

Wiltshire Council

Cabinet

18 March 2014

Subject: Report on Treasury Management Strategy 2013-14 – Third Quarter ended 31 December 2013

Cabinet member: Councillor Richard Tonge
Finance, Performance, Risk, Procurement and Welfare Reform

Key Decision: No

Executive Summary

The Council has adopted a Treasury Management Strategy and an Annual Investment Strategy (AIS) for 2013-14, which can be found in the Cabinet meeting on 12th February 2013 agenda in the reports pack at the following link, <http://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=141&MId=6131&Ver=4>, Item 10, Pages 75 to 96.

In addition to an Annual Report, the policy requires quarterly reports reviewing the Treasury Management Strategy (TMS). This is the third quarterly report of 2013-14 and covers the period from 1 April 2013 to 31 December 2013.

Proposals

The Cabinet is asked to note the contents of this report in line with the Treasury Management Strategy.

Reasons for Proposals

To give members of the Cabinet an opportunity to consider the performance of the Council in the period to the end of the quarter against the parameters set out in the approved Treasury Management Strategy for 2013-14.

This report is a requirement of the Council's Treasury Management Strategy.

Michael Hudson
Associate Director, Finance, Revenues & Benefits and Pensions

Wiltshire Council

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**Cabinet member: Councillor Richard Tonge
Finance, Performance, Risk, Procurement and Welfare Reform**

Key Decision: No

1. Background & Purpose of Report

- 1.1 The Council adopted a Treasury Management Strategy for 2013-14 at its meeting on 26 February 2013, incorporating Prudential Indicators (PrIs), Treasury Management Indicators (TrIs) and an Annual Investment Strategy, in accordance with the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Strategy report can be found in the Cabinet 12 February 2013 agenda reports pack, Item 10, Pages 75 to 96 at <http://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=141&MId=6131&Ver=4>.
- 1.2 The Council agreed that, in addition to an Annual Treasury Report reviewing the year as a whole, quarterly reports would be submitted to Cabinet reviewing the Treasury Management Strategy. This report covers the third quarter of 2013-14, ended 31 December 2013.

2. Main Considerations for the Cabinet

- 2.1 This report reviews management actions in relation to:
- a) the PrIs, TrIs originally set for the year and the position at the 31 December 2013;
 - b) other treasury management actions during the period; and
 - c) the approved Annual Investment Strategy.

Review of Prudential and Treasury Indicators and Treasury Management Strategy for 2013-14

- 2.2 The following is a review of the position on the key prudential and treasury indicators for the nine months to 31 December 2013.
- 2.3 A full detailed listing of the indicators required by the CIPFA Prudential Code, Treasury Management Code and Treasury Management Guidance Notes is given in Appendix 1.

Key Prudential Indicators

Prl 2 – Ratio of Financing Costs to Net Revenue Stream

	2012-13 Actual Outturn	2013-14 Original Estimate	2013-14 Revised Estimate
General Fund	6.5%	6.6%	6.1%
Housing Revenue Account	15.9%	18.7%	15.3%

- 2.4 The General Fund revised estimate for 2013-14 (highlighted above) is marginally lower than the original due to a reduction in financing cost and a fall in expected investment income. It is also slightly lower than the figure reported in the last quarterly report, reflecting a change in the anticipated level of investment income and a slight decrease in the minimum revenue provision required for capital expenditure.

Prl 4 – Gross Borrowing compared to Capital Financing Requirement (CFR)

	2012-13 Actual Outturn £ million	2013-14 Original Estimate £ million	2013-14 Revised Estimate £ million
CFR – General Fund	341.9	404.4	378.1
CFR – HRA	122.6	122.6	122.6
Gross Borrowing – General Fund	245.2	275.2	245.2
Gross Borrowing – HRA	118.8	118.8	118.8
CFR not funded by gross borrowing – General Fund	96.7	129.2	132.9
CFR not funded by gross borrowing – HRA	3.8	3.8	3.8

- 2.5 Prl 4 measures the so called “Golden Rule” which ensures that over the medium term net borrowing is only for capital purposes.
- 2.6 The 2013-14 revised estimate for CFR – General Fund (as highlighted) is lower than the figure reported in the last quarterly report due to a change in the expected level of capital expenditure for the year.
- 2.7 The main reasons for the difference in the 2013-14 revised and original estimates are:
- a decrease in the capital financing requirement; and
 - a revision of the external borrowing requirement. It is anticipated that no borrowing will be taken in 2013-14, any increase in capital financing requirement being funded (internally) by a reduction in investments. Using ‘internal cash’, where it is available, to fund increases in CFR, through cash flow management, rather than borrowing externally reduces the cost of borrowing, depending on duration, (from 4.5%, externally to 0.80%, internally).

Key Treasury Management Indicators within the Prudential Code

2.8 The Operational Boundary and Authorised Limit, as approved by Council in February as part of the Treasury Management Strategy, detailed below are control limits and do not compare with actual borrowing figures as capital funding requirements are not automatically taken as loans and may be funded from cash balances.

Trl 1 – Authorised Limit for External Debt

Authorised Limit	2013-14 £ million	2014-15 £ million	2015-16 £ million
Borrowing – General Fund	436.0	450.3	451.9
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	559.4	573.7	575.3

2.9 The External Debt limit includes a margin above the Operational Boundary to allow for any unusual or unpredicted cash movements. The limit has not been exceeded in the reporting period.

Trl 2 – Operational Boundary for External Debt

Operational Boundary	2013-14 £ million	2014-15 £ million	2015-16 £ million
Borrowing – General Fund	425.3	439.3	440.9
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	548.7	562.7	564.3

2.10 The Operational Boundary is set at a limit that facilitates the funding of the Council's entire financing requirement through loans, if this was the most cost effective approach. The limit was set to anticipate expected expenditure and has not been exceeded during the reporting period (maximum borrowing during the period was £364.0 million).

Trl 3 – External Debt

	31/03/13 Actual £ million	31/12/13 Actual £ million	31/03/14 Expected £ million
Borrowing – General Fund	245.2	245.2	245.2
Borrowing – HRA	118.8	118.8	118.8
Total Borrowing	364.0	364.0	364.0
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	364.2	364.2	364.2

2.11 Trl 3 shows the gross External Debt outstanding, both long-term loans and temporary borrowing. No long term loans were repaid in the first nine months of 2013-14. The figure for actual borrowing at 31 March 2013 is stated at the amount that reflects actual outstanding external borrowing at the end of 2012-13 (i.e. excluding accounting adjustments, such as accrued interest and effective interest rate adjustments).

Key Treasury Management Indicators within the Treasury Management Code

Trl 6 – Principal Sums invested for periods of longer than 364 days

- 2.12 This Trl is now covered by the Annual Investment Strategy for 2013-14, which set a limit of £30 million. During the first nine months of 2013-14 no cost effective investments have been identified. The Authority however holds a number of money market funds and an on-call deposit account, which offer both an attractive interest rate and instant access for flexibility of cash management.

Trl 7 - Local Prudential Indicator

- 2.13 In addition to the main maturity indicators it was agreed as part of the Treasury Management Strategy, approved by Council in February, that no more than 15% of long term loans should fall due for repayment within any one financial year. The maximum in any one year is currently 11.5% (£42 million) in 2014-15. However, £30 million relates to the treatment of LOBO loans, which are shown as maturing at the date (the “call date”) on which the lender has the right to increase the interest rate. Indications are that interest rates will not move upwards until the second quarter of 2016 and it is, therefore, unlikely that these loans will be “called” in 2014-15 (or those that are due to be called in 2013-14). A summary maturity profile is shown in Appendix 2.

Other Debt Management Issues

Debt Rescheduling

- 2.14 No opportunities to reschedule PWLB debt have been identified during the period, mainly because of the high level of premiums payable for early repayment of debt. This is continually monitored and any opportunities to reschedule cost effectively will be considered, should they arise.

Cash Surpluses and Deficits

Short Term Surpluses and Deficits

- 2.15 Any short term cash surpluses or deficits have been managed through temporary deposits or loans, respectively. Temporary deposits outstanding at 31 December 2013 amounted to £119.4 million, including outstanding Icelandic bank deposits, shown at their current estimated recoverable amounts, as detailed in Appendix 3.

Icelandic Banks

- 2.16 The Council received further repayments from both former Icelandic banks in August (Heritable) and September (Landsbanki) 2013, as reported to Cabinet as part of the quarterly report for the end of September 2013. There have been no further repayments to date.
- 2.17 Up to this date the Council recovered approximately £10.2 million of the original £12 million deposited in 2008.
- 2.18 Based on the latest information, the Council is expecting to recover up to 95% of its deposits with Heritable (94% already recovered) and 100% of its deposit in Landsbanki. However, repayments from Landsbanki are likely to be completed

over several more years and are subject to fluctuations in foreign exchange rates and the Icelandic capital controls, which currently remain in place.

- 2.19 On Thursday 30th January 2014 a number of local authorities sold their Landsbanki claims through a competitive auction process. Wiltshire Council decided not to sell its claim at this time (at a potential loss of £300,000), for less than the 100%, to be received eventually by waiting for the remaining distributions, as indicated by the Winding-up Board. The Council is, however, keeping the matter under review and is in regular receipt of offers from parties interested in buying our claim.
- 2.20 The Council is also liaising with the Local Government Association and Bevan Brittan in respect of its position now that several authorities have sold their claims. Ongoing support will still be available from LGA/Bevan Brittan, but the Council will need to consider how best to proceed as, with the number of authorities that still hold claims significantly diminished, the relative costs of any legal proceedings will be higher.

Longer Term Cash Balances

- 2.21 Interest rate movements in the period have not provided many opportunities for an increased return by longer term investment of the more permanent cash surpluses, such as reserves and balances. However, the availability of any appropriate longer term investment opportunities is continually monitored, such as those that offer “special tranche rates”.
- 2.22 Rates have remained relatively low, which is, therefore, reflected in rates available, including the “special tranche rate” investments. Details of investments outstanding are shown in Appendix 3.
- 2.23 However, the interest rate on the Council’s 35 day notice call account with Svenska was increased in August 2013 from 0.40% to 0.55%. This compares favourably with other rates currently available (in the market and through the Council’s money market funds, with a maximum rate, currently, of 0.44%).

Review of Investment Strategy

- 2.24 The Treasury Management Strategy Statement (TMSS) for 2013-14, which includes the Annual Investment Strategy, was approved by the Council on 12 February 2013. It sets out the Council’s investment priorities as being:
- a) Security of capital;
 - b) Liquidity; and
 - c) Yield.
- 2.25 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs but also to seek out value available in higher rates in periods up to 12 months with highly credit rated financial institutions, using Sector’s suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector.

- 2.26 All investments have been conducted within the agreed Annual Investment Strategy and made only to authorised lenders within the Council's high credit quality policy.
- 2.27 Credit ratings are incorporated within the approved Investment Strategy as detailed within the Treasury Management Strategy 2013-14 and the current ratings have been shown against the deposits outstanding in Appendix 3.

3. Environmental and Climate Change Considerations

- 3.1 None have been identified as arising directly from this report.

4. Equalities Impact of the Proposal

- 4.1 None have been identified as arising directly from this report.

5. Risks Assessment and Financial Implications

- 5.1 All investment has been at fixed rates during the period. The Council's current average interest rate on long term debt is 3.787%, which, according to the latest available information, remains one of the lowest rates amongst UK local authorities.
- 5.2 The primary treasury management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of counterparties.
- 5.3 Investment counterparty risk is controlled by assessing and monitoring the credit risk of borrowers as authorised by the Annual Investment Strategy.

6. Legal Implications

- 6.1 None have been identified as arising directly from this report.

7. Public Health Implications

- 7.1 None have been identified as arising directly from this report.

8. Safeguarding Considerations

- 8.1 None have been identified as arising directly from this report.

9. Options Considered

- 9.1 The market improvement, although still in its relatively early stages, has enabled the Council to increase potential optimum rates with longer dated deposits (between three months and one year), whilst ensuring and maintaining the security and liquidity of investments.
- 9.2 The availability of any longer term opportunities, such as those offered by "special tranche rates" is continually monitored.

10. Conclusion

- 10.1 Cabinet is asked to note the report.

Michael Hudson
Associate Director, Finance, Revenues & Benefits and Pensions

Report Author:

Keith Stephens, Business Analyst (Cash and Treasury) Tel: 01225 713603, email:
keith.stephens@wiltshire.gov.uk

Background Papers

The following unpublished documents have been relied on in the preparation of this Report: NONE

Appendices

- Appendix 1 Prudential and Treasury Indicators for 2013-14, 2014-15 & 2015-16
- Appendix 2 Summary of Long Term Borrowing 1 April 2013 – 31 December 2013
- Appendix 3 Summary of Temporary Loans and Deposits 1 April 2013 – 31 December 2013

Prudential and Treasury Indicators for 2013-14, 2014-15 & 2015-16

Prudential Indicators

Prl 1 – Capital Expenditure

1. The table below shows the revised figures for capital expenditure based on the current capital approved budget.

	2012-13 Actual Outturn	2013-14 Original Estimate	2013-14 Revised Estimate	2013-14 Actual To date 31/12/13
	£ million	£ million	£ million	£ million
General Fund	67.3	132.1	102.4	70.2
HRA	4.5	10.2	7.1	5.6

2. The revised estimate for 2013-14 (as highlighted) has reduced since the original estimate because budgets including Campuses and Education schemes have been reprogrammed from 2013-14 forward into 2014/2015 to reflect the revised expenditure profile. The revised estimates have also been amended to reflect the most up to date capital spending expectations.
3. The actual capital spends (as highlighted) have increased from those reported in the September quarterly report because of additional capital expenditure incurred between the end of September 2013 and the end of December 2013.
4. The Capital Programme is monitored closely throughout the year and progress on the programme is reported to the Cabinet Capital Asset Committee (CCAC). The Month 9 2013-2014 report (as at 31 December 2013) was taken to Cabinet on 11 February 2014.

Prl 2 – Ratio of Financing Costs to Net Revenue Stream

	2012-13 Actual Outturn	2013-14 Original Estimate	2013-14 Revised Estimate
General Fund	6.5%	6.6%	6.1%
Housing Revenue Account	15.9%	18.7%	15.3%

The General Fund revised estimate for 2013-14 (highlighted above) is marginally lower than the original due to a reduction in financing cost estimates and a fall in expected investment income. It is also slightly lower than the figure reported in the last quarterly report, reflecting a change in the anticipated level of investment income and a slight decrease in the minimum revenue provision required for capital expenditure. The HRA revised estimate is lower than the original due to lower borrowing costs.

Prudential and Treasury Indicators for 2013-14, 2014-15 & 2015-16

Prl 3 – Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax

5. This indicator is only relevant at budget setting time and for 2013-14 was calculated as being £-8.99.

Prl 4 – Gross Borrowing compared to Capital Financing Requirement (CFR)

	2012-13 Actual Outturn £ million	2013-14 Original Estimate £ million	2013-14 Revised Estimate £ million
CFR – General Fund	341.9	404.4	378.1
CFR – HRA	122.6	122.6	122.6
Gross Borrowing – General Fund	245.2	275.2	245.2
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CFR not funded by gross borrowing – General Fund	96.7	129.2	132.9
CFR not funded by gross borrowing – HRA	3.8	3.8	3.8

6. Prl 4 measures the so called “Golden Rule” which ensures that over the medium term net borrowing is only for capital purposes.
7. CFR not funded by gross borrowing represents capital expenditure met by internal borrowing, i.e. funded from the Council’s own funds, such as reserves and balances and working capital (an accounting term for the difference, at a point in time, between what the Council owes and what is owed to it).
8. Internal borrowing is cheaper than external borrowing, however, the ability to borrow internally will depend upon the sufficiency of reserves, balances and working capital. The sufficiency needs to be monitored and projections carried out to indicate where any adverse movements are expected, that could jeopardise the Council’s cash flow position, making it necessary to replace internal with external borrowing.
9. The 2013-14 revised estimate for CFR – General Fund (as highlighted) is lower than the figure reported in the last quarterly report due to a small change in the expected level of capital expenditure for the year.
10. The main reason for the difference in the 2013-14 revised and original estimates are:
- a) a decrease in the capital financing requirement;
 - b) a revision of the external borrowing requirement. It is anticipated that no borrowing will be taken in 2013-14, any increase in capital financing requirement being funded (internally) by a reduction in investments. Using ‘internal cash’, where it is available, to fund increases in CFR,

Prudential and Treasury Indicators for 2013-14, 2014-15 & 2015-16

through cash flow management, rather than borrowing externally reduces the cost of borrowing, depending on duration, (from 4.5%, externally to 0.80%, internally); and

- c) the revision of the estimated level of short term investments likely to be held at the end of 2013-14.

Prl 5 – Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services

11. All actions have been compliant with the CIPFA Code of Practice.

Treasury Management Indicators within the Prudential Code

12. The Operational Boundary and Authorised Limit, as approved by Council in February as part of the Treasury Management Strategy, detailed below are control limits and do not compare with actual borrowing figures as capital funding requirements are not automatically taken as loans and may be funded from cash balances.

Trl 1 – Authorised Limit for External Debt

Authorised Limit	2013-14 £ million	2014-15 £ million	2015-16 £ million
Borrowing – General Fund	436.0	450.3	451.9
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Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	559.4	573.7	575.3

13. The External Debt limit includes a margin above the Operational Boundary to allow for any unusual or unpredicted cash movements. The limit has not been exceeded in the reporting period.

Trl 2 – Operational Boundary for External Debt

Operational Boundary	2013-14 £ million	2014-15 £ million	2015-16 £ million
Borrowing – General Fund	425.3	439.3	440.9
Borrowing – HRA	123.2	123.2	123.2
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TOTAL	548.7	562.7	564.3

14. The Operational Boundary is set at a limit that facilitates the funding of the Council's entire financing requirement through loans, if this was the most cost effective approach. The limit was set to anticipate expected expenditure and has not been exceeded during the reporting period (maximum borrowing during the period was £364.0 million).

Prudential and Treasury Indicators for 2013-14, 2014-15 & 2015-16

Trl 3 – External Debt

	31/03/13 Actual £ million	30/12/13 Actual £ million	31/03/14 Expected £ million
Borrowing – General Fund	245.2	245.2	245.2
Borrowing – HRA	118.8	118.8	118.8
Total Borrowing	364.0	364.0	364.0
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	364.2	364.2	364.2

15. Trl 3 shows the gross External Debt outstanding, both long-term loans and temporary borrowing. No long term loans were repaid in the first nine months of 2013-14. The figure for actual borrowing at 31 March 2013 is stated at the amount that reflects actual outstanding external borrowing at the end of 2012-13 (i.e. excluding accounting adjustments, such as accrued interest and effective interest rate adjustments).

Treasury Management Indicators within the Treasury Management Code

Trl 4a – Upper Limit on Fixed Interest Rate Exposures

The Council's upper limit for fixed interest rate exposure for the period 2013-14 to 2015-16 is 100% of net outstanding principal sums.

Trl 4b – Upper Limit on Variable Interest Rate Exposures

The Council's upper limit for variable interest rate exposure is 35% for 2013-14, 50% for 2014-15 and 55% for 2015-16 of net outstanding principal sums.

16. Options for borrowing during the period were considered, however, (mainly) due to the premium that would be incurred on the early repayment of debt and the desire to maintain the Council's relatively low average borrowing rate, no new borrowing was taken.

Trl 5 – Upper & Lower Limits on the Maturity Structure of Borrowing

Limits on the Maturity Structure of Borrowing	Upper Limit	Lower Limit	Position at 31/12/13
Maturing Period:			
- under 12 months	15%	0%	3%
- 12 months and within 24 months	15%	0%	11%
- 2 years and within 5 years	45%	0%	14%
- 5 years and within 10 years	75%	0%	10%
- 10 years and above	100%	0%	62%

Prudential and Treasury Indicators for 2013-14, 2014-15 & 2015-16

17. The table above shows that the actual maturity structure is within the agreed limits.
18. No long term borrowing has been taken during the period. If interest rates are favourable and an opportunity exists to take further borrowing this year we will look to match borrowing with this maturity structure.

Trl 6 – Principal Sums invested for periods of longer than 364 days

19. This PrI is now covered by the Annual Investment Strategy for 2013-14, which set a limit of £30 million, as approved by Council in February as part of the Treasury Management Strategy. During the first nine months of 2013-14 no cost effective investments have been identified. The Authority however holds a number of money market funds and an on-call deposit account, which offer competitive interest rates and instant access for flexibility of cash management.

Trl 7 - Local Prudential Indicator

20. In addition to the main maturity indicators it was agreed in the approved Treasury Management Strategy that no more than 15% of long term loans should fall due for repayment within any one financial year. The maximum in any one year is currently 11.5% (£42 million) in 2014-15. However, £30 million relates to LOBO loans and, with interest rates likely to remain low for some time, the lenders are unlikely to exercise their option to increase the interest rates and, therefore, the Council is unlikely to repay the loans in 2014-15 (or those that could be called in 2013-14). A summary maturity profile is shown in Appendix 2.

SUMMARY OF LONG TERM BORROWING 1 APRIL 2013 – 31 DECEMBER 2013

Loans Raised During the Period

Date Raised	Lender	Amount (£m)	Type	Interest rate (%)	Maturity date	No. of years
No Loans were raised during the period						
Total		0.000				

Average period to maturity (years) 0.00

Average interest rate (%) 0.00

* Loans taken to restructure ** Loans taken for purchases instead of leasing

Maturity Profile at 31 December 2013

Year	Amount (£m)					% age		Average rate (%)	
	PWLB	Market Loans (LOBO)		Total		Earliest Repay	Contracted Maturity	Earliest Repay	Contracted Maturity
		Earliest Repay	Contracted Maturity	Earliest Repay	Contracted Maturity				
(A)	(B)	(C)	(A)+(B)	(A)+(C)					
1 to 5 years	46.041	56.000	-	102.041	46.041	28.0	12.6	3.919	3.501
6 to 15 years	84.933	5.000	-	89.933	84.933	24.7	23.3	2.786	2.873
16 to 25 years	93.500	-	-	93.500	93.500	25.7	25.7	3.837	3.836
26 to 50 years	78.500	-	45.000	78.500	123.500	21.6	33.9	4.618	4.418
Over 50 years	-	-	16.000	-	16.000	-	4.4	-	4.298
Totals	302.974	61.000	61.000	363.974	363.974	100.0	100.0	3.787	3.787

Average period to maturity (years) 17.81

CIPFAs Guidance Notes on Treasury Management in the Public Services recommends that the Treasury Management Strategy Reports include LOBO (Lender Option Borrower Option) loans at the earliest date on which the lender can require payment, deemed to be the next 'call date'. At that date the lender may choose to increase the interest rate and the borrower (the Council) may accept the new rate or repay the loan (under the current approved Treasury Management Strategy, the Council would repay the loan). Whether or not the lender chooses to exercise their right to alter the interest rate will depend on market conditions (interest rates). Current market conditions, where interest rates are predicted to remain low for some considerable time, indicate that it is highly unlikely that lenders will call the loans in the immediate future.

The alternative method of determining the maturity profile of LOBO loans, based on contracted maturity dates, was used in the 2012-13 year end outturn.

The table above includes the maturity profiles using both the earliest date on which the lender can require payment and the contracted maturity dates.

SUMMARY OF TEMPORARY LOANS AND DEPOSITS 1 APRIL 2013 – 31 DECEMBER 2013

Deposits Outstanding at 31 December 2013

Borrower	Amount £m	Terms	Interest Rate	Sector Credit Rating at 31/12/2013
HSBC Bank Plc - Treasury	0.800	No fixed maturity date	0.20	Orange - 12 Months
National Australia Bank	8.000	Fixed to 15-Jan-14	0.48	Red - 6 Months
Standard Chartered	8.000	Fixed to 14-Apr-14	0.55	Red - 6 Months
Lloyds TSB Bank	5.000	Fixed to 11-Aug-14	1.01	Blue - 12 Months
Ulster Bank Ltd	8.000	Fixed to 16-Sep-14	0.92	Blue - 12 Months
Nationwide Building Society	8.000	Fixed to 16-Jan-14	0.45	Green - 3 Months
National Bank of Abu Dhabi	8.000	Fixed to 15-Jan-14	0.55	Red - 6 Months
Barclays	8.000	Fixed to 16-Jan-14	0.46	No Colour*
Commonwealth Bank of Australia	8.000	Fixed to 17-Feb-14	0.42	Red - 6 Months
Development Bank of Singapore (DBS)	8.000	Fixed to 11-Apr-14	0.47	Purple - 24 Months
Canadian Imperial Bank of Commerce	8.000	Fixed to 16-Jul-14	0.50	Orange - 12 Months
Overseas Chinese Banking Corporation	8.000	Fixed to 17-Mar-14	0.45	Purple - 24 Months
Svenska Handelsbanken AB	0.017	No fixed maturity date	0.55	Orange - 12 Months
J P Morgan Money Market Fund	0.005	No fixed maturity date	0.28	AAA
Prime Rate Money Market Fund	13.048	No fixed maturity date	0.42	AAA
Goldman Sachs	4.453	No fixed maturity date	0.37	AAA
Ignis Money Market Fund	14.861	No fixed maturity date	0.43	AAA
Heritable Bank	0.002	Est Recoverable Amount	6.00	N/A
Heritable Bank	0.001	Est Recoverable Amount	6.00	N/A
Heritable Bank	0.002	Est Recoverable Amount	6.00	N/A
Heritable Bank	0.001	Est Recoverable Amount	5.42	N/A
Landsbanki	1.201	Est Recoverable Amount	6.10	N/A
Landsbanki	0.021	Est Recoverable Amount	4.17	N/A
Total	119.412			

*The suggested duration associated with Barclays was three months (Green) at the time the deposit was taken out. However, since that time the credit default swap (CDS) spread for the bank increased, which put it into the "out of range" category, with no colour/duration. Because of this, no new investments will be entered into with Barclays until the CDS spread has improved and returns to either the "monitoring" or "in range" status and the suggested duration returns to an allocated duration and associated colour. There is little option other than to allow the deposit outstanding to 'run its course'. The deposit matured in mid January.

Outstanding deposits with Icelandic Banks are shown at the estimated recoverable amount, which takes account of the latest estimated impairments and all repayments received to date. Apart from the final entry, the interest rates are the original rates. The last entry reflects the amount paid out in ISK (Icelandic Krona) which is being held in an interest bearing escrow account in Iceland and, as recommended by CIPFA, accounted for as a 'new' investment.

Investments held (as highlighted) have increased by £5.234 million between the end of September 2013 as reported in the previous quarters report, and the end of December 2013. This is because of changes in cash flows (e.g. increased receipts/decreased payments) resulting in the investment of surplus cash.

SUMMARY OF TEMPORARY LOANS AND DEPOSITS 1 APRIL 2013 – 31 DECEMBER 2013

Transactions During the Period

Type	Balance 1 Apr 13 £m	Raised		Repaid		Balance 31 Dec 13 £m	Interest Variance * High/Low(%)
		Value £m	No.	Value £m	No.		
Temporary loans							
- General	0.000	0.000	0	0.000	0	0.000	
Total	0.000	0.000	0	0.000	0	0.000	
Temporary deposits							
- General	47.242	181.100	24	142.114	19	86.228	1.01/0.42
- HSBC Overnight	0.000	274.550	105	273.750	101	0.800	0.20/0.20
- Call Accounts	0.017	14.950	11	14.950	2	0.017	0.80/0.55
- Money Market Funds	20.079	379.149	89	366.861	91	32.367	0.43/0.28
Total	67.338	849.749	229	797.675	213	119.412	

* Interest variance is the highest/lowest interest rate for transactions during the period.

* In terms of general deposits, the high of 1.01% was obtained in August 2013 on a 12 month deposit.

General deposits include impaired Icelandic investments less any repayments that have been received, to date.