Wiltshire Council

Cabinet
15 November 2011

Subject:	**Interim Report on Treasury Management Strategy 2011-12**
Cabinet Member:	**Councillor John Brady Finance, Performance and Risk**
Key Decision:	**No**

Executive Summary

The Council has adopted a Treasury Management Strategy and an Annual Investment Strategy (AIS) for 2011-12.

In addition to an Annual Report, the policy requires this interim report reviewing the Treasury Management Strategy (TMS), which covers the period 1 April to 30 September 2011.

Proposal

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

The Cabinet is also asked to ratify a short term investment decision carried out on 15 June 2011, as detailed in the main report at paragraphs 37 and 38.

Reasons For Proposals

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

To obtain Cabinets ratification of an investment outside the duration limit.

Michael Hudson
Chief Finance Officer

Wiltshire Council

Cabinet
15 November 2011

Subject:	**Interim Report on Treasury Management Strategy 2011-12**
Cabinet Member:	**Councillor John Brady Finance, Performance and Risk**
Key Decision:	**No**

Background & Purpose of Report

1. The Council adopted a Treasury Management Strategy for 2011-12 at its meeting on 22 February 2011, 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).

2. The Council agreed that in addition to an Annual Treasury Report reviewing the year as a whole, an interim report would be submitted to Cabinet reviewing the Treasury Management Strategy. This is an interim report covering the period from 1 April to 30 September 2011.

Main Considerations for the Cabinet

3. This report reviews management actions in relation to:

   a) the PrIs and TrIs originally set for the year and the position at 30 September 2011;

   b) other treasury management actions during the period; and

   c) the agreed Annual Investment Strategy.

4. The Cabinet is also asked to ratify a short term investment placed on 15 June 2011, as detailed in the main report at paragraphs 37 and 38.

Review of Prudential and Treasury Management Indicators and Treasury Management Strategy for 2011-12

5. The following is a review of the position on the key prudential and treasury indicators for the six months to 30 September 2011.

6. A full listing of the indicators required by the CIPFA Prudential Code, Treasury Management Code and Treasury Management Guidance Notes are given in Appendix 1.

7. Later in the year (28 March 2012), subject to the prior 'passing' of the Localism Bill, this Council will need to borrow an additional £119 million as a result of the reform of the Housing Revenue Account (HRA) Subsidy Scheme. This borrowing will be kept within a separate (HRA) loan pool.

8. The additional HRA borrowing has not been taken account of within this review of prudential and treasury management indicators and treasury management strategy for 2011-12 as the current strategy, under which the review is taken, excludes it.

9. An updated Treasury Management Strategy for 2011-12 is being prepared for approval by the Cabinet and full Council at a future meeting, which will include amended prudential indicators to reflect the new borrowing requirement for HRA subsidy reform.

Key Prudential Indicators

PrI 2 – Ratio of Financing Costs to Net Revenue Stream

	2010-11 Actual Outturn	**2011-12 Original Estimate**	**2011-12 Revised Estimate**
Financing Costs as a percentage of net revenue budget	5.8%	6.6%	6.3%

10. The revised estimate for 2011-12 is marginally lower than the original due to a reduction in financing cost estimates and a small increase in the amount to be met from Government grant and local taxation figure. It is higher than the 2010-11 actual, mainly due to the decrease in the level of expected grant income.

PrI 4 – Net Borrowing compared to Capital Financing Requirement (CFR)

	2010-11 Actual Outturn £ million	**2011-12 Original Estimate £ million**	**2011-12 Revised Estimate £ million**
Capital Financing Requirement	320.4	373.0	379.9
Net Borrowing	163.1	215.2	190.2
Unused Capital Financing Requirement	**157.3**	**157.8**	**189.7**

11. PrI 4 measures the so called "Golden Rule" which ensures that over the medium term net borrowing is only for capital purposes.

12. The main reasons for the difference in the 2011-12 revised and original estimates are: the movement in the capital financing requirement; additional borrowing now anticipated since the original estimate was formulated; and the

revision of the level of short term investments likely to be held at the end of 2011-12.

Key Treasury Management Indicators within the Prudential Code

13. The Operational Boundary and Authorised Limit 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.

TrI 1 – Authorised Limit for External Debt

Authorised Limit	**2011-12 £ million**	**2012-13 £ million**	**2013-14 £ million**
Borrowing	453.0	499.7	504.6
Other Long Term Liabilities	0.2	0.2	£0.2
TOTAL	**453.2**	**499.9**	**504.8**

14. 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.

TrI 2 – Operational Boundary for External Debt

Operational Boundary	**2011-12 £ million**	**2012-13 £ million**	**2013-14 £ million**
Borrowing	393.8	434.5	438.8
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**394.0**	**434.7**	**439.0**

15. 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 £245.2 million).

TrI 3 – External Debt

	31/03/11 Actual £ million	**30/09/11 Actual £ million**	**31/03/12 Expected £ million**
Borrowing	245.2	245.2	280.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**245.4**	**245.4**	**280.4**

16. TrI 3 shows the gross External Debt outstanding, both long-term loans and temporary borrowing. No long term loans were repaid in first half of 2011-12. The figure for actual borrowing at 31 March 2011 is stated at the amount that reflects actual outstanding external borrowing at the end of 2010-11 (i.e.

excluding accounting adjustments, such as accrued interest and effective interest rate adjustments).

17. The increase of £35 million in borrowing between the end of September 2011 and the expected position at the end of the current financial year is the anticipated additional borrowing required to fund planned capital expenditure.

Key Treasury Management Indicators within the Treasury Management Code

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

18. This PrI is now covered by the Annual Investment Strategy for 2011-12, which set a limit of £30 million. During the first six months of 2011-12 no cost effective investments have been identified. The Authority however holds a number of on-call deposit accounts and money market funds, which offer both an attractive interest rate, some of which track the bank rate, and instant access for flexibility of cash management.

TrI 7 - Local Prudential Indicator

19. In addition to the main maturity indicators it was agreed 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 5.3% (£13 million) in both 2052-53 and 2053-54. A summary maturity profile is shown in Appendix 2.

Other Debt Management Issues

Debt Rescheduling

20. 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

21. Any short term cash surpluses or deficits have been managed through temporary deposits or loans, respectively. Temporary deposits outstanding at 30 September 2011 amounted to £104.5 million, including outstanding Icelandic bank deposits, shown at their current estimated recoverable amounts, as detailed in Appendix 3.

22. In terms of the position in respect of the £12 million investment caught up in the collapse of the Icelandic banks, Heritable (£9 million) and Landsbanki (£3 million), the Council has so far received circa £5.8 million from Heritable (about 65p in the £) and nothing as yet from Landsbanki.

23. On Friday, 28 October 2011 the Supreme Court delivered its judgement in relation to the Landsbanki (and Glitnir) appeals, in which it upheld the decision of the District Court and ordered that the deposits placed by the test case UK wholesale depositors, including local authorities, Wiltshire Council being one, **have priority status** in the winding up of the banks, which means that they (we) will be repaid first in the winding-up process. This decision, which comes more than 3 years after the banks failed, is a huge victory. The Supreme Court is the highest court in Iceland and there is no further right of appeal and its decision is final.

24. Current indications are that the Council, together with the other test case UK wholesale depositors, will recover 98% of its deposit in Landsbanki (i.e. for Wiltshire Council circa £2.94 million return on the original £3 million investment). This represents a slight increase on the indicative recovery rate before the ruling.

25. The winding-up boards have yet to confirm when they will start making distributions to priority creditors, although our legal advisers anticipate that this process will begin shortly.

26. The full effect on Wiltshire Council, in terms of the financial implications of the ruling, will not be known until the Landsbanki Winding-up Board issue details of the intended repayment process. As soon as the Winding-up Board have made these details available to us, we can assess the Council's final position in this respect and update members.

Longer Term Cash Balances

27. 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 the PFI Sinking Fund. Funds have been invested 'short' during the period, in the light of the continuing uncertainty of the current financial climate, particularly the ongoing Euro zone sovereign debt issues. However, there have been opportunities to invest, within the Councils approved Treasury Management Strategy in (UK) banks which have offered "special tranche rates" for periods of six to twelve months.

28. During the first six months of 2011-12 two such investments were placed at favourable interest rates: one with Barclays for seven months and another with Lloyds for 12 months. Further details are shown in Appendix 3.

<u>Investment Strategy</u>

29. All investments have been conducted within the agreed Annual Investment Strategy and made only to authorised lenders within the Council's high credit rating policy.

30. Our treasury advisers provide a weekly credit rating document and updates on any changes in ratings between one weekly credit rating document and the next. Ratings are monitored and any changes reflected in a revised lending

list and any action considered appropriate is taken. The advisers also provide details of credit default swap spreads, which indicate default risk, if any. These are also taken into account in preparing and updating the Council's lending list.

31. The credit worthiness service has been progressively enhanced and now uses a sophisticated modelling approach, with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as 'overlays':

a) credit watches (typically resolved over a relatively short period) and credit outlooks (indicates the direction a rating is likely to move over a one to two-year peiod) from credit rating agencies;

b) CDS spreads to give early warning of likely changes in credit ratings; and

c) sovereign ratings to select counterparties from only the most creditworthy countries

32. This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

33. The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within the weekly credit list of worldwide potential counterparties provided by the Council's treasury advisers. The Council, where it is considered appropriate and in line with its whole investment strategy, will therefore use counterparties within the following durational bands:

a) Yellow – 5 years (a new category introduced by the treasury advisers late in 2010 to cover AAA rated Government debt or its equivalent, including a new investment instrument – collateralised deposits, where the investment is secured only against local authority debt, namely LOBOs, making them effectively government exposure);

b) Purple – 2 years;

c) Blue – 1 year (only applies to nationalised or semi nationalised UK Banks and their subsidiaries);

d) Orange – 1 year;

e) Red – 6 months;

f) Green – 3 months; and

g) No Colour – not to be used.

34. At the present time while markets are volatile, particularly as a consequence of Euro Zone ‘sovereign debt worries’, Sector have amended all ratings to Green, with a duration limited to three months (**with the exception of those covered by the Blue, one year rating, which only applies to nationalised or semi nationalised UK Banks and their subsidiaries**). All of the investments, bar one discussed in paragraphs 35 and 36 below are within the suggested maturity period. Members will note some have no fixed maturity date, in these instances we take advantage of the market rate and recall these within the maturity period dictated to by our advisors rating. This allows flexibility as ratings change to be balanced against the opportunity to gain higher rates.

35. Ratings outside this structure include those that apply to local authorities, which are rated as AAA and Money Market Funds the Council may place investment in, also rated AAA.

36. The above ratings are incorporated within the approved Investment Strategy as detailed within the Treasury Management Strategy 2011-12 and the current ratings have been shown against the deposits outstanding in Appendix 3.

Ratification of Investment Decision

37. On 15 June 2011 an opportunity arose to take advantage of a special deposit from Barclays Bank, which offered enhanced rates. The maximum duration of investments with the bank at the time the investment was placed was six months, however, the enhanced rate was applicable to a seven month deposit. As this was only one month in excess of the recommended duration, delegated authority was used, through the Chief Accountant and Section 151 Officer, and the investment of £15 million was placed at an annual interest rate of 1.12% (the equivalent rate for six months was not enhanced and stood at 1.04%). The decision was based on the view that there was minimal additional risk (as Barclays Bank is considered creditworthy, within the credit criteria parameters and the cash will only be ‘tied up’ for a further month) for an enhanced return. Interest on maturity will be £98,000, representing a gain of £10,000, based on the alternative investment of £15 million for six months at 1.04% and a further month ‘on call’ (in a call account) at 0.80%.

38. The Council’s Financial Regulations and Treasury Management Policy require that the decision is ratified by Cabinet in consideration of the treasury management indicators.

Environmental and Climate Change Considerations

39. a) to d) None have been identified as arising directly from this report.

Equalities Impact of the Proposal

40. None have been identified as arising directly from this report

Risk Assessment and Financial Implications

41. All investment has been at fixed rates during the period. The Council's current average interest rate on long term debt is 4.212%, which, according to the latest available information, remains one of the lowest rates amongst UK local authorities.

Legal Implications

42. None have been identified as arising directly from this report.

Options Considered

43. The opening of further Money Market Funds (MMFs) has been considered and meetings have taken place during the reporting period with appropriate organisations. Reviews are ongoing and it is intended to consider opening additional MMFs but as yet no further funds have actually been opened. MMFs provide an alternative to call accounts and offer the advantage of diversification of investments, freeing up other 'instant access', whilst paying a higher return than that gained from placing the cash on fixed short term, or overnight (with HSBC), deposit.

44. Interest rates are expected to remain low for the short to medium term, with current indications that there will not be a rise in the Bank Rate until September 2013 (Source: Sector Treasury Services Limited). Consequently, longer term investments have been considered as an enhancement to the Council's investment portfolio, resulting in the placing of funds, at an extremely competitive interest rate, with Lloyds Bank for 12 months and Barclays for seven months.

45. PWLB rates were monitored for opportunities to take out loans in advance of need. As there was no immediate necessity to borrow, rates were regularly scrutinised, however, no loans were taken out during this reporting period.

Conclusion

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

47. The Cabinet is also asked to ratify the delegated decision to invest outside the duration limit.

Michael Hudson
Chief Finance Officer

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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 2011-12, 2012-13 & 2013-14
Appendix 2 Summary of Long Term Borrowing 1 April 2011 – 30 September 2011
Appendix 3 Summary of Temporary Loans and Deposits 1 April – 30 September 2011

APPENDIX 1

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

Prudential Indicators

PrI 1 – Capital Expenditure

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

	2010-11 Actual Outturn £ million	2011-12 Original Estimate £ million	2011-12 Revised Estimate £ million	2011-12 Actual To date 30/09/11 £ million
Capital Expenditure	114.6	146.9	114.3	59.9

2. The revised estimate for 2011-12 is lower than the original estimate because of the reprogramming of schemes from 2011-12 to 2012-13 since the previous estimate was formulated.

3. The Capital Programme is monitored closely throughout the year and progress on the programme is reported to the Cabinet Capital Asset Committee (CCAC). A report for the four month period to the end of July 2011 was taken to CCAC on 14 September 2011. The six month position at the end of September 2011 will be taken to the CCAC meeting on 15 November 2011.

PrI 2 – Ratio of Financing Costs to Net Revenue Stream

	2010-11 Actual Outturn	2011-12 Original Estimate	2011-12 Revised Estimate
Financing Costs as a percentage of net revenue budget	5.8%	6.6%	6.3%

The revised estimate for 2011-12 is marginally lower than the original due to a reduction in financing cost estimates and a small increase in the amount to be met from Government grant and local taxation figure. It is higher than the 2010-11 actual, mainly due to the decrease in the level of expected grant income.

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

4. This indicator is only relevant at budget setting time and for 2011-12 was calculated as being £3.15.

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

PrI 4 – Net Borrowing compared to Capital Financing Requirement (CFR)

	2010-11 Actual Outturn £ million	2011-12 Original Estimate £ million	2011-12 Revised Estimate £ million
Capital Financing Requirement	320.4	373.0	379.9
Net Borrowing	163.1	215.2	190.2
Unused Capital Financing Requirement	**157.3**	**157.8**	**189.7**

5. PrI 4 measures the so called "Golden Rule" which ensures that over the medium term net borrowing is only for capital purposes.

6. The main reason for the difference in the 2011-12 revised and original estimates are: the movement in the capital financing requirement; additional borrowing now anticipated since the original estimate was formulated; and the revision of the level of short term investments likely to be held at the end of 2011-12.

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

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

Treasury Management Indicators within the Prudential Code

8. The Operational Boundary and Authorised Limit 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.

TrI 1 – Authorised Limit for External Debt

Authorised Limit	2011-12 £ million	2012-13 £ million	2013-14 £ million
Borrowing	453.0	499.7	504.6
Other Long Term Liabilities	0.2	0.2	£0.2
TOTAL	**453.2**	**499.9**	**504.8**

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.

APPENDIX 1

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

TrI 2 – Operational Boundary for External Debt

Operational Boundary	**2011-12 £ million**	**2012-13 £ million**	**2013-14 £ million**
Borrowing	393.8	434.5	438.8
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**394.0**	**434.7**	**439.0**

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 £245.2 million).

TrI 3 – External Debt

	31/03/11 Actual £ million	**30/09/11 Actual £ million**	**31/03/12 Expected £ million**
Borrowing	245.2	245.2	280.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**245.4**	**245.4**	**280.4**

11. TrI 3 shows the gross External Debt outstanding, both long-term loans and temporary borrowing. No long term loans were repaid in first half of 2011-12. The figure for actual borrowing at 31 March 2011 is stated at the amount that reflects actual outstanding external borrowing at the end of 2010-11 (i.e. excluding accounting adjustments, such as accrued interest and effective interest rate adjustments).

12. The increase of £35 million in borrowing between the end of September 2011 and the expected position at the end of the current financial year is the anticipated additional borrowing required to fund planned capital expenditure.

Treasury Management Indicators within the Treasury Management Code

TrI 4a – Upper Limit on Fixed Interest Rate Exposures

The Council's upper limit for fixed interest rate exposure for the period 2011-12 to 2013-14 is 100% of net outstanding principal sums.

TrI 4b – Upper Limit on Variable Interest Rate Exposures

The Council's upper limit for variable interest rate exposure is 20% for 2011-12, 30% for 2012-13 and 35% for 2013-14 of net outstanding principal sums.

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

13. 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 has yet been taken.

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

Limits on the Maturity Structure of Borrowing	**Upper Limit**	**Lower Limit**	**Position at 30/09/11**
Maturing Period:			
- under 12 months	15%	0%	0%
- 12 months and within 24 months	15%	0%	0%
- 2 years and within 5 years	45%	0%	10%
- 5 years and within 10 years	75%	0%	9%
- 10 years and above	100%	0%	81%

14. The table above shows that the actual maturity structure is within the agreed limits.

15. 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.

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

16. This PrI is now covered by the Annual Investment Strategy for 2011-12, which set a limit of £30 million. During the first six months of 2011-12 no cost effective investments have been identified. The Authority however holds a number of on-call deposit accounts and money market funds, which offer both an attractive interest rate, some of which track the bank rate, and instant access for flexibility of cash management.

TrI 7 - Local Prudential Indicator

17. In addition to the main maturity indicators it was agreed 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 5.3% (£13 million) in both 2052-53 and 2053-54. A summary maturity profile is shown in Appendix 1.

APPENDIX 2

SUMMARY OF LONG TERM BORROWING 1 APRIL 2011 – 30 SEPTEMBER 2011

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 restucture debt

** Loans taken for purchases instead of leasing

Maturity Profile at 30 September 2011

Year	Amount (£m)	%age	Average rate (%)
1 to 5 years	24.076	9.8	3.922
6 to 15 years	28.123	11.5	5.172
16 to 25 years	48.500	19.8	4.496
26 to 50 years	128.500	52.4	4.226
Over 50 years	16.000	6.5	4.287
Totals	245.199	100.0	4.212

Average period to maturity (years) **30.02**

SUMMARY OF TEMPORARY LOANS AND DEPOSITS 1 APRIL – 30 SEPTEMBER 2011

Deposits Outstanding at 30 September 2011

Borrower	Amount £m	Terms		Interest Rate	Sector Credit rating
HSBC Bank Plc - Treasury	2.000	No fixed maturity date		0.25	Green - 3 Months
Lloyds TSB Bank	5.000	Fixed to	10-Aug-12	2.15	Blue - 12 Months
Barclays Bank	15.000	Fixed to	16-Jan-12	1.12	Green - 3 Months
Lancashire County Council	8.000	Fixed to	04-Oct-11	0.55	AAA
CIC	8.000	Fixed to	15-Dec-11	0.97	Green - 3 Months
DZ Bank AG	8.000	Fixed to	15-Dec-11	0.90	Green - 3 Months
Nationwide Building Society	8.000	Fixed to	17-Oct-11	0.77	Green - 3 Months
Bank of Nova Scotia	4.000	Fixed to	17-Oct-11	0.52	Green - 3 Months
Overseas Chinese Banking Corp	8.000	Fixed to	01-Nov-11	0.78	Green - 3 Months
Lancashire County Council	7.000	Fixed to	08-Dec-11	0.65	AAA
Santander UK	0.014	No fixed maturity date		0.80	Green - 3 Months
Clydesdale Bank	14.071	No fixed maturity date		0.80	Green - 3 Months
Svenska Handelsbanken AB	7.946	No fixed maturity date		0.75	Green - 3 Months
Black Rock	0.036	No fixed maturity date		0.60	AAA
J P Morgan Money Market Funds	0.006	No fixed maturity date		0.61	AAA
Prime Rate Money Market Fund	4.972	No fixed maturity date		0.86	AAA
Heritable Bank	0.692	Est Recoverable Amount		6.00	N/A
Heritable Bank	0.461	Est Recoverable Amount		6.00	N/A
Heritable Bank	0.692	Est Recoverable Amount		6.00	N/A
Heritable Bank	0.232	Est Recoverable Amount		5.42	N/A
Landsbanki	2.409	Est Recoverable Amount		6.10	N/A
Total	**104.529**				

Outstanding deposits with Icelandic Banks are shown at the estimated recoverable amount, which takes account of estimated impairments and, in the case of Heritable, any repayments received to date. The interest rates are the original rates.

Transactions During the Period

Type	Balance 1 Apr 11 £m	Raised Value £m	Raised No.	Repaid Value £m	Repaid No.	Balance 30 Sep 11 £m	Interest Variance * High/Low(%)
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	25.416	132.000	17	81.928	10	75.488	2.15/0.52
- HSBC Overnight	0.400	184.150	62	182.550	63	2.000	0.25/0.25
- Call Accounts	17.259	7.986	19	3.215	4	22.030	0.80/0.75
- Money Market Funds	38.992	205.783	49	239.764	61	5.011	0.86/0.52
Total	**82.067**	**529.919**	**147**	**507.457**	**138**	**104.529**	

* Interest variance is the highest/lowest interest rate for transactions during the period.
* In terms of general deposits, the high of 2.15% was obtained on a 12 month deposit.

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