Wiltshire Council

Cabinet

16 September 2014

Subject:	**Report on Treasury Management Strategy 2014-15 – First Quarter ended 30 June 2014**
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 2014-15, which can be found in the Cabinet meeting on 11th February 2014 agenda in the reports pack at the following link, http://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=141&MId=7217&Ver=4, Item 9, Pages 201 to 283.

In addition to an Annual Report, the policy requires quarterly reports reviewing the Treasury Management Strategy (TMS). This is the first quarterly report of 2014-15 and covers the period from 1 April 2014 to 30 June 2014.

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 2014-15.

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

Carolyn Godfrey
Corporate Director

Wiltshire Council

Cabinet

16 September 2014

Subject:	**Report on Treasury Management Strategy 2014-15 – First Quarter ended 30 June 2014**
Cabinet member:	**Councillor Richard Tonge** **Finance, Performance, Risk, Procurement and Welfare Reform**
Key Decision:	**No**

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1. Background & Purpose of Report

1.1 The Council adopted a Treasury Management Strategy for 2014-15 at its meeting on 25 February 2014, 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 11 February 2014 agenda reports pack, Item 9, Pages 201 to 283 at http://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=141&MId=7217&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 first quarter of 2014-15, ended 30 June 2014.

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 30 June 2014;

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 2014-15

2.2 The following is a review of the position on the key prudential and treasury indicators for the three months to 30 June 2014.

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

PrI 2 – Ratio of Financing Costs to Net Revenue Stream

	2013-14 Actual Outturn	**2014-15 Original Estimate**	**2014-15 Revised Estimate**
General Fund	6.2%	7.1%	6.6%
Housing Revenue Account	15.3%	14.7%	14.9%

2.4 In PrI 2 above the General Fund revised estimate for 2014-15 is lower than the original due to a reduction in financing cost and a fall in expected investment income.

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

	2013-14 Actual Outturn £ million	**2014-15 Original Estimate £ million**	**2014-15 Revised Estimate £ million**
CFR – General Fund	348.6	438.7	410.5
CFR – HRA	122.6	122.6	122.6
Gross Borrowing – General Fund	245.2	305.1	263.1
Gross Borrowing – HRA	118.8	118.8	118.8
CFR not funded by gross borrowing – General Fund	**103.4**	**133.6**	**147.4**
CFR not funded by gross borrowing – HRA	**3.8**	**3.8**	**3.8**

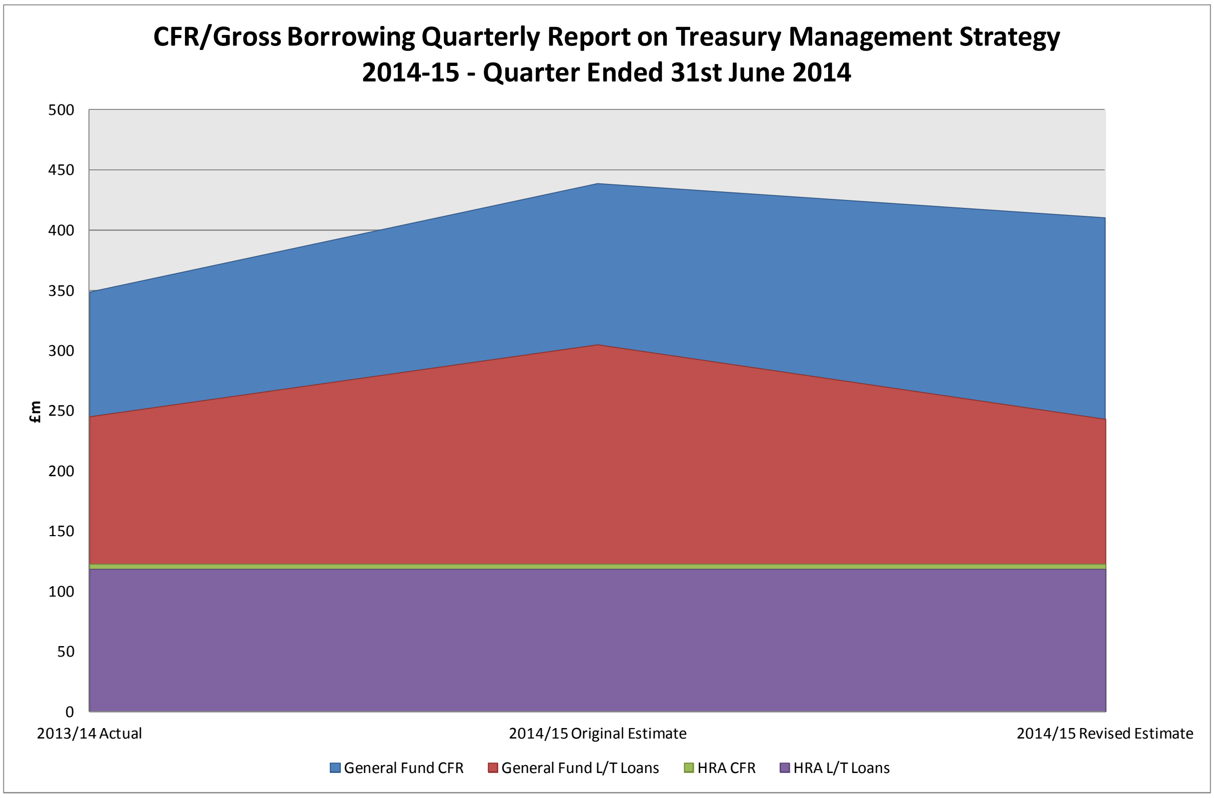
2.5 PrI 4 measures the so called “Golden Rule” which ensures that over the medium term net borrowing is only for capital purposes.

2.6 The main reasons for the difference in the 2014-15 revised and original estimates are:

a) a decrease in the capital financing requirement; and

b) a revision of the external borrowing requirement. It is anticipated that borrowing may increase in 2014-15 by approximately £20 million, any increase in capital financing requirement in excess of this being funded (internally) by a reduction in investments. Using ‘internal cash’, where it is available, to fund further increases in CFR, through cash flow management, rather than borrowing externally reduces the cost of borrowing, depending on duration, (from about 4.5%, externally, dependent on loan term, to 0.5%, internally).

The CFR not funded by gross borrowing is represented graphically as follows:



Key Treasury Management Indicators within the Prudential Code

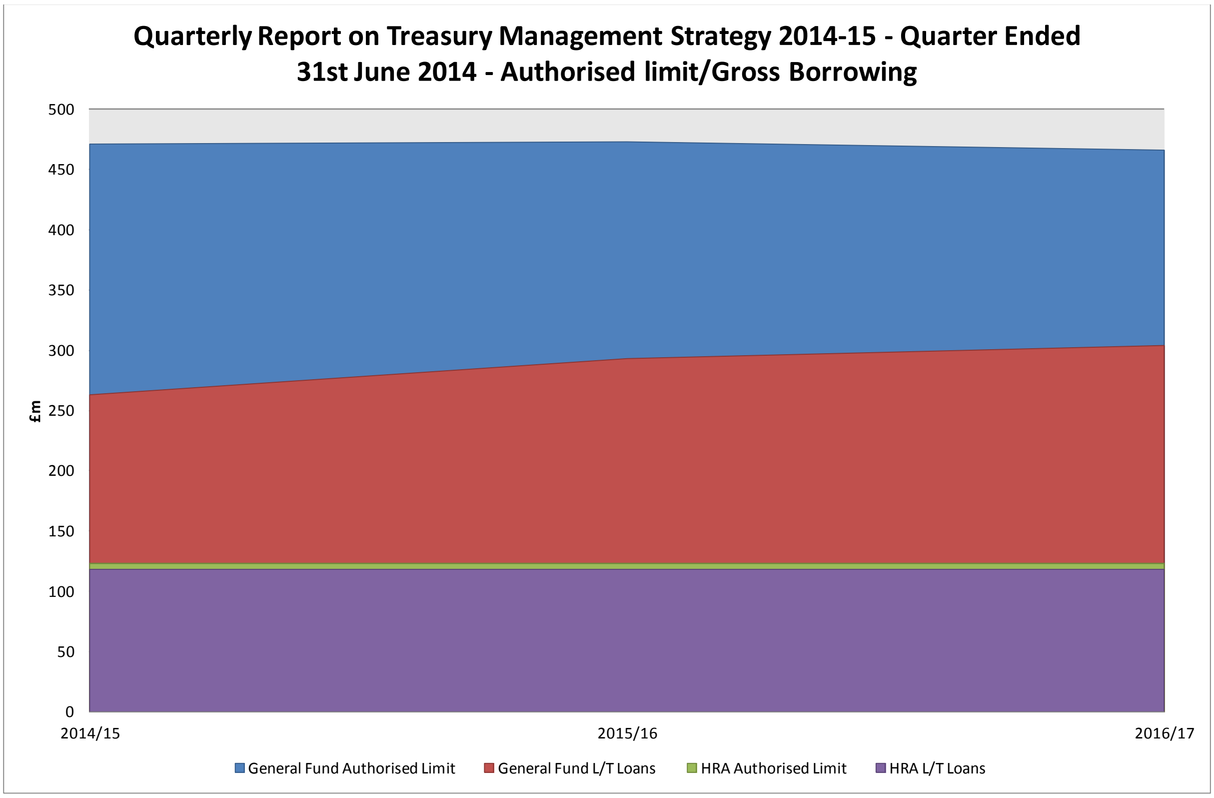
2.7 The Operational Boundary and Authorised Limit, as approved by Council in February as part of the Treasury Management Strategy, detailed below are control limits and do not compare with actual borrowing figures as capital funding requirements are not automatically taken as loans and may be funded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

TrI 1 – Authorised Limit for External Debt

Authorised Limit	**2014-15 £ million**	**2015-16 £ million**	**2016-17 £ million**
Borrowing – General Fund	471.2	473.2	466.1
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**594.6**	**596.6**	**589.5**

2.8 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.

2.9 This can be represented graphically against expected borrowing to show the expected 'gap' between the Authorised Limit and the expected debt:

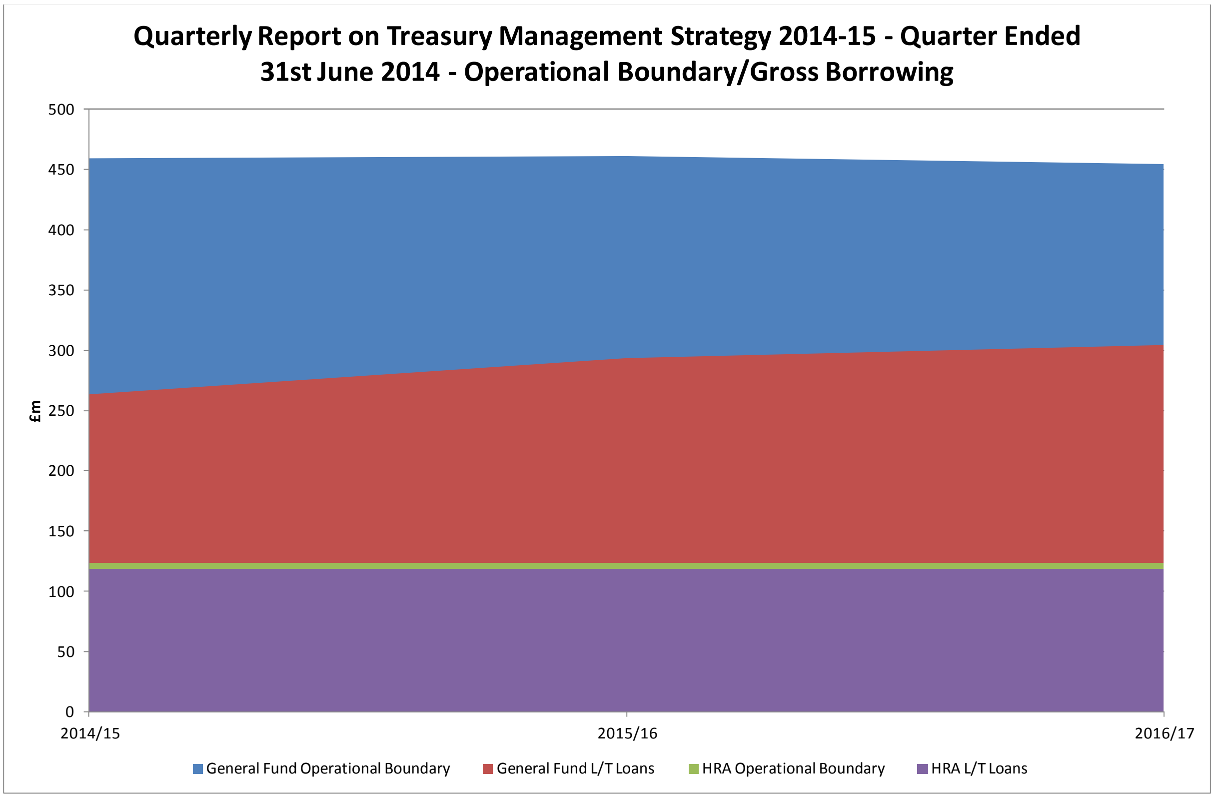


TrI 2 – Operational Boundary for External Debt

Operational Boundary	2014-15 £ million	2015-16 £ million	2016-17 £ million
Borrowing – General Fund	459.7	461.6	454.8
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**583.1**	**585.0**	**578.2**

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).

2.11 This can also be represented graphically against expected borrowing to show the expected 'gap' between the Operational Boundary and the expected debt:

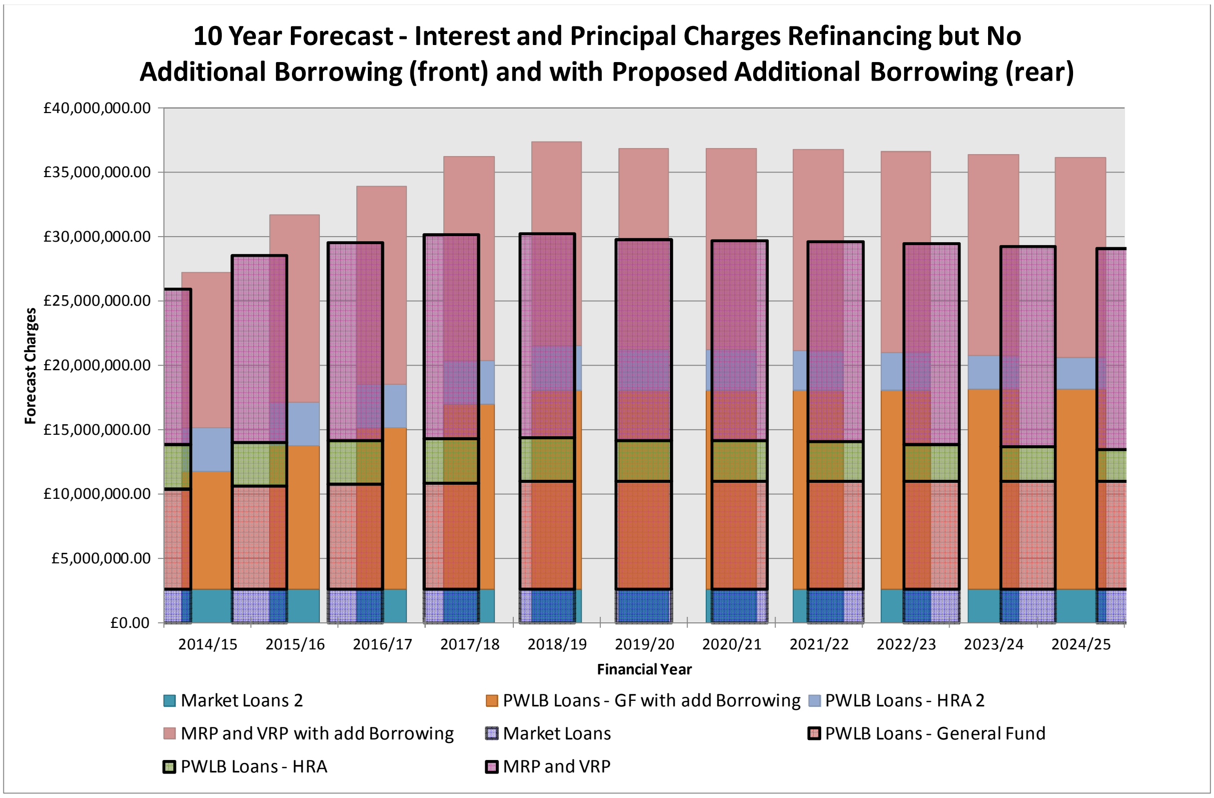


TrI 3 – External Debt

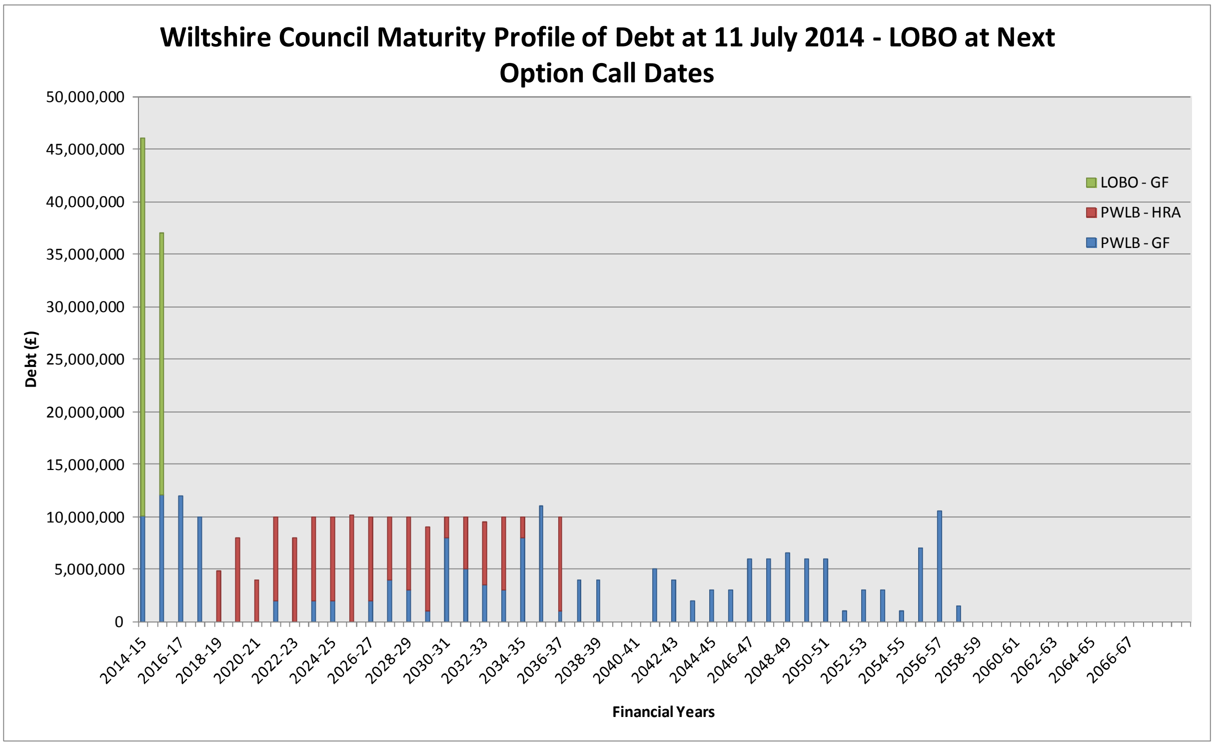
	31/03/14 Actual £ million	30/06/14 Actual £ million	31/03/15 Expected £ million
Borrowing – General Fund	245.2	243.2	263.1
Borrowing – HRA	118.8	118.8	118.8
Total Borrowing	**364.0**	**362.0**	**381.9**
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**364.2**	**362.2**	**382.1**

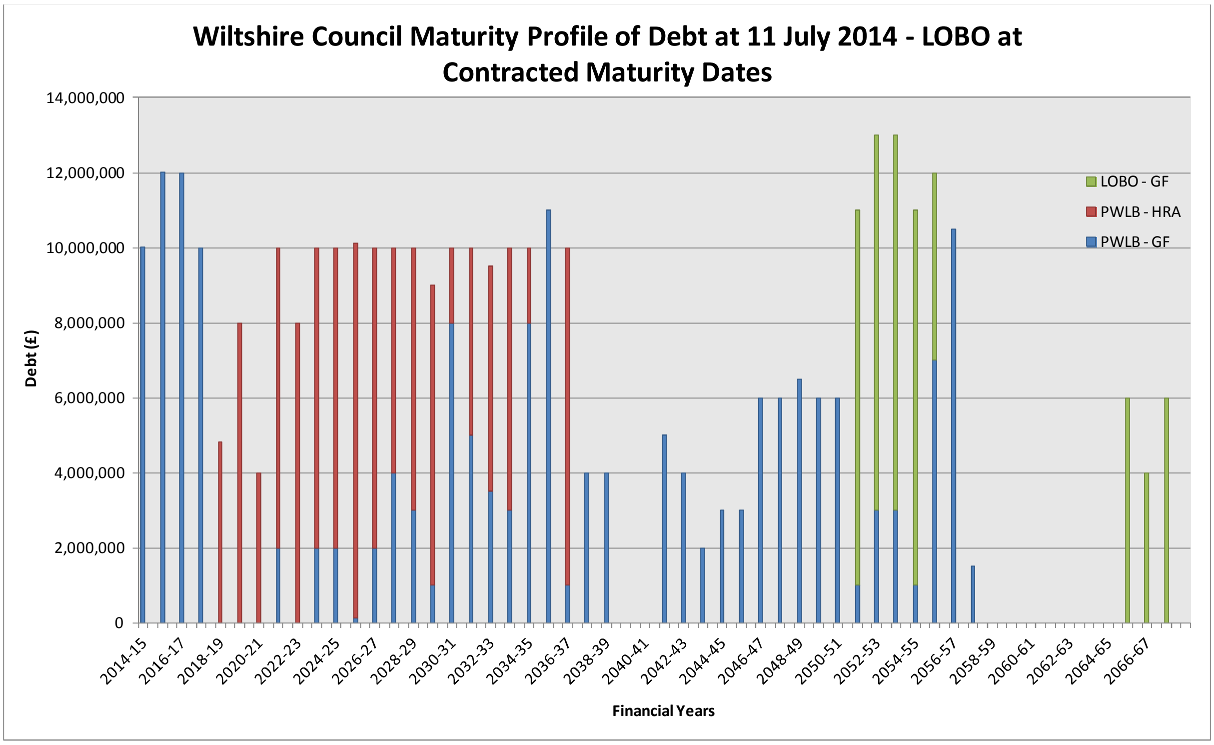
2.12 TrI 3 shows the gross External Debt outstanding, both long-term loans and temporary borrowing. A £2 million General Fund PWLB loan was repaid, on maturity, in June 2014. This has resulted in a reduction in borrowing, the repayment being contained within the Councils cash flow, through a reduction in investments rather than refinancing. The figure for actual borrowing at 31 March 2014 is stated at the amount that reflects actual outstanding external borrowing at the end of 2013-14 (i.e. excluding accounting adjustments, such as accrued interest and effective interest rate adjustments).

2.13 The total cost of borrowing to fund capital expenditure (General Fund and HRA) is currently £25.873 million per annum, made up of interest costs (£13.785) and principal charges (minimum revenue provision) (£12.088 million). A ten year forecast based on current borrowing with maturing loans being refinanced, compared with the proposed additional borrowing to fund major capital projects, mainly campuses, is given below:



2.14 The following graphs show the period over which the current external debt matures, based on: a) the earliest repayment date (next option call date) in the case of LOBO loans (see also Appendix 2), and b) LOBO loans at their contracted maturity dates:





Key Treasury Management Indicators within the Treasury Management Code

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

2.15 This TrI is now covered by the Annual Investment Strategy for 2014-15, which set a limit of £30 million. During the three months of 2014-15 no cost effective investments have been identified. The Authority however holds a number of money market funds and a 35 day notice deposit account, which offer attractive interest rates and, in the case of money market funds, instant access for flexibility of cash management.

TrI 7 - Local Prudential Indicator

2.16 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 12.7% (£46 million) in 2014-15. However, £36 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 move upwards, either in the last quarter of 2014 or the first quarter of 2015. However, interest rates are expected to increase slowly and it is, therefore, unlikely that these loans will be “called” in 2014-15. A summary maturity profile is shown in Appendix 2.

Other Debt Management Issues

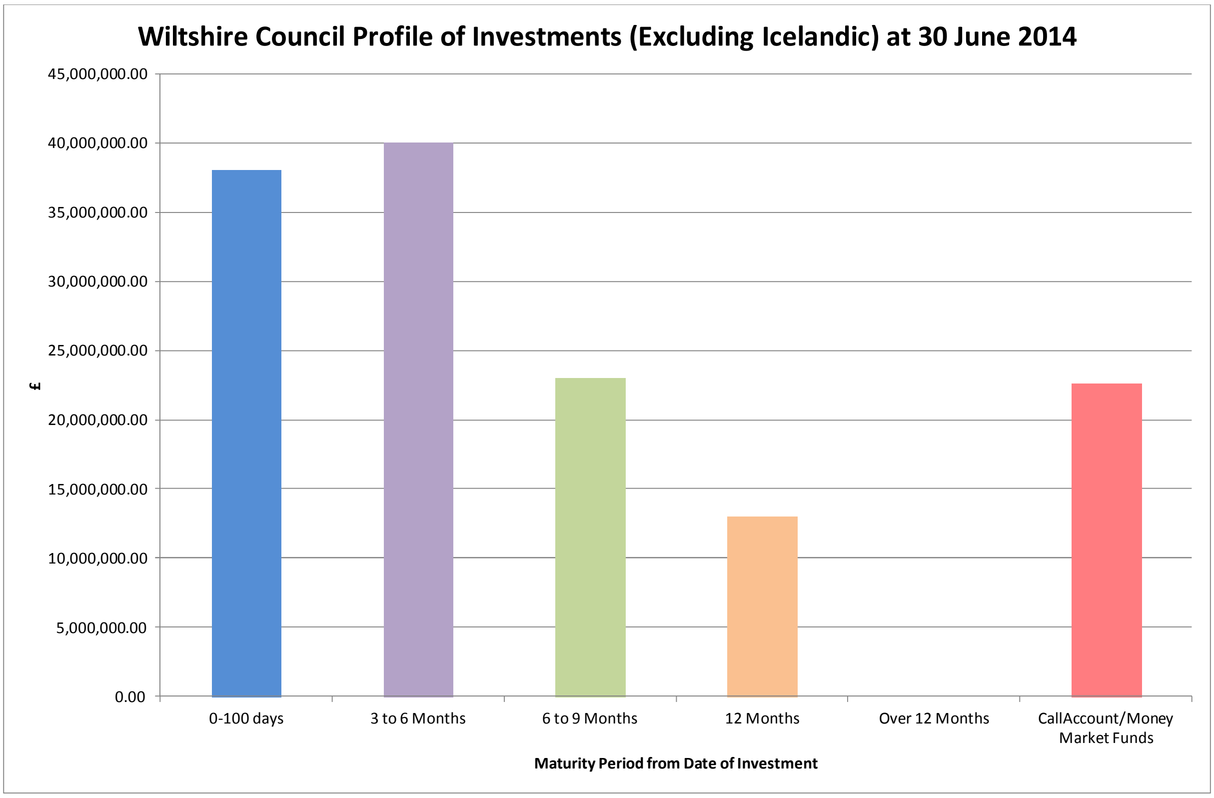
Debt Rescheduling

2.17 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

2.18 Any short term cash surpluses or deficits have been managed through temporary deposits or loans, respectively. Temporary deposits outstanding at 30 June 2014 amounted to £137.7 million, including outstanding Icelandic bank deposits (£1.159 million), shown at their current estimated recoverable amounts, as detailed in Appendix 3. The graph below shows the maturity profile of the Council's investments, excluding Icelandic bank deposits.



Icelandic Banks

2.19 There have been no further repayments from the Icelandic banks since those reported to Cabinet on 21 November 2013, as part of the quarterly report for the end of September 2013.

2.20 To date the Council has recovered approximately £10.2 million of the original £12 million deposited in 2008.

2.21 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.

2.22 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 that 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.

2.23 The Council has decided to continue with ongoing support from the Local Government Association (LGA) and Bevan Brittan in respect of its position now that several authorities have sold their claims. The Council, together with LGA/Bevan Brittan, will be reviewing the need for continuing support arrangements at the end of August 2014, when it is hoped the situation will become clearer.

Longer Term Cash Balances

2.24 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”.

2.25 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.

Review of Investment Strategy

2.26 The Treasury Management Strategy Statement (TMSS) for 2014-15, which includes the Annual Investment Strategy, was approved by the Council on 25 February 2014. It sets out the Council’s investment priorities as being:

a) Security of capital;

b) Liquidity; and

c) Yield.

2.27 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.

2.28 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.

2.29 Credit ratings are incorporated within the approved Investment Strategy as detailed within the Treasury Management Strategy 2014-15 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 3.798%, 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 availability of any longer term investment 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

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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 2014-15, 2015-16 & 2016-17
Appendix 2 Summary of Long Term Borrowing 1 April 2014 – 30 June 2014
Appendix 3 Summary of Temporary Loans and Deposits 1 April 2014 – 30 June 2014

APPENDIX 1

Prudential and Treasury Indicators for 2014-15, 2015-16 & 2016-17

Prudential Indicators

PrI 1 – Capital Expenditure

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

	2013-14 Actual Outturn £ million	2014-15 Original Estimate £ million	2014-15 Revised Estimate £ million	2014-15 Actual To date 30/06/14 £ million
General Fund	84.5	132.1	175.7	7.6
HRA	6.2	10.2	15.0	0.5

2. The (revised) estimate for 2014-15 has increased since the original estimate was formulated 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 Capital Programme is monitored closely throughout the year and progress on the programme is reported to the Cabinet Capital Asset Committee (CCAC). The Month 4 2014-2015 report (as at 31 July 2014) was taken to CCAC on 16 September 2014.

PrI 2 – Ratio of Financing Costs to Net Revenue Stream

	2013-14 Actual Outturn	2014-15 Original Estimate	2014-15 Revised Estimate
General Fund	6.2%	7.1%	6.6%
Housing Revenue Account	15.3%	14.7%	14.9%

The General Fund revised estimate for 2014-15 is lower than the original due to a reduction in financing cost estimates and a fall in expected investment income.

Prudential and Treasury Indicators for 2014-15, 2015-16 & 2016-17

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 2014-15 was calculated as being £-4.39.

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

	2013-14 Actual Outturn £ million	**2014-15 Original Estimate £ million**	**2014-15 Revised Estimate £ million**
CFR – General Fund	348.6	438.7	410.5
CFR – HRA	122.6	122.6	122.6
Gross Borrowing – General Fund	245.2	305.1	263.1
Gross Borrowing – HRA	118.8	118.8	118.8
CFR not funded by gross borrowing – General Fund	**103.4**	**133.6**	**147.4**
CFR not funded by gross borrowing – HRA	**3.8**	**3.8**	**3.8**

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

6. 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).

7. 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 borrowing with external borrowing.

8. The main reason for the difference in the 2014-15 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 borrowing may increase in 2014-15 by approximately £20 million, any increase in capital financing requirement in excess of this being funded (internally) by a reduction in investments. Using ‘internal cash’, where it is available, to fund further increases in CFR, through cash flow management, rather than borrowing externally reduces the cost of borrowing, depending on duration, (from about 4.5%, externally, dependent on loan term, to 0.5%, internally); and

Prudential and Treasury Indicators for 2014-15, 2015-16 & 2016-17

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

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

Treasury Management Indicators within the Prudential Code

10. 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.

TrI 1 – Authorised Limit for External Debt

Authorised Limit	2014-15 £ million	2015-16 £ million	2016-17 £ million
Borrowing – General Fund	471.2	473.2	466.1
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**594.6**	**596.6**	**589.5**

11. 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	2014-15 £ million	2015-16 £ million	2016-17 £ million
Borrowing – General Fund	459.7	461.6	454.8
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**583.1**	**585.0**	**578.2**

12. 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 2014-15, 2015-16 & 2016-17

TrI 3 – External Debt

	31/03/14 Actual £ million	30/06/14 Actual £ million	31/03/15 Expected £ million
Borrowing – General Fund	245.2	243.2	263.1
Borrowing – HRA	118.8	118.8	118.8
Total Borrowing	**364.0**	**362.0**	**381.9**
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**364.2**	**362.2**	**382.1**

13. TrI 3 shows the gross External Debt outstanding, both long-term loans and temporary borrowing. A £2 million General Fund PWLB loan was repaid, on maturity, in June 2014. This has resulted in a reduction in borrowing, the repayment being contained within the Councils cash flow, through a reduction in investments rather than refinancing. The figure for actual borrowing at 31 March 2014 is stated at the amount that reflects actual outstanding external borrowing at the end of 2013-14 (i.e. excluding accounting adjustments, such as accrued interest and effective interest rate adjustments).

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 2014-15 to 2016-17 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 50% for 2014-15, 50% for 2015-16 and 55% for 2016-17 of net outstanding principal sums.

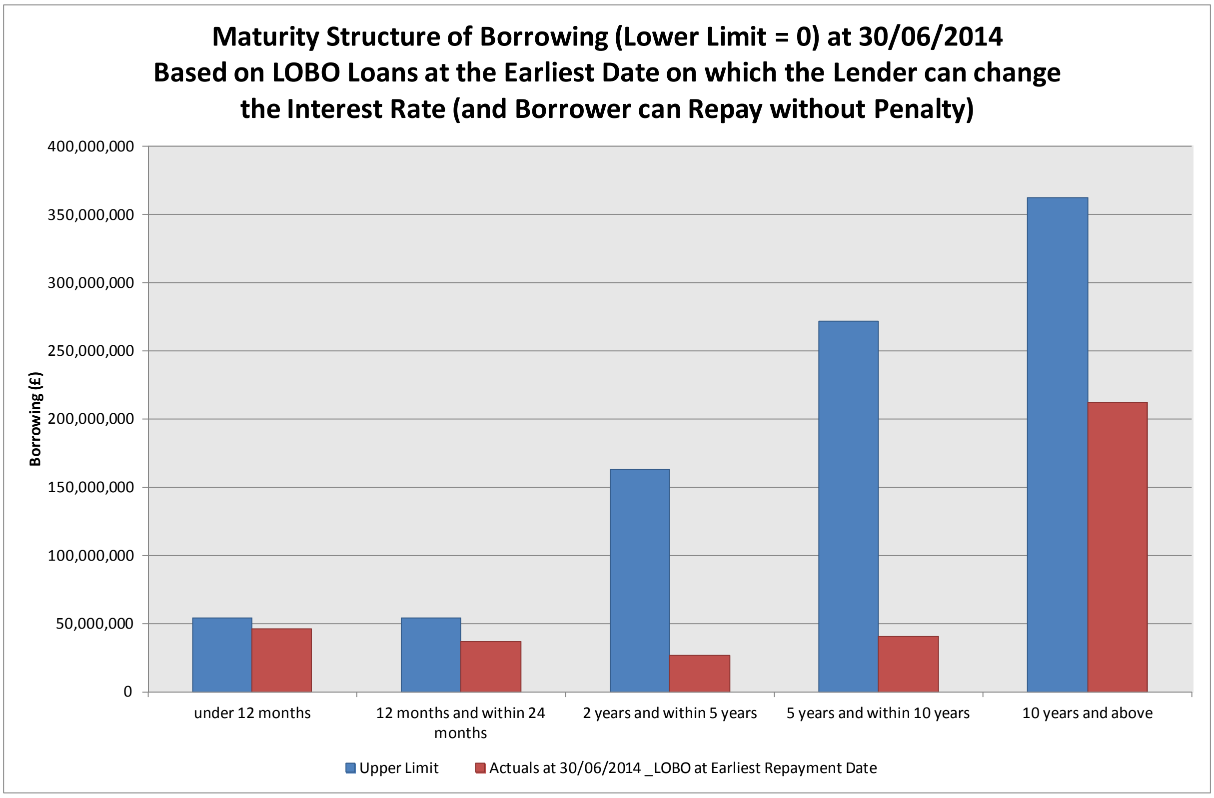
14. Options for borrowing during the period were considered, however, (mainly) due to the premium that would be incurred on the early repayment of debt and the desire to maintain the Council’s relatively low average borrowing rate, no new borrowing was taken.

Prudential and Treasury Indicators for 2014-15, 2015-16 & 2016-17

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

Limits on the Maturity Structure of Borrowing	Upper Limit	Lower Limit	Position at 31/06/14
Maturing Period:			
- under 12 months	15%	0%	13%
- 12 months and within 24 months	15%	0%	10%
- 2 years and within 5 years	45%	0%	7%
- 5 years and within 10 years	75%	0%	11%
- 10 years and above	100%	0%	59%

15. The table above and the following graph show that the actual maturity structure is within the agreed limits.



16. 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

17. This PrI is now covered by the Annual Investment Strategy for 2014-15, which set a limit of £30 million, as approved by Council in February as part of the Treasury Management Strategy. During the first three months of 2014-15 no cost effective investments have been identified. The Authority however holds

Prudential and Treasury Indicators for 2014-15, 2015-16 & 2016-17

a number of money market funds and a 35 day notice deposit account, which offer competitive interest rates and, in the case of money market funds, instant access for flexibility of cash management.

TrI 7 - Local Prudential Indicator

18. 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 12.7% (£46 million) in 2014-15. However, £36 million relates to LOBO loans and, although interest rates are likely to move upwards, either in the last quarter of 2014 or the first quarter of 2015, they are expected to increase slowly thereafter and it is, therefore, unlikely that these loans will be “called” in 2014-15. A summary maturity profile is shown in Appendix 2.

SUMMARY OF LONG TERM BORROWING 1 APRIL 2014 – 30 JUNE 2014

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 ** Loans taken for purchases instead of leasing

Maturity Profile at 30 June 2014

Year	Amount (£m)					% age		Average rate (%)	
		Market Loans (LOBO)		Total					
	PWLB	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	48.842	61.000	-	109.842	48.842	30.3	13.5	3.910	3.360
6 to 15 years	90.123	-	-	90.123	90.123	24.9	24.9	3.013	3.013
16 to 25 years	87.500	-	-	87.500	87.500	24.2	24.2	3.872	3.872
26 to 50 years	74.500	-	45.000	74.500	119.500	20.6	33.0	4.497	4.449
Over 50 years	-	-	16.000	-	16.000	-	4.4	-	4.298
Totals	300.965	61.000	61.000	361.965	361.965	100.0	100.0	3.798	3.793

Average period to maturity (years) **15.61** **24.65**

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 time and the pattern of any future interest rate rises will almost certainly be a slow rise over a number of years, indicate that it is highly unlikely that lenders will call the loans in the immediate furture.

The alternative method of determining the maturity profile of LOBO loans, based on contracted maturity dates, is used in the 2013-14 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 2014 – 30 JUNE 2014

Deposits Outstanding at 30 June 2014

Borrower	Amount £m	Terms		Interest Rate	Sector Credit Rating at 30/06/2014
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	No Rating (rating suspended 13 March 2014)
DBS Bank Ltd.	8.000	Fixed to	13-Oct-14	0.50	Purple - 24 Months
Standard Chartered Bank	8.000	Fixed to	14-Oct-14	0.61	Red - 6 Months
Canadian Imperial Bank of Commerce	8.000	Fixed to	16-Jul-14	0.50	Orange - 12 Months
Nationwide Building Society	8.000	Fixed to	01-Jul-14	0.47	Green - 100 days
National Bank of Abu Dhabi	8.000	Fixed to	01-Oct-14	0.52	Red - 6 Months
National Australia Bank	8.000	Fixed to	01-Oct-14	0.49	Orange - 12 Months
Commonwealth Bank of Australia	6.000	Fixed to	01-Jul-14	0.42	Orange - 12 Months
Barclays Bank	8.000	Fixed to	15-Jul-14	0.44	Green - 100 days
Australia and New Zealand Bank	8.000	Fixed to	31-Oct-14	0.49	Orange - 12 Months
Deutsche bank	8.000	Fixed to	12-Aug-14	0.46	Green - 100 days
Lloyds TSB Bank	7.000	Fixed to	16-Feb-15	0.80	Blue - 12 Months
Overseas Chinese Banking Corporation	8.000	Fixed to	16-Feb-15	0.57	Orange - 12 Months
Nodea Bank Finland	8.000	Fixed to	15-Aug-14	0.51	Orange - 12 Months
Svenska Handelsbanken AB	7.826	No fixed maturity date		0.50	Orange - 12 Months
BlackRock Money Market Fund	0.059	No fixed maturity date		0.39	AAA
J P Morgan Money Market Fund	0.005	No fixed maturity date		0.30	AAA
Prime Rate Money Market Fund	0.070	No fixed maturity date		0.41	AAA
Goldman Sachs	0.009	No fixed maturity date		0.37	AAA
Ignis Money Market Fund	14.591	No fixed maturity date		0.43	AAA
Heritable Bank	0.000	Est Recoverable Amount		6.00	N/A
Heritable Bank	0.000	Est Recoverable Amount		6.00	N/A
Heritable Bank	0.000	Est Recoverable Amount		6.00	N/A
Heritable Bank	0.000	Est Recoverable Amount		5.42	N/A
Landsbanki	1.138	Est Recoverable Amount		6.10	N/A
Landsbanki	0.021	Est Recoverable Amount		4.17	N/A
Total	**137.719**				

***The suggested duration associated with Ulster Bank was 12 months (Blue - Government backed as part of RBS Group) at the time the deposit was taken out. However, since that time, following a review, the banks credit rating has been downgraded by Moodys Rating Agency and Capita Asset Services suspended their rating on 13 March 2014, although they remain Government backed as part of the RBS Group and still retain parental support.**

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 (30 June 2014). Following the last (significant) repayment, the estimated recoverable amounts relating to the Heritable Bank investments have been reduced to nil, on the basis of current indications, that there may not be any further repayments, a recovery level of 94% having been attained. 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 at the end of the first quarter of 2014-15 (as highlighted) are £61.392 million higher than they were at 31st March 2014. This is due to the timing of cash flows, particularly in respect of the 'front loading' of funding since the change in the collection of National Non-domestic (Business) Rates (NNDR) under Business Rates Retention.

APPENDIX 3 (ii)

SUMMARY OF TEMPORARY LOANS AND DEPOSITS 1 APRIL 2014 – 30 JUNE 2014

Transactions During the Period

Type	Balance 1 Apr 14 £m	Raised		Repaid		Balance 30 June 14 £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	38.159	93.000	12	16.000	2	115.159	1.01/0.42
- HSBC Overnight	1.500	62.300	26	63.800	26	0.000	0.20/0.20
- Call Accounts	0.020	7.806	2	0.000	0	7.826	0.55/0.45
- Money Market Funds	36.648	108.837	32	130.751	31	14.734	0.43/0.30
Total	**76.327**	**271.943**	**72**	**210.551**	**59**	**137.719**	

* 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.