

**AGENDA ITEM: 17**

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|----------------|---|
| Meeting        | Cabinet Resources Committee   |
| Date           | 27 September 2011   |
| <b>Subject</b> | <b>Treasury Management Outturn for quarter ended 30 June 2011</b>         |
| Report of      | Cabinet Member for Resources and Performance                              |
| Summary        | To report on Treasury Management activity for quarter ended 30 June 2011. |

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| Officer Contributors   | John Hooton - Assistant Director of Strategic Finance<br>Nirpal Bharaj – Interim Head of Treasury and Pensions<br>Iain Millar – Head of Treasury and Pensions  |
| Status (public or exempt)                                    | Public   |
| Wards affected   | Not applicable   |
| Enclosures   | Appendix A – Money Market and PWLB Rates<br>Appendix B – Deposits as at 30 June 2011 with Credit Ratings<br>Appendix C – Compliance with Prudential Indicators<br>Appendix D – List of School Banking Institutions<br>Appendix E – Barnet Credit Profile |
| For decision by  | Cabinet Resources Committee  |
| Function of  | Executive  |
| Reason for urgency / exemption from call-in (if appropriate) | Not applicable   |

Contact for further information: Iain Millar, Head of Treasury and Pensions, 020 8359 7126.

## **1. RECOMMENDATIONS**

- 1.1 That the Treasury Management activity and position for first quarter ended June 2011 be noted.**
- 1.2 That the Committee consider any areas on which it would like to receive further information.**
- 1.3 That the Committee notes the Council's response to recent market uncertainty which is set out in sections 9.1.4 and 9.9.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Leader of the Council and Cabinet Member for Resources approved under delegated powers (DPR 712) on 5 December 2008 the Treasury Management Strategy 2008/09 – Deposit Counterparty Limits.
- 2.2 Cabinet Resources Committee, 16 March 2010 (Decision item 9) – Treasury Management Strategy 2010/11.
- 2.3 Special Committee (Constitution Review), 25 March 2010 (Decision item 8) – Amending the Council's Financial Regulations.
- 2.4 Cabinet Resources Committee, 30 November 2010 (Decision item 6) Amending the Treasury Management Strategy 2010/11.
- 2.5 Council, 1 March 2011 (Decision item 10 – Treasury Management Strategy 2011/12.
- 2.6 Cabinet Resources Committee 29 June 2011 (Decision item 6) - Treasury Management Outturn for the year ended 31 March 2011

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Treasury Management Strategy (TMS) ensures effective treasury management supports the achievement of the Council's corporate priority for 2010-2013, 'Better services with less money', through the strategic objective "manage resources and assets effectively and sustainably across the public sector in Barnet". The TMS is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and deposit portfolios.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The management of the Council's cash flow ensures the availability of adequate monies to pay for the delivery of the authority's public duties.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1.1 The purpose of the treasury function is to maximise the Council's budget for investment return and minimise interest costs in accordance with the risk strategy set out in the TMS.
- 6.1.2 The total value of long term loans as at 31 March 2011 was £202.50m and for the quarter ended 30 June 2011 was £201.50m. The average cost of borrowing for quarter ending 30 June 2011 was at 4.10%.
- 6.1.3 At 30 June 2011, deposits outstanding amounted to £170.65m (including £5.97m of Icelandic impairments), achieving an average rate of return of 0.475% (adjusted for Icelandic deposits) against a benchmark of 0.44%. A list of deposits outstanding and counterparty credit ratings as at quarter end 30 June 2011 is attached as Appendix B.
- 6.2 In response to market uncertainty the Council has restricted its investment criteria which may impact on investment performance later in the year. The wider financial implications for the Council are dealt with in section 9 of this report.

## **7. LEGAL ISSUES**

- 7.1 These are addressed in the body of this report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Financial Regulations (Part 1, Section 7) within the Council Constitution state:
- (1) This organisation adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that Code.
  - (2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.
  - (3) The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMP's) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  - (4) The content of the policy statement and TMP's will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.
  - (5) Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMP's. These reports will incorporate the prudential borrowing limits and performance indicators.
- 8.2 Constitution - Responsibilities for Functions, Section 3.6 states that a function of the Cabinet Resources Committee is to "consider reports on Treasury Management Strategy and activity, including creating and maintaining a Treasury Management Policy Statement."

## **9. BACKGROUND INFORMATION**

### **9.1 Treasury Management Strategy**

- 9.1.1 The Council's amended Treasury Management Strategy 2010/11 was approved at Cabinet Resources Committee on 30 November 2010. The TMS 2010/11 reflects the Council Budget 2010-2011 Financial Forward Plan and Capital Programme. They set out the timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing.
- 9.1.2 The key changes introduced by the amended Treasury Management Strategy 2010/2011 were:
- (i) The extension of the maximum permissible duration of investments from 92 days to 364 days to bring the strategy in line with that of other local authorities and to enable a higher rate of return on investments.
  - (ii) The adoption of the Arlingclose (the Council's treasury advisors) counterparty list which includes the Debt Management Account Deposit Facility, T-Bills, UK local authorities, UK and non-UK banks and AAA-rated Money Market Funds.
- 9.1.3 The Treasury Management Strategy 2011/12 was approved by Council on the 1<sup>st</sup> of March 2011 and incorporated the key changes set out in 9.1.2. above.
- 9.1.4 The TMS is under constant review to reflect market conditions and the financing requirements of the Council. The Council's treasury advisers Arlingclose are not recommending we adjust or tighten the current strategy. However given current market uncertainty, in consultation with the treasury adviser, officers have followed a more cautious strategy for new investments by:
- i) Shortening the permitted duration of investments. (Arlingclose have recommended reducing maximum duration for new investments from 365 days to 6 months).
  - ii) Tightening counterparty criteria, restricting investment to UK, Canadian and Australian institutions.

Our treasury advisers Arlingclose are not recommending that the Council formally revises the current treasury management strategy, and this report therefore asks the Committee to note the cautious approach rather than approve a revision to the strategy.

### **9.2 Icelandic Bank Deposits**

- 9.2.1 Following the latest guidance issued by CIPFA in May 2011 (LAAP Bulletin Update 4), the following is now known:

#### Glitnir and Landisbanki

It has been reported that Local authorities with investments in Iceland's above mentioned banks have gained priority status as creditors. A ruling by Iceland's district court means that the deposits placed by UK wholesale depositors will now have priority in the winding up of the two banks mentioned above. If priority status is awarded, 94.85% recovery is expected.

9.2.2 However, the decision has now been appealed. The Council's external legal advisers on this matter, Bevan Brittan Solicitors, are of the view that the appeal will be heard in September 2011. An update will be provided to the Committee once the appeal has been heard.

9.2.3 The additional potential cost should priority **status** as creditors be challenged successfully, is estimated at £14.1m, and this could crystallise in accordance with events in the judicial process. The Council applied for a capitalisation direction in 2010/11 to provide additional flexibility in dealing with the potential additional cost, but this was declined by government. A key aim of Financial Strategy is therefore to set aside sufficient revenue funding in the risk reserve. Should this risk crystallise prior to sufficient funds being identified in the risk reserve, other reserves would need to be utilised and then replenished as a priority within the Financial Strategy.

### **9.3 Economic Background for quarter ended 30 June 2011**

9.3.1 Inflationary pressures continued to build as oil and other food commodities resumed their surge. Oil returned to record levels as tensions in the Middle East spilt over and OPEC (Organisation of Petroleum Exporting Countries) failed to agree supply levels at its June meeting. Consumer Price Inflation rose to 4.5%. The Bank of England's May Inflation Report downgraded the UK's economic growth forecast whilst raising the potential inflation near term shocks.

The focus of the Bank of England's Monetary Policy Committee was concentrated on the lacklustre outlook for economic growth. Although the economy grew by 0.5% in Q1 2011, over a six-month period to March, growth was flat. For households and the consumer there was little cheer : increases in wage growth were more than outstripped by inflation, mortgage approvals slumped in April to their lowest level since the data series began in 1993 and house prices remained in the doldrums. The concerns about growth were further triggered by a fall in the Purchasing Managers' Index (PMI) which showed that manufacturing activity fell to a 20 month low. Official interest rates were maintained at 0.5%. The International Monetary Fund stated that monetary policy was "appropriate" in its latest survey of the UK economy.

In Europe, rates were also maintained by the European Central Bank (ECB) at 1.25% but ECB President, Jean-Claude Trichet, re-emphasised the ECB's vigilance towards inflationary pressures signalling a further tightening at its July meeting.

Greece's funding woes became acute and the country's sovereign rating slid further down the non-investment scale. The second tranche of the IMF/EU bailout was conditional on passing – and delivering – on the badly-needed austerity plans and the sale of state assets. Portugal was downgraded to junk status by Moody's and the threat of contagion cast a shadow over the Eurozone and its financial institutions. Moody's also announced a review of over 14 UK institutions in June which the agency expected to take around 3 months to complete.

UK Government gilts were the beneficiary of the poor growth outlook and the turmoil in Europe. This was manifested in 5-year gilt yields falling to 1.84% and 10-year yields falling to 3.13% on 24th June, their lowest levels in 2011.

9.3.2 The TMS will be kept under review specifically in terms of market conditions, benchmarks and yield.

## 9.4 Debt Management

9.4.1 The total value of long term loans as at 31 March 2011 was £202.50m and for the quarter ended 30 June 2011 was £201.50m. The average cost of borrowing for quarter ending 30 June 2011 was at 4.10%.

9.4.2 Given the significant cuts to local government funding putting pressure on Council finances, the decision was taken to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant (just over 3%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. This position will be reviewed following a full 2010/11 balance sheet review that will be undertaken by Arlingclose.

9.4.3 The Council's long term debt position at the beginning and end of quarter ended 30 June 2011 was as follows:

|                 | 30 June 2011 |              | 31 March 2011 |              |
|-----------------|--------------|--------------|---------------|--------------|
|                 | Principal    | Average Rate | Principal     | Average Rate |
| PWLB            | £139.00m     | 4.19%        | £140.00m      | 4.19%        |
| Market          | £ 62.50m     | 3.91%        | £ 62.50m      | 3.91%        |
| Total Borrowing | £201.50m     | 4.10%        | £202.50m      | 4.10%        |

9.4.4 The Council's long-term debt portfolio is a mixture of PWLB and market loans in the form of LOBOs (Lender's Option Borrower's Option), loans that are at a fixed interest rate for an initial period, following which the lender can change the interest rate but the borrower has the option to repay the loan if the rate is changed and not considered value for money.

9.4.5 In order to comply with accounting standards for financial instruments, some of the market loans in the debt portfolio have been recalculated on an effective interest rate basis as opposed to being calculated on an amortised cost basis. The total value of loans in question before re-measurement was £9.5m; and additional charge of £0.36m has now been added to the carrying value of these loans.

9.4.6 Money Market data and PWLB rates are attached at Appendix A.

9.4.7 PWLB Borrowing: Despite the issue of Circular 147 in October 2010, where new borrowing rates for fixed loans increased by approximately 0.87% across all maturities, the PWLB remains the preferred source of borrowing for the Council as it offers flexibility and control.

9.4.8 Alternative Sources: Whilst there are increasing claims that a competitive, comparable equivalent to PWLB is readily available, the Council will continue to adopt a cautious and considered approach to funding from the capital markets. The Council's treasury advisor is actively consulting with investors, investment banks, lawyers and credit rating agencies to establish the attraction of different sources of borrowing, including bond schemes, loan products and their related risk/reward trade off.

## **9.5 Investment Performance**

- 9.5.1 The CLG's revised Investment Guidance came into effect on 1 April 2010 and reiterated the need to focus on security and liquidity, rather than yield. Security of capital remained the Authority's main investment objective. This was maintained by following and complying with the counterparty policy as out in the Treasury Management Strategy 2010/11.
- 9.5.2 Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The credit score analysis is attached at Appendix E.
- 9.5.3 Deposits are managed internally. At 30 June 2011, deposits outstanding amounted to £170.65m (including £5.97m of Icelandic impairments), achieving an average rate of return of 0.475% (adjusted for Icelandic deposits) against a benchmark of 0.44%.
- 9.5.4 The benchmark is the average 7-day LIBID rate is provided by the authority's treasury advisors Arlingclose. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

## **9.6 Prudential Indicators**

- 9.6.1 The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of its indebted status. This is a statutory limit which should not be breached. The Council's Authorised Limit (also known as the Affordable Borrowing Limit) was set and approved at £463.818 million.
- 9.6.2 The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included with the Authorised Limit. The Council's Operational Boundary for 2011/2012 was set and approved at £448.818m.
- 9.6.3 During the quarter end to 30 June 2011 there were no breaches of the Authorised Limit and the Operational Boundary.
- 9.6.4 Further details of compliance with prudential indicators are contained in Appendix C.

## **9.7 Compliance**

- 9.7.1 The current 2011/2012 TMS was approved by Council on 1 March 2011. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.
- 9.7.2 As at quarter end 30 June 2011, the Council had deposits outstanding with a total value of £170.65m (£5.97m of which is Icelandic impairments) of which four Icelandic deposits totalling £27.4m fell outside the TMS as approved on 1 March 2011. A list of deposits outstanding and counterparty credit ratings as at quarter end 30 June 2011 is attached as Appendix B.

- 9.7.3 All Deposits placed during the quarter ended 30 June 2011 were compliant with the TMS as approved on 1 March 2011.
- 9.7.4 Treasury management procedures are monitored and reviewed in light of CIFPA guidance and current market conditions.
- 9.7.5 The Department of Education have recently changed their guidance on schools banking arrangements. The new guidance requires schools to bank with institutions that meet the requirements of approved counterparties as identified in the Treasury Management Strategy. Appendix D contains a list of schools that currently bank with institutions that fall outside the Treasury Management Strategy. Work is underway to transfer bank accounts to the approved list of banks and close bank accounts with those banks not on the approval list. Four schools were in discussion to transfer funds from Allied Irish Bank. Two of the schools have already transferred surplus funds from Allied Irish Bank and one is in the process of doing so soon. Bank accounts for two schools have also been opened with the Co-operative Bank.. Work is in progress to open and transfer accounts for the remaining two schools

## 9.8 Reform of Council Housing Finance

- 9.8.1 In the publication Implementing Self-Financing for Council Housing issued in February 2011 the CLG set out the rationale, methodology and financial parameters for the initiative. Subject to the Localism Bill receiving Royal Assent and a commencement order being passed, the proposed transfer date is Wednesday 28<sup>th</sup> March 2012 (in line with PWLB timetables on the payment/receipt of funds to clear by the 31<sup>st</sup> of March 2012).
- 9.8.2 The self-financing model provides an indicative sustainable level of opening housing debt. As the Council's debt level generated by the model is higher than the Subsidy Capital Financing Requirement (SCFR), the Council will be required to pay the CLG the difference between the two, which is approximately £118m. This will require the Council to fund this amount in the medium term through internal resources and/or external borrowing. The Council has the option of borrowing from the PWLB or the market.
- 9.8.3 The treasury management implications of HRA reform and an appropriate strategy to manage the process are being actively reviewed with the Council's Treasury Advisor and includes a thorough balance sheet analysis to ensure that the General Fund and the HRA SCFR's are accurate, including an estimate of the 2011/12 position upon which the significant reform settlement will be applied.

## 9.9 Outlook for Q2 2011

- 9.9.1 Financial markets are extremely nervous and are suffering from extreme changes in sentiment. The stresses are most extreme in Europe where the lack of real progress in resolving the sovereign indebtedness problem is affecting even the stronger Euroland countries
- 9.9.2 At the time of writing this activity report, the outlook for interest rates is as follows:

|                    | Sep-11 | Dec-11 | Mar-12 | Jun-12 | Sep-12 | Dec-12 | Mar-13 | Jun-13 | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Sep-14 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk        | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Central case       | 0.50   | 0.75   | 1.00   | 1.25   | 1.50   | 1.75   | 2.00   | 2.25   | 2.50   | 2.75   | 3.00   | 3.00   | 3.00   |
| Downside risk      |        | -0.25  | -0.25  | -0.25  | -0.50  | -0.50  | -0.50  | -0.50  | -0.50  | -0.50  | -0.50  | -0.50  | -0.50  |



- 9.9.3 The higher inflation projection and the weaker outlook for growth, increases the dilemma for the Bank of England. Given the precarious outlook for growth, rates will rise if there is firm evidence the economy has survived the fiscal consolidation or there is sustained inflationary pressure over the coming months.
- 9.9.4 The war of nerves between the ECB, EU ministers, IMF and Greece will create volatility in the near term for the bond markets.
- 9.9.5 Consumer Price Index (CPI) has remained persistently high, currently at 4.40% (July). Despite the reduction in petrol prices, double digit gas and electricity price hikes could push inflation close to 5% in 2011. CPI is forecast to remain above the Bank of England's 2% target throughout 2012.
- 9.9.6 Retail sales are contracting. Consumer spending has not shown any growth over the year due to a fall in disposable income, weak house price growth and a lack of consumer confidence. Confidence Unemployment is close to 2.5 million and will increase as the public sector shrinks but the private sector employment grows at only a modest pace.

### **Summary**

In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first quarter of the financial year 2011/12. As indicated earlier in this report, none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal – SWS

Finance: –

## Appendix A

**Table 1: Bank Rate, Money Market Rates**

| Date       | Bank Rate | O/N LIBID | 7-day LIBID | 1-month LIBID | 3-month LIBID | 6-month LIBID | 12-month LIBID | 2-yr SWAP Bid | 3-yr SWAP Bid | 5-yr SWAP Bid |
|------------|-----------|-----------|-------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| 01/04/2011 | 0.50      | 0.40      | 0.54        | 0.54          | 0.69          | 1.12          | 1.59           | 1.89          | 2.36          | 3.00          |
| 30/04/2011 | 0.50      | 0.50      | 0.40        | 0.49          | 0.69          | 1.05          | 1.52           | 1.62          | 2.07          | 2.74          |
| 31/05/2011 | 0.50      | 0.40      | 0.40        | 0.52          | 0.69          | 1.08          | 1.56           | 1.53          | 1.89          | 2.54          |
| 30/06/2011 | 0.50      | 0.50      | 0.40        | 0.50          | 0.77          | 1.06          | 1.54           | 1.44          | 1.82          | 2.50          |
| Minimum    | 0.50      | 0.40      | 0.35        | 0.49          | 0.68          | 1.01          | 1.40           | 1.35          | 1.65          | 2.29          |
| Average    | 0.50      | 0.41      | 0.44        | 0.52          | 0.72          | 1.08          | 1.55           | 1.55          | 1.97          | 2.63          |
| Maximum    | 0.50      | 0.52      | 0.55        | 0.54          | 0.80          | 1.12          | 1.59           | 1.95          | 2.42          | 3.07          |
| Spread     |           | 0.12      | 0.20        | 0.05          | 0.12          | 0.11          | 0.19           | 0.60          | 0.77          | 0.78          |

Following the announcement in the CSR on 20<sup>th</sup> October 2010 and from instruction by HM Treasury, the PWLB has increased the interest rate on all new loans by an average of 1% above U.K. Government Gilts.

- The new borrowing rate for fixed rate loans whether borrowed on an EIP, Annuity or Maturity loans have increased by around 0.87% across all maturities.
- The premature repayment rates do not benefit from the corresponding increase and the PWLB's methodology remains unchanged.
- For variable rate loans, the rate is 0.90% higher than previously, so a premium of 0.90% should be added to the variable rate published on the PWLB website

**Table 2 : PWLB Borrowing Rates - Fixed Rate, Maturity Loans**

| Change Date | Notice No | 1 year | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|-------------|-----------|--------|----------|-----------|------------|------------|------------|------------|
| 01/04/2011  | 128/11    | 1.93   | 3.66     | 4.81      | 5.33       | 5.35       | 5.31       | 5.28       |
| 28/04/2011  | 162/11    | 1.73   | 3.45     | 4.61      | 5.18       | 5.21       | 5.17       | 5.14       |
| 31/05/2011  | 202/11    | 1.64   | 3.21     | 4.43      | 5.08       | 5.12       | 5.09       | 5.07       |
| 30/06/2011  | 246/11    | 1.61   | 3.09     | 4.42      | 5.17       | 5.21       | 5.20       | 5.18       |
|             | Low       | 1.53   | 2.93     | 4.25      | 5.04       | 5.08       | 5.07       | 5.05       |
|             | Average   | 1.69   | 3.29     | 4.51      | 5.17       | 5.21       | 5.19       | 5.16       |
|             | High      | 1.97   | 3.73     | 4.89      | 5.41       | 5.42       | 5.39       | 5.35       |

**Table 3: PWLB Repayment Rates - Fixed Rate, Maturity Loans**

| Change Date | Notice No | 1 year | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|-------------|-----------|--------|----------|-----------|------------|------------|------------|------------|
| 01/04/2011  | 128/11    | 0.82   | 2.37     | 3.62      | 4.21       | 4.24       | 4.16       | 4.10       |
| 28/04/2011  | 162/11    | 0.62   | 2.16     | 3.42      | 4.06       | 4.10       | 4.02       | 3.96       |
| 28/05/2011  | 202/11    | 0.53   | 1.93     | 3.23      | 3.97       | 4.01       | 3.94       | 3.90       |
| 30/06/2011  | 246/11    | 0.50   | 1.80     | 3.22      | 4.05       | 4.10       | 4.05       | 4.01       |
|             | Low       | 0.42   | 1.64     | 3.04      | 3.92       | 3.97       | 3.91       | 3.88       |
|             | Average   | 0.58   | 2.00     | 3.32      | 4.05       | 4.10       | 4.03       | 3.99       |
|             | High      | 0.86   | 2.44     | 3.71      | 4.29       | 4.31       | 4.23       | 4.18       |

**Table 4: PWLB Variable Rates**

|            | 1-M Rate | 3-M Rate | 6-M Rate | 1-M Rate | 3-M Rate | 6-M Rate |
|------------|----------|----------|----------|----------|----------|----------|
|            | Pre-CSR  | Pre-CSR  | Pre-CSR  | Post-CSR | Post-CSR | Post-CSR |
| 01/04/2011 | 0.67     | 0.77     | 0.89     | 1.57     | 1.67     | 1.79     |
| 28/01/2011 | 0.67     | 0.71     | 0.79     | 1.57     | 1.61     | 1.69     |
| 31/05/2011 | 0.66     | 0.70     | 0.76     | 1.56     | 1.60     | 1.66     |
| 30/06/2011 | 0.65     | 0.68     | 0.71     | 1.55     | 1.58     | 1.61     |
|            |          |          |          |          |          |          |
| Low        | 0.65     | 0.68     | 0.70     | 1.55     | 1.58     | 1.60     |
| Average    | 0.66     | 0.71     | 0.77     | 1.56     | 1.61     | 1.67     |
| High       | 0.69     | 0.79     | 0.91     | 1.59     | 1.69     | 1.81     |

**Table 7: Credit Score Analysis**Scoring:

| Long-Term Credit Rating | Score |
|-------------------------|-------|
| AAA                     | 1     |
| AA+                     | 2     |
| AA                      | 3     |
| AA-                     | 4     |
| A+                      | 5     |
| A                       | 6     |
| A-                      | 7     |
| BBB+                    | 8     |
| BBB                     | 9     |
| BBB-                    | 10    |
| Not rated               | 11    |
| BB                      | 12    |
| CCC                     | 13    |
| C                       | 14    |
| D                       | 15    |

*The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit*

*The Council aims to achieve a score of 5 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A+ for investment counterparties.*

APPENDIX B

DEPOSITS OUTSTANDING AS AT 30 JUNE 2011 FOR LONDON BOROUGH OF BARNET

| Deal Number  | Counter Party                           | Start Date | Maturity Date | Rate of Interest % | Principal Outstanding | Max Limit      | Actual Limit | Fitch Rating |        |       |         | Moody's Rating |        |           | S&P Ratings |        |  |
|--|---|------------|---------------|--------------------|-----------------------|----------------|--------------|--------------|--------|-------|---------|----------------|--------|-----------|-------------|--------|--|
|  |   |            |               |                    |                       |                |              | L Term       | S Term | Indiv | Support | L Term         | S Term | Fin Stgth | L Term      | S Term |  |
| <b>Local Authorities</b>                             |   |            |               |                    |                       |                |              | 0.00%        |        |       |         |                |        |           |             |        |  |
|  |   |            |               |                    |                       |                |              | 0.00%        |        |       |         |                |        |           |             |        |  |
|  |   |            |               |                    |                       |                |              | <u>0</u>     |        |       |         |                |        |           |             |        |  |
| <b>UK Banks &amp; Building Societies</b>             |   |            |               |                    |                       |                |              |              |        |       |         |                |        |           |             |        |  |
| 2000010341   | BANK OF SCOTLAND                        | 09-Sep-09  | CALL A/C      | 0.75               | 6,500,000             | 37,500,000     | 14.65%       | AA-          | F1+    | C     | 1       | Aa3            | P-1    | D+        | A+          | A-1    |  |
| 2000011027   | BANK OF SCOTLAND                        | 11-Jan-11  | 10-Jan-12     | 2.00               | 4,000,000             |                |              | AA-          | F1+    | C     | 1       | Aa3            | P-1    | D+        | A+          | A-1    |  |
| 2000011028   | BANK OF SCOTLAND                        | 11-Jan-11  | 11-Oct-11     | 1.60               | 5,000,000             |                |              | AA-          | F1+    | C     | 1       | Aa3            | P-1    | D+        | A+          | A-1    |  |
| 2000011070   | BANK OF SCOTLAND                        | 17-Feb-11  | 17-Feb-12     | 2.10               | 4,500,000             |                |              |              |        |       |         |                |        |           |             |        |  |
| 2000011106   | BANK OF SCOTLAND                        | 15-Apr-11  | 15-Jul-11     | 1.25               | 5,000,000             |                |              |              |        |       |         |                |        |           |             |        |  |
| 2000010527   | BARCLAYS COMMERCIAL BANK                | 11-Feb-10  | CALL A/C      | 0.45               | 25,000,000            | 25,000,000     | 14.65%       | AA-          | F1+    | B     | 1       | Aa3            | P-1    | C         | AA-         | A-1+   |  |
| 2000011120   | NATIONWIDE BUILD. SOC.(RBS GROUP)       | 09-May-11  | 31-Aug-11     | 0.82               | 4,600,000             | 25,000,000     | 14.65%       | AA-          | F1+    | B     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011036   | NATIONWIDE BUILD. SOC.(RBS GROUP)       | 17-Jan-11  | 31-Oct-11     | 1.24               | 10,000,000            |                |              | AA-          | F1+    | B     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011037   | NATIONWIDE BUILD. SOC.(RBS GROUP)       | 01-Jun-11  | 30-Nov-11     | 1.03               | 6,995,000             |                |              | AA-          | F1+    | B     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011140   | NATIONWIDE BUILD. SOC.(RBS GROUP)       | 15-Jun-11  | 19-Dec-11     | 1.03               | 3,405,000             |                |              | AA-          | F1+    | B     | 1       | Aa5            | P-1    | C-        | A+          | A-3    |  |
| 2000011000   | ROYAL BANK OF SCOTLAND                  | 08-Dec-10  | 07-Dec-11     | 1.43               | 4,000,000             | 37,500,000     | 14.53%       | AA-          | F1+    | C     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011006   | ROYAL BANK OF SCOTLAND                  | 15-Dec-10  | 15-Sep-11     | 1.22               | 10,000,000            |                |              | AA-          | F1+    | C     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011129   | ROYAL BANK OF SCOTLAND                  | 19-May-11  | 30-Nov-11     | 1.05               | 2,100,000             |                |              | AA-          | F1+    | C     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011142   | ROYAL BANK OF SCOTLAND                  | 16-Jun-11  | 30-Mar-12     | 1.25               | 2,300,000             |                |              | AA-          | F1+    | C     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011144   | ROYAL BANK OF SCOTLAND                  | 20-Jun-11  | 30-Sep-11     | 0.70               | 4,700,000             |                |              | AA-          | F1+    | C     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
| 2000011145   | ROYAL BANK OF SCOTLAND                  | 22-Jun-11  | 20-Jun-12     | 1.48               | 1,700,000             |                |              | AA-          | F1+    | C     | 1       | Aa3            | P-1    | C-        | A+          | A-1    |  |
|  |   |            |               |                    | <u>99,800,000</u>     |                |              |              |        |       |         |                |        |           |             |        |  |
| <b>Non UK Banks &amp; Building Societies</b>         |   |            |               |                    |                       |                |              |              |        |       |         |                |        |           |             |        |  |
| 2000011001   | SANTANDER BANKING CORPORATION           | 08-Dec-10  | CALL A/C      | 0.80               | 25,000,000            | 25,000,000     | 14.65%       | AA-          | F1+    | B     | 1       | Aa2            | P-1    | B-        | A+          | A-1    |  |
| 5000011101   | SANTANDER BANKING CORPORATION (PENSION) | 16-Mar-11  | CALL A/C      | 0.80               | 5,745,079             | 25,000,000     | 3.37%        | AA-          | F1+    | B     | 1       | Aa2            | P-1    | B-        | AA          | A-1+   |  |
| 2000011146   | BANK OF NOVA SCOTIA                     | 30-Jun-11  | 07-Jul-11     | 0.40               | 4,000,000             | 25,000,000     | 7.44%        | AA-          | F1+    | B     | 1       | Aa1            | P-1    | B         | AA-         | A-1+   |  |
| 2000011143   | BANK OF NOVA SCOTIA                     | 20-Jun-11  | 01-Jul-11     | 0.45               | 8,700,000             |                |              | AA-          | F1+    | B     | 1       | Aa1            | P-1    | B         | AA-         | A-1+   |  |
|  |   |            |               |                    | <u>43,445,079</u>     |                |              |              |        |       |         |                |        |           |             |        |  |
| Average rate of return                               |   |            |               | <b>1.09</b>        |                       |                |              |              |        |       |         |                |        |           |             |        |  |
| <b>Investments outside TMS</b>                       |   |            |               |                    |                       |                |              |              |        |       |         |                |        |           |             |        |  |
| <b>Icelandic Banks</b>                               |   |            |               |                    |                       |                |              |              |        |       |         |                |        |           |             |        |  |
| 2000005163   | GLITNER BANK (ICELAND)                  | 07-Nov-06  | frozen        |                    | 7,000,000             |                | 7.27%        |              |        |       |         |                |        |           |             |        |  |
| 2000005218   | GLITNER BANK (ICELAND)                  | 24-Jan-07  | frozen        |                    | 3,000,000             |                |              |              |        |       |         |                |        |           |             |        |  |
| 2000005226   | GLITNER BANK (ICELAND)                  | 07-Feb-07  | frozen        |                    | 2,400,000             |                |              |              |        |       |         |                |        |           |             |        |  |
| 2000005511   | LANDISBANKI ISLANDS H.F.                | 28-Sep-07  | frozen        |                    | 15,000,000            |                | 8.79%        |              |        |       |         |                |        |           |             |        |  |
|  |   |            |               |                    | <u>27,400,000</u>     |                |              |              |        |       |         |                |        |           |             |        |  |
| <b>TOTAL VALUE OF INVESTMENTS AS AT 30 JUNE 2011</b> |   |            |               |                    | <b>170,645,079</b>    | <b>100.00%</b> |              |              |        |       |         |                |        |           |             |        |  |
| <b>LESS ICELANDIC IMPAIRMENT AS AT 30 JUNE 2011</b>  |   |            |               |                    | <b>-5,969,000</b>     |                |              |              |        |       |         |                |        |           |             |        |  |
|  |   |            |               |                    | <b>164,676,079</b>    |                |              |              |        |       |         |                |        |           |             |        |  |

## Appendix C: Prudential Indicator Compliance

### Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

|   | Limits for 2010/11<br>% |
|---|-------------------------|
| <b>Upper Limit for Fixed Rate Exposure</b>    | 100                     |
| Compliance with Limits:                       | Yes                     |
| <b>Upper Limit for Variable Rate Exposure</b> | 40                      |
| Compliance with Limits:                       | Yes                     |

### Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

| Maturity Structure of Fixed Rate Borrowing | Upper Limit % | Lower Limit % | Actual Fixed Rate Borrowing as at 30/06/11 | % Fixed Rate Borrowing as at 30/06/11 | Compliance with Set Limits? |
|--|---------------|---------------|--|---------------------------------------|-----------------------------|
| Under 12 months                            | 0             | 50            |  | 0                                     | N/A                         |
| 12 months and within 24 months             | 0             | 50            | 0  | 0                                     | N/A                         |
| 24 months and within 5 years               | 0             | 75            |  | 0                                     | N/A                         |
| 5 years and within 10 years                | 0             | 75            | 0  | 0%                                    | N/A                         |
| 10 years and above                         | 0             | 100           | 201,500,000                                | 100%                                  | Yes                         |

Appendix D: List of Schools Banking Institution

| School                         | Banking      |
|--------------------------------|--------------|
| <b>Bishop Douglass</b>         | Allied Irish |
| <b>Finchley Catholic High</b>  | Allied Irish |
| <b>St James' Catholic High</b> | Allied Irish |
| <b>St Michaels Cath Gram</b>   | Allied Irish |
| <b>Osidge JMI</b>              | Barclays     |
| <b>Mill Hill High</b>          | Barclays     |
| <b>Akiva</b>                   | Barclays     |
| <b>All Saints NW2</b>          | Co-Operative |
| <b>All Saints N20</b>          | Co-Operative |
| <b>Annunciation Inf</b>        | Co-Operative |
| <b>Annunciation Jun</b>        | Co-Operative |
| <b>Barnfield</b>               | Co-Operative |
| <b>Beis Yaakov</b>             | Co-Operative |
| <b>Bell Lane</b>               | Co-Operative |
| <b>Blessed Dominic</b>         | Co-Operative |
| <b>Broadfields Primary</b>     | Co-Operative |
| <b>Brookland Inf</b>           | Co-Operative |
| <b>Brookland Jun</b>           | Co-Operative |
| <b>Brunswick Park</b>          | Co-Operative |
| <b>Chalgrove</b>               | Co-Operative |
| <b>Childs Hill</b>             | Co-Operative |
| <b>Christchurch JMI</b>        | Co-Operative |
| <b>Church Hill</b>             | Co-Operative |
| <b>Claremont Primary</b>       | Co-Operative |
| <b>Colindale</b>               | Co-Operative |
| <b>Coppetts Wood</b>           | Co-Operative |
| <b>Courtland</b>               | Co-Operative |
| <b>Cromer Road</b>             | Co-Operative |
| <b>Deansbrook Inf</b>          | Co-Operative |
| <b>Deansbrook Jun</b>          | Co-Operative |
| <b>Dollis Inf</b>              | Co-Operative |
| <b>Edgware Inf</b>             | Co-Operative |
| <b>Edgware Jewish Primary</b>  | Co-Operative |
| <b>Edgware Jun</b>             | Co-Operative |
| <b>Fairway</b>                 | Co-Operative |
| <b>Foulds</b>                  | Co-Operative |
| <b>Frith Manor</b>             | Co-Operative |
| <b>Garden Suburb Inf</b>       | Co-Operative |
| <b>Garden Suburb Jnr</b>       | Co-Operative |
| <b>Goldbeaters</b>             | Co-Operative |
| <b>Grasvenor Avenue Inf</b>    | Co-Operative |
| <b>Hasmonean Primary</b>       | Co-Operative |
| <b>Hollickwood</b>             | Co-Operative |
| <b>Holly Park</b>              | Co-Operative |

|  |              |
|--|--------------|
| <b><i>Holy Trinity</i></b>                     | Co-Operative |
| <b><i>Hyde</i></b>                             | Co-Operative |
| <b><i>Independent Jewish</i></b>               | Co-Operative |
| <b><i>Livingstone</i></b>                      | Co-Operative |
| <b><i>Manorside</i></b>                        | Co-Operative |
| <b><i>Martin Primary School</i></b>            | Co-Operative |
| <b><i>Menorah Primary</i></b>                  | Co-Operative |
| <b><i>Monken Hadley CE</i></b>                 | Co-Operative |
| <b><i>Monkfrith</i></b>                        | Co-Operative |
| <b><i>Moss Hall Inf</i></b>                    | Co-Operative |
| <b><i>Moss Hall Jun</i></b>                    | Co-Operative |
| <b><i>Northside</i></b>                        | Co-Operative |
| <b><i>Orion</i></b>                            | Co-Operative |
| <b><i>Our Lady of Lourdes</i></b>              | Co-Operative |
| <b><i>Pardes House</i></b>                     | Co-Operative |
| <b><i>Parkfield</i></b>                        | Co-Operative |
| <b><i>Queenswell Inf</i></b>                   | Co-Operative |
| <b><i>Queenswell Jun</i></b>                   | Co-Operative |
| <b><i>Rosh Pinah</i></b>                       | Co-Operative |
| <b><i>Sacred Heart</i></b>                     | Co-Operative |
| <b><i>St Agnes RC</i></b>                      | Co-Operative |
| <b><i>St Andrews CE</i></b>                    | Co-Operative |
| <b><i>St Catherines RC</i></b>                 | Co-Operative |
| <b><i>St Johns CE N11</i></b>                  | Co-Operative |
| <b><i>St Johns CE N20</i></b>                  | Co-Operative |
| <b><i>St Josephs RC Inf</i></b>                | Co-Operative |
| <b><i>St Josephs RC Jun</i></b>                | Co-Operative |
| <b><i>St Mary's &amp; St Johns Primary</i></b> | Co-Operative |
| <b><i>St Marys CE N3</i></b>                   | Co-Operative |
| <b><i>St Marys CE EB</i></b>                   | Co-Operative |
| <b><i>St Pauls CE N11</i></b>                  | Co-Operative |
| <b><i>St Therasas RC</i></b>                   | Co-Operative |
| <b><i>St Vincents RC</i></b>                   | Co-Operative |
| <b><i>Summerside</i></b>                       | Co-Operative |
| <b><i>Sunnyfields</i></b>                      | Co-Operative |
| <b><i>Trent</i></b>                            | Co-Operative |
| <b><i>Tudor</i></b>                            | Co-Operative |
| <b><i>Underhill Inf</i></b>                    | Co-Operative |
| <b><i>Underhill Jun</i></b>                    | Co-Operative |
| <b><i>Wessex Gardens</i></b>                   | Co-Operative |
| <b><i>Whitings Hill</i></b>                    | Co-Operative |
| <b><i>Woodcroft Primary</i></b>                | Co-Operative |
| <b><i>Woodridge</i></b>                        | Co-Operative |
| <b><i>Christs College Finchley</i></b>         | Co-Operative |
| <b><i>Copthall</i></b>                         | Co-Operative |
| <b><i>Friern Barnet</i></b>                    | Co-Operative |
| <b><i>Hasmonean High</i></b>                   | Co-Operative |

|                                 |              |
|---------------------------------|--------------|
| <b>Henrietta Barnett</b>        | Co-Operative |
| <b>JCoSS</b>                    | Co-Operative |
| <b>Ravenscroft</b>              | Co-Operative |
| <b>Whitefield</b>               | Co-Operative |
| <b>Mapledown</b>                | Co-Operative |
| <b>Northway</b>                 | Co-Operative |
| <b>Oak Lodge</b>                | Co-Operative |
| <b>Oakleigh</b>                 | Co-Operative |
| <b>BrookHill Nursery</b>        | Co-Operative |
| <b>Hampden Way Nursery</b>      | Co-Operative |
| <b>Moss Hall Nursery</b>        | Co-Operative |
| <b>St Margaret's Nursery</b>    | Co-Operative |
| <b>Menorah Foundation</b>       | HSBC         |
| <b>Danegrove</b>                | Lloyds TSB   |
| <b>Dollis Junior</b>            | Lloyds TSB   |
| <b>Mathilda Marks Kennedy</b>   | Lloyds TSB   |
| <b>St Pauls CE NW7</b>          | Lloyds TSB   |
| <b>Hendon</b>                   | Nat West     |
| <b>Queen Elizabeth's Girls'</b> | Nat West     |
| <b>St Mary's C E High</b>       | Nat West     |



APPENDIX E

| Internal Investments at:<br>London Borough of Barnet | 30/06/2011    | Principal     | Start Date | Effective Maturity | Rate  | Days to Maturity | Moody's Credit Rating (source Bloomberg) | Fitch Credit Rating (source Bloomberg) | S&P Credit Rating (source Bloomberg) | Lowest Credit Rating - equivalent rating, (source Bloomberg) | Average Credit Risk Score | Country                |
|--|---------------|---------------|------------|--------------------|-------|------------------|--|--|--------------------------------------|--|---------------------------|------------------------|
| GLITNER BANK (ICELAND)                               | Fixed Deposit | £7,000,000    | 30/06/2011 | 30/06/2011         | 0.00% | -                | C  |  |                                      | C  | 14.00                     | Iceland                |
| GLITNER BANK (ICELAND)                               | Fixed Deposit | £3,000,000    | 30/06/2011 | 30/06/2011         | 0.00% | -                | C  |  |                                      | C  | 14.00                     | Iceland                |
| GLITNER BANK (ICELAND)                               | Fixed Deposit | £2,400,000    | 30/06/2011 | 30/06/2011         | 0.00% | -                | C  |  |                                      | C  | 14.00                     | Iceland                |
| LANDISBANKI ISLANDS H.F.                             | Fixed Deposit | £15,000,000   | 30/06/2011 | 30/06/2011         | 0.00% | -                | C  |  |                                      | C  | 14.00                     | Iceland                |
| BANK OF SCOTLAND CORPORATE                           | CALL ACCOUNT  | £6,500,000    | 09/09/2009 | 01/07/2011         | 0.75% | 1                | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| BANK OF NOVA SCOTIA                                  | FIXED DEPOSIT | £8,700,000    | 20/06/2011 | 01/07/2011         | 0.45% | 1                | Aa1                                      | AA-                                    | AA-                                  | AA-  | 3.33                      | Canada                 |
| BANK OF NOVA SCOTIA                                  | FIXED DEPOSIT | £4,000,000    | 30/06/2011 | 07/07/2011         | 0.40% | 7                | Aa1                                      | AA-                                    | AA-                                  | AA-  | 3.33                      | Canada                 |
| BANK OF SCOTLAND                                     | FIXED DEPOSIT | £4,000,000    | 11/01/2011 | 10/01/2012         | 2.00% | 194              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| BANK OF SCOTLAND                                     | FIXED DEPOSIT | £5,000,000    | 11/01/2011 | 11/10/2011         | 1.60% | 103              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| BANK OF SCOTLAND                                     | FIXED DEPOSIT | £4,500,000    | 17/02/2011 | 17/02/2012         | 2.10% | 232              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| BANK OF SCOTLAND                                     | FIXED DEPOSIT | £5,000,000    | 15/04/2011 | 15/07/2011         | 1.25% | 15               | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| BARCLAYS COMMERCIAL BANK                             | CALL ACCOUNT  | £25,000,000   | 11/02/2010 | 01/07/2011         | 0.45% | 1                | Aa3                                      | AA-                                    | AA-                                  | AA-  | 4.00                      | UK                     |
| NATIONWIDE BUILD. SOC.                               | FIXED DEPOSIT | £10,000,000   | 17/01/2011 | 31/10/2011         | 1.24% | 123              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| NATIONWIDE BUILD. SOC.                               | FIXED DEPOSIT | £4,600,000    | 09/05/2011 | 31/08/2011         | 0.82% | 62               | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| NATIONWIDE BUILD. SOC.                               | FIXED DEPOSIT | £6,995,000    | 01/06/2011 | 30/11/2011         | 1.03% | 153              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| NATIONWIDE BUILD. SOC.                               | FIXED DEPOSIT | £3,405,000    | 15/06/2011 | 19/12/2011         | 1.03% | 172              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| ROYAL BANK OF SCOTLAND                               | FIXED DEPOSIT | £4,000,000    | 08/12/2010 | 07/12/2011         | 1.43% | 160              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| ROYAL BANK OF SCOTLAND                               | FIXED DEPOSIT | £10,000,000   | 15/12/2010 | 15/09/2011         | 1.22% | 77               | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| ROYAL BANK OF SCOTLAND                               | FIXED DEPOSIT | £2,100,000    | 19/05/2011 | 30/11/2011         | 1.05% | 153              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| ROYAL BANK OF SCOTLAND                               | FIXED DEPOSIT | £2,300,000    | 16/06/2011 | 30/03/2012         | 1.25% | 274              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| ROYAL BANK OF SCOTLAND                               | FIXED DEPOSIT | £4,700,000    | 20/06/2011 | 30/09/2011         | 0.70% | 92               | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| ROYAL BANK OF SCOTLAND                               | FIXED DEPOSIT | £1,700,000    | 22/06/2011 | 20/06/2012         | 1.48% | 356              | Aa3                                      | AA-                                    | A+                                   | A+   | 4.33                      | UK                     |
| SANTANDER CORP BANKING                               | CALL ACCOUNT  | £5,745,079    | 16/03/2011 | 01/07/2011         | 0.80% | 1                | Aa3                                      | AA-                                    | AA                                   | AA-  | 3.67                      | UK                     |
| SANTANDER CORP BANKING                               | FIXED DEPOSIT | £25,000,000   | 08/12/2010 | 01/07/2011         | 0.80% | 1                | Aa3                                      | AA-                                    | AA                                   | AA-  | 3.67                      | UK                     |
| Total - Internal Investments                         |               | £ 170,645,079 |            |                    | 0.78% | 22/08/2011       |  |  |                                      | A  | 5.64                      | Value Weighted Average |
| Number of Investments                                |               | 24            |            |                    |       | 53               |  |  |                                      | AA-  | 4.33                      | Time Weighted Average  |
| Average Investment Size                              |               | £ 7,110,212   |            |                    |       |                  |  |  |                                      |  |                           |                        |

| Authority                | Type of Authority        | External Fund Managers (Not included in credit score) | Internal Investments | Total Investments | Number of deposits | Average Date of Maturity | Average Number of Days to Maturity | Average Rate of Investments | Lowest Credit Rating (equivalent rating) |                       | Average Credit Risk Score |                       |
|--------------------------|--------------------------|---|----------------------|-------------------|--------------------|--------------------------|------------------------------------|-----------------------------|--|-----------------------|---------------------------|-----------------------|
|                          |                          |   |                      |                   |                    |                          |                                    |                             | Value Weighted Average                   | Time Weighted Average | Value Weighted Average    | Time Weighted Average |
| London Borough of Barnet | English Non-Met District | £ -   | £ 170,645,079        | £ 170,645,079     | 24                 | 22/08/2011               | 53                                 | 0.78%                       | A  | AA-                   | 5.64                      | 4.33                  |

Credit risk scored 1 - 10 : 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D  
 Non-rated, non-guaranteed institutions score 11

PLEASE NOTE

If there are any investments with Icelandic Banks including Heritable, the score should be C to reflect the severity of the Iceland situation. Glitnir, Heritable & Landsbanki do not have credit ratings as they have been withdrawn. We have kept the scoring as C for consistency with the Icelandic Banks as Kaupthing has a C rating. Can it also remain highlighted in red and the effective Maturity be the same as the date in the yellow box.

investments, can you please total the

Any o/n call accounts/MMFs are given tomorrow's date (use 'today's date' +1) as the Effective Maturity dates.