%	1.33%	1.35%	1.41%	1.41%
9 m onths	1.31%	1.60%	1.65%	1.61%	1.66%
12 m onths	1.57%	2.05%	2.10%	2.50%	1.95%
Suggested Colour	Red	Blue		Green	Green

Instant Access Accounts

Fund	7 Day Yield	30 Day Yield	Min. Initial Amount
Non-Government Funds			
BlackRock ICS-Inst GBP/Core (Dis)	0.56%	0.56%	1M
BNP Paribas Gbl Liq GBP/Instit	0.42%	0.39%	500K
BNY Mellon Sterling Liq/Instit	0.57%	0.56%	10M
Deutsche Managed Sterling/Instit	0.5%	0.51%	1M
Fidelity Inst Liq-Sterling/A Dist	0.55%	0.56%	100K
Goldman Sachs GBP Liq Resv/Inst	0.57%	0.57%	1M
Henderson Liq Assets Sterling/Inst	0.57%	0.56%	500K
HSBC Sterling Liquidity Fund/CI A	0.51%	0.51%	1M
Ignis Sterling Liquidity/CI 4	0.63%	0.63%	100K
Insight Liquidity Fund-GBP/CI 3	0.69%	0.69%	5M
Invesco STIC-GBP Liq/Instit	0.55%	0.52%	100K
Investec GBP Liquidity/CI I	0.54%	0.54%	15M
JPMorgan Sterling Liquidity/Instit	0.51%	0.51%	6M
LGIM Sterling Liquidity Fund/CI 2	0.58%	0.56%	1M
Morgan Stanley-GBP Liq/Instit	0.61%	0.56%	5M
Northern Trust Gbl-Sterling/CI A	0.43%	0.41%	1M USD
Prime Rate Sterling Liquidity/CI 4	0.69%	0.73%	1M
RBS-Global Treasury Funds-Sterling	0.6%	0.59%	50K
Russell GBP Cash Fund/CI A	0.23%	0.24%	1K
SSgA GBP Liquidity/CI I Stable NAV	0.54%	0.53%	500K USD
SSgA Sterling Cash Fund	0.56%	0.56%	500K
Standard Life-Sterling Liq/Prime	0.62%	0.62%	100K
SWIP Global Liquidity-Sterling/Inst	0.55%	0.54%	5M
Western Asset Sterling Liquidity/S	0.46%	0.47%	100K
Government Funds			
BlackRock ICS-Inst GBP Gv/Core(Dis)	0.29%	0.29%	1M
Goldman Sachs GBP Govt LiqResv/Inst	0.27%	0.27%	1M
JPMorgan Sterling Gilt Liq/Instit	0.29%	0.29%	6M
Northern Trust Gbl-Sterling Govt/A	0.25%	0.26%	1M
RBS-Global Treas Fds-STG Gov/4 Dist	0.33%	0.33%	50K

	SantanderUK	Clydesdale	Bank of Scotland
	Reserve A/C	Base Tracker Plus A/C	Call A/C
Min. Balance	£500k	£500k	£1m
Rate	0.50%	0.75%	0.51%
AER	0.50%	0.75%	0.51%
Notes	If balance < £500k for prolonged period, rate may fall. Existing clients and new clients will receive 0.5%.	Existing clients only	Existing customers receive 0.75%
Access	Instant	Instant	Instant
Withdrawals	Unlimited	Unlimited	Unlimited
Rate Calculation	Bank Rate	Bank Rate + 25bps	Bank Rate + 1bp
Interest Payment	Monthly	Monthly	Monthly
Suggested Colour	Green	Green	Blue