

HM Treasury

Introduction

This Supplementary Estimate is required for the following purposes:

£			
Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total
Transfer from administration costs in Section A Core Treasury to capital DEL to finance spending on the Workspace project		-8,100,000	
Following the reclassification of FSCS and MAS (formerly CFEB) spending to AME, the token DEL amounts are being transferred from the former Sections J and K to Section A Core Treasury.	2,000	-2,000	
Net transfer financed by increased income from Section B DMO to Section A Core Treasury - £3,460,000 administration and £890,000 programme.	4,350,000	-4,350,000	
Transfer from Section A Core Treasury to Section E IUK	250,000	-250,000	
A budget transfer from HMRC as a contribution towards the costs of the Office of Tax Simplification (Section G)	196,000		
Use of the Budget Exchange facility (from administration DUP) to carry forward the maximum allowable under the scheme		-3,900,000	
Transfer from administration DUP to capital DEL		-1,100,000	
Total change in Resource DEL (Voted)	4,798,000	-17,702,000	-12,904,000
Increase in forecast coinage metal costs (Section K)	3,000,000		
Reduction in Section M of -£24,108,000,000 comprising a fair value adjustment (mainly relating to BEAPFF) - £24,251,000,000, the movement of FSCS loan interest of £372,000,000 to Section W, increased interest income from Dunfermline of -£24,000,000 and contingent capital relating to RBS of -£320,000,000 less £115,000,000 relating to a revised forecast of CGS fees.		-24,108,000,000	
Reduction in provision for ELPS to cover administering the scheme (Section N)		-4,000,000	

Introduction

Impairment of £23,256,000,000 comprising £23,399,000,000 for RBS and LBG shares and reversals of statutory debt loan impairments of -£143,000,000 (Section O)	23,256,000,000		
Correction of the forecast of the BoE dividend (Section P)	120,000,000		
Increased interest due to interest rate increase on B&B's working capital loan (Section Q)		-208,000,000	
Interest on Ireland loan (Section R)		-3,100,000	
Revised forecast of the cost of administering ELPS (Section S)	24,000,000		
Inclusion of the Royal Mint dividend (Section T)		-4,000,000	
Loss arising from the sale of NR. The sale realised proceeds of £800,000,000 against a cost of the asset of £1,188,000,000 (Section U)	388,000,000		
Spending by the Money Advice Service directly funded by BIS (Section V)	950,000		
Loan interest from FSCS (Section W) moved from Section M		-372,000,000	
Movement of the ELPS administration spending to new Section S		-20,000,000	
Total change in Resource AME (Voted)	23,791,950,000	-24,719,100,000	-927,150,000
Revision to forecast of Royal Household pensions spending and income (Section X)	260,000		
Total change in Resource AME (Non-Voted)	260,000		260,000
Transfer from Section A (£8,100,000) and DUP (£1,100,000)	9,200,000		
Total change in Capital DEL (Voted)	9,200,000		9,200,000
Increase in voluntary loan repayments from Northern Rock (Section L)		-578,000,000	
Voluntary loan repayments from Icesave, KSF LSB and Heritable (Section M)		-1,750,000,000	
Reduced requirement for the Working Capital Loan facility and a voluntary loan repayment by B&B (Section Q)		-700,000,000	

Introduction

Balance sheet value of Northern Rock plc following its sale to Virgin Money for £800m (Section U)	-1,188,000,000	
Total change in Capital AME (Voted)	-4,216,000,000	-4,216,000,000

The change in the Net cash requirement reflects the cash consequences of the changes to voted resources and capital.

Total change in Net cash requirement		-4,143,802,000
---	--	-----------------------

Part I

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	-12,904,000	-	-12,904,000
Capital	9,200,000	-	9,200,000
Annually Managed Expenditure			
Resource	-927,150,000	260,000	-926,890,000
Capital	-4,216,000,000	-	-4,216,000,000
Total Net Budget			
Resource	-940,054,000	260,000	-939,794,000
Capital	-4,206,800,000	-	-4,206,800,000
Non-Budget Expenditure	-		
Net cash requirement	-4,143,802,000		

Supplementary amounts required in the year ending 31 March 2012 for expenditure by HM Treasury on:

Departmental Expenditure Limit:Expenditure arising from:

economic, financial and related administration, including group shared services; expenses in connection with honours and dignities, compensation payments arising from gilt administration.

Expenditure of the Debt Management Office, including administration of the Public Works Loan Board, the Commission for the Reduction of National Debt and operational services for HM Treasury, other government departments and the Bank of England.

Expenditure on Treasury related bodies including the Office of Tax Simplification, Office for Budget Responsibility, United Kingdom Financial Investments Ltd, Asset Protection Agency, Infrastructure UK, Office for Budget Responsibility, Consumer Financial Education Body, Financial Services Compensation Scheme and the Royal Mint Advisory Committee on the design of coins.

The manufacture, storage and distribution of coinage for use in the United Kingdom and actions to protect the integrity of coinage and associated non-cash items falling in DEL.

Spending in connection with the sale of investments.

Income arising from:

recoveries in respect of administration of the Treasury, including recharges for work on financial stability issues, charges for courses, services provided by the Economics in Government team and other officers loaned to other organisations, including the salary of the UK Executive Director of the International Monetary Fund/International Bank for Reconstruction and Development who is a Treasury employee; charges for services provided by the Government Social Research Unit; income from recovery actions in connection with Barlow Clowes; charges for services to government departments provided under the Financial Management Change Agenda;

Part I

income from fees charges to Foreign Investment Exchange/Clearing Houses; recoveries in respect of Honours and Dignities; income in respect of insurance sponsorship and supervision responsibilities; income due to the Debt Management Office for advertising costs, stock exchange listings, data provision, rentals in respect of operating leases, the management and administration of certain public and private funds and provision of a lending service to local authorities, income from the administration of carbon dioxide reduction schemes and the Gilt Purchase and Sale Service; administration of Pool Re and other related bodies;

European Fast Stream income from the Cabinet Office; amounts arising from the sale of shares and debt.

Amounts, arising from loans, including interest and fees.

Annually Managed Expenditure:

Expenditure arising from:

purchase of metal for the production of coinage; payments in respect of costs related to investment in and financial assistance to financial institutions and administration of the Equitable Life Payments Scheme, payments under the Loans to Ireland Act 2010; creation and use of provisions including the Equitable Life Payments Scheme and those in respect of economic, financial and related administration; impairment of fixed assets and associated non-cash items falling in AME.

Spending by the Financial Services Compensation Scheme and the Money Advice Service (formerly the Consumer Financial Education Body).

Income arising from:

income from financial institutions including interest, fees and charges, dividends, loan repayments, sale of assets and other capital receipts.

income from other bodies including interest, fees and charges, dividends, loan repayments, sale of assets and other capital receipts.

HM Treasury will account for this Estimate.

Part II: Changes Proposed

						£'000				
Present		Net Resources Changes		Revised		Present	Net Capital Changes	Revised		
Admin	Prog	Admin	Prog	Admin	Prog	7	8	9		
1	2	3	4	5	6					
Spending in Departmental Expenditure Limits (DEL)										
Voted expenditure										
	159,735	23,858	-12,904	-	146,831	23,858	51,540	9,200	60,740	
<i>Of which:</i>										
A	Core Treasury	132,121	2,368	-4,888	890	127,233	3,258	12,220	9,000	21,220
B	Debt Management Office	11,760	3,990	-3,460	-890	8,300	3,100	500	200	700
E	Infrastructure UK	5,800	-	250	-	6,050	-	38,820	-	38,820
G	Office of Tax Simplification	300	-	196	-	496	-	-	-	-
<i>Departmental Unallocated Provision</i>										
	5,000	-	-5,000	-	-	-	-	-	-	-
<i>Money Advice Service (formerly the Consumer Financial Education Body)</i>										
<i>Net</i>										
	1	-	-1	-	-	-	-	-	-	-
<i>Financial Services Compensation Scheme (Net)</i>										
	1	-	-1	-	-	-	-	-	-	-
Total Spending in DEL			-12,904	-					9,200	
Spending in Annually Managed Expenditure (AME)										
Voted expenditure										
	-	-2,169,000	-	-927,150	-	-3,096,150	1,110,110	-4,216,000	-3,105,890	
<i>Of which:</i>										
K	UK Coinage metal costs	-	21,000	-	3,000	-	24,000	-	-	-
L	Northern Rock	-	-174,000	-	-	-	-174,000	-1,150,000	-578,000	-1,728,000
M	Assistance to financial institutions	-	-1,635,000	-	-24,108,000	-	-25,743,000	-	-1,750,000	-1,750,000
N	Provisions	-	-20,000	-	-4,000	-	-24,000	-	-	-
O	Impairments	-	-	-	23,256,000	-	23,256,000	-	-	-
P	Investment in the Bank of England	-	-150,000	-	120,000	-	-30,000	-	-	-
Q	Bradford & Bingley	-	-231,000	-	-208,000	-	-439,000	1,050,000	-700,000	350,000
R	Loans to Ireland	-	-	-	-3,100	-	-3,100	1,210,110	-	1,210,110
S	Administration of the Equitable Life Payments Scheme	-	-	-	24,000	-	24,000	-	-	-
T	Royal Mint dividend	-	-	-	-4,000	-	-4,000	-	-	-

Part II: Changes Proposed

U	Sale of Northern Rock plc	-	-	-	388,000	-	388,000	-	-1,188,000	-1,188,000
V	Money Advice Service (formerly Consumer Financial Education Body) Net	-	-	-	950	-	950	-	-	-
W	Financial Services Compensation Scheme (Net)	-	-	-	-372,000	-	-372,000	-	-	-
	<i>Equitable Life Payments Scheme</i>	-	20,000	-	-20,000	-	-	-	-	-
	Non-voted expenditure	-	10,899	-	260	-	11,159	-	-	-
	<i>Of which:</i>									
X	Royal Household Pensions	-	2,640	-	260	-	2,900	-	-	-
	Total Spending in AME			-	-926,890				-4,216,000	
	Total for Estimate			-12,904	-926,890				-4,206,800	
	<i>Of which:</i>									
	Voted expenditure			-12,904	-927,150				-4,206,800	
	Non-voted expenditure			-	260				-	

£'000

	Present Plans	Changes	Revised Plans
Net cash requirement	-316,960	-4,143,802	-4,460,762

Part II: Revised subhead detail including additional provision

£'000

Revised Plans										
Resources						Capital				
Gross	Administration	Net	Gross	Programme	Net	Gross	Income	Net		
1	Income	2	3	4	5	6	7	8	9	
Spending in Departmental Expenditure Limits (DEL)										
Voted expenditure										
	174,580	-27,749	146,831	25,318	-1,460	23,858	60,740	-	60,740	
<i>Of which:</i>										
A	Core Treasury	137,108	-9,875	127,233	3,318	-60	3,258	21,220	-	21,220
B	Debt Management Office	14,800	-6,500	8,300	4,500	-1,400	3,100	700	-	700
C	United Kingdom Financial Investments Limited	3,000	-	3,000	-	-	-	-	-	-
D	Asset Protection Agency	10,000	-9,999	1	-	-	-	-	-	-
E	Infrastructure UK	7,425	-1,375	6,050	-	-	-	38,820	-	38,820
F	UK Coinage manufacturing costs	-	-	-	17,500	-	17,500	-	-	-
G	Office of Tax Simplification	496	-	496	-	-	-	-	-	-
H	Office for Budget Responsibility (Net)	1,750	-	1,750	-	-	-	-	-	-
I	Royal Mint Advisory Committee on the design of coins (Net)	1	-	1	-	-	-	-	-	-
<i>Departmental Unallocated Provision</i>										
<i>Money Advice Service (formerly the Consumer Financial Education Body)</i>										
<i>Ne</i>										
<i>Financial Services Compensation Scheme (Net)</i>										
Non-voted expenditure										
	-	-	-	13,020	-	13,020	-	-	-	
<i>Of which:</i>										
J	Banking and gilts registration services	-	-	-	13,020	-	13,020	-	-	-
Total Spending in DEL										
	174,580	-27,749	146,831	38,338	-1,460	36,878	60,740	-	60,740	
Spending in Annually Managed Expenditure (AME)										
Voted expenditure										
	-	-	-	-582,050	-2,514,100	-3,096,150	1,710,110	-4,816,000	-3,105,890	
<i>Of which:</i>										
K	UK Coinage metal costs	-	-	-	24,000	-	24,000	-	-	-
L	Northern Rock	-	-	-	-	-174,000	-174,000	-	-1,728,000	-1,728,000

Part II: Revised subhead detail including additional provision**£'000**

		Revised Plans								
		Resources			Capital					
		Administration	Net	Gross	Programme	Net	Gross	Income	Net	
		Income	3	4	Income	6	7	8	9	
		Gross								
		1	2		5					
M	Assistance to financial institutions	-	-	-24,251,000	-1,492,000	-25,743,000	-	-1,750,000	-1,750,000	
N	Provisions	-	-	-24,000	-	-24,000	-	-	-	
O	Impairments	-	-	23,256,000	-	23,256,000	-	-	-	
P	Investment in the Bank of England	-	-	-	-30,000	-30,000	-	-	-	
Q	Bradford & Bingley	-	-	-	-439,000	-439,000	500,000	-150,000	350,000	
R	Loans to Ireland	-	-	-	-3,100	-3,100	1,210,110	-	1,210,110	
S	Administration of the Equitable Life Payments Scheme	-	-	24,000	-	24,000	-	-	-	
T	Royal Mint dividend	-	-	-	-4,000	-4,000	-	-	-	
U	Sale of Northern Rock plc	-	-	388,000	-	388,000	-	-1,188,000	-1,188,000	
V	Money Advice Service (formerly Consumer Financial Education Body) Net	-	-	950	-	950	-	-	-	
W	Financial Services Compensation Scheme (Net)	-	-	-	-372,000	-372,000	-	-	-	
	<i>Equitable Life Payments Scheme</i>	-	-	-	-	-	-	-	-	
	Non-voted expenditure	-	-	13,413	-2,254	11,159	-	-	-	
	<i>Of which:</i>									
X	Royal Household Pensions	-	-	3,900	-1,000	2,900	-	-	-	
Y	Civil List	-	-	9,513	-1,254	8,259	-	-	-	
	Total Spending in AME	-	-	-568,637	-2,516,354	-3,084,991	1,710,110	-4,816,000	-3,105,890	
	Non-Budget spending									
	Voted expenditure									
	<i>Of which:</i>									
	<i>Other</i>									
	Total Non-Budget spending									
	Total for Estimate	174,580	-27,749	146,831	-530,299	-2,517,814	-3,048,113	1,770,850	-4,816,000	-3,045,150
	<i>Of which:</i>									

Part II: Revised subhead detail including additional provision**£'000**

Revised Plans								
Resources						Capital		
Gross 1	Administration Income 2	Net 3	Gross 4	Programme Income 5	Net 6	Gross 7	Income 8	Net 9
Voted expenditure								
174,580	-27,749	146,831	-556,732	-2,515,560	-3,072,292	1,770,850	-4,816,000	-3,045,150
Non-voted expenditure								
-	-	-	26,433	-2,254	24,179	-	-	-

Part II: Resource to cash reconciliation

£'000

	Present Plans	Changes	Revised Plans
Net Resource Requirement	-1,961,488	-939,794	-2,901,282
Net Capital Requirement	1,161,650	-4,206,800	-3,045,150
Accruals to cash adjustments	506,797	1,003,052	1,509,849
<i>Of which:</i>	-		
<i>Adjustments to remove non-cash items:</i>	-		
Depreciation	-8,000	995,000	987,000
New provisions and adjustments to previous provisions	20,000	4,000	24,000
Departmental Unallocated Provision	-5,000	5,000	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-200	-	-200
<i>Adjustment for NDPBs:</i>	-		
Remove voted resource and capital	-1,753	-948	-2,701
Add cash grant-in-aid	1,750	-	1,750
<i>Adjustments to reflect movements in working balances:</i>	-		
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	-	-	-
Use of provisions	500,000	-	500,000
Removal of non-voted budget items	-23,919	-260	-24,179
<i>Of which:</i>	-		
Consolidated Fund Standing Services	-23,919	-260	-24,179
Other adjustments	-	-	-
Net Cash Requirement	-316,960	-4,143,802	-4,460,762

Part III: Note A - Forecast Operating Cost Statement & Reconciliation Table

	£'000
	Revised Plans
Gross Administration Costs	172,780
<i>Less:</i>	
Administration DEL Income	-27,749
Net Administration Costs	145,031
Gross Programme Costs	-530,495
<i>Less:</i>	
Programme DEL Income	-1,460
Programme AME Income	-2,516,354
Non-budget income	-29,000
Net Programme Costs	-3,077,309
Total Net Operating Costs	-2,932,278
<i>Of which:</i>	
Resource DEL	181,909
Capital DEL	-
Resource AME	-3,084,991
Capital AME	-
Non-budget	-29,196
<i>Adjustments to include:</i>	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the OCS	-
<i>Adjustments to remove:</i>	
Capital in the OCS	-
Non-Budget Consolidated Fund Extra Receipts in the OCS	-
Other adjustments	30,996
Total Resource Budget	-2,901,282
<i>Of which:</i>	
Resource DEL	183,709
Resource AME	-3,084,991
<i>Adjustments to remove:</i>	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
Total Resource (Estimate)	-2,901,282

Part III: Note B - Analysis of Departmental Income

£'000

Revised
Plans

Voted Resource DEL	-29,209
<i>Of which:</i>	
Administration	
Sale of goods and services	-27,749
<i>Of which:</i>	
Section A: Core Treasury	-9,875
Section B: Debt Management Office	-6,500
Section D: Asset Protection Agency	-9,999
Section E: Infrastructure UK	-1,375
Total Administration	-27,749
Programme	
Sale of goods and services	-1,460
<i>Of which:</i>	
Section A: Core Treasury	-60
Section B: Debt Management Office	-1,400
Total Programme	-1,460
Voted Resource AME	-2,514,100
<i>Of which:</i>	
Programme	
Sale of goods and services	-1,179,000
<i>Of which:</i>	
Section L: Northern Rock	-12,000
Section M: Assistance to financial institutions	-1,100,000
Section Q: Bradford & Bingley	-67,000
Interest and dividends	-1,335,100
<i>Of which:</i>	
Section L: Northern Rock	-162,000
Section M: Assistance to financial institutions	-392,000
Section P: Investment in the Bank of England	-30,000
Section Q: Bradford & Bingley	-372,000
Section R: Loans to Ireland	-3,100
Section T: Royal Mint dividend	-4,000
Section W: Financial Services Compensation Scheme (Net)	-372,000
Total Voted Resource Income	-2,543,309

Part III: Note B - Analysis of Departmental Income

	£'000
	Revised Plans
Voted Capital AME	-4,816,000
<i>Of which:</i>	
Programme	
loan , etc, repayments	-4,816,000
<i>Of which:</i>	
Section L: Northern Rock	-1,728,000
Section M: Assistance to financial institutions	-1,750,000
Section Q: Bradford & Bingley	-150,000
Section U: Sale of Northern Rock plc	-1,188,000
Total Voted Capital Income	-4,816,000

Part III: Note C - Analysis of Consolidated Fund Extra Receipts

No CFER income or receipts are expected in 2011-12.

Part III: Note D - Explanation of Accounting Officer responsibilities

The Accounting Officer prepares resource accounts for each financial year.

The following individuals are responsible for the expenditure within this Estimate:

Principal Accounting Officer Nick Macpherson

In accordance with Chapter 3 of *Managing Public Money* (issued by the Treasury), the following individuals are NDPB Accounting Officer appointments:

NDPB Accounting Officers

Office of Budget Responsibility	Robert Chote (Chairman)
Royal Mint Advisory Committee	Adam Lawrence (Chief Executive)
Money Advice Service (formerly the Consumer Financial Education Body)	Tony Hobman (Chief Executive)
Financial Services Compensation Scheme	Mark Neale (Chief Executive)

Nick Macpherson has personal responsibility for the proper presentation of the department's resource accounts and their transmission to the Comptroller & Auditor General, and is also responsible for the use of public money and stewardship of assets.

In discharging these responsibilities, particular regard is given to:

- observing any accounting and disclosure requirements (including any Accounts Direction) and applying suitable accounting policies on a consistent basis;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards, as set out in the Financial Reporting Manual (FRM), or an organisation's version of it, have been followed, and explain any material departures in the accounts; and
- preparing the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for regularity and propriety of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding assets, are also set out in Chapter 3 of *Managing Public Money*.

In accordance with *Managing Public Money* requirements, the relationship between the Principal Accounting Officer and Additional Accounting Officer(s), and with their Ministers, together with their respective responsibilities, is set out in writing. Similarly, the relationship between the Principal/Additional Accounting Officer and the NDPB Accounting Officer(s) is set out in writing.

Part III: Note E - Non-Departmental Public Bodies

£'000

Section in Part II: Subhead Detail		Body	Resources	Capital	Grant-in-aid
H		Office for Budget Responsibility	1,750	-	1,750
I		Royal Mint Advisory Committee on the design of coins	1	-	-
V		Money Advice Service (formerly the Consumer Financial Education Body)	950	-	-
W		Financial Services Compensation Scheme	-	-	-
Total			2,701	-	1,750

Part III: Note K - Contingent Liabilities

Nature of liability	£'000
Contingent liabilities limited by recourse to assets	
Contingent liabilities have been included in this category where the liability would be limited by recourse to assets if the liability were to crystallise. The amounts shown are gross of any such offset. Contingent liabilities with recourse to equities have not been included	
HM Treasury announced guarantee arrangements with effect from 1 January 2010 in respect of retail deposits and wholesale liabilities transferred to Northern Rock plc pursuant to the restructuring of the bank. From 24 May 2010 retail deposits in Northern Rock plc were no longer guaranteed by HM Treasury with the exception of fixed term retail deposits existing at 24 February 2010 which are guaranteed for the duration of their term. From 2 November 2010 wholesale liabilities of Northern Rock plc were no longer guaranteed by HM Treasury with the exception of fixed term wholesale deposits in existence at 1 January 2010 which are guaranteed to maturity. (Treasury Minutes dated 25 January 2010, 2 June 2010 and 13 September 2010 and Written Ministerial Statement dated 24 February 2010).	1,411,000
HM Treasury has announced replacement guarantee arrangements with effect from 1 January 2010 Up to 14,300,000 to continue to safeguard certain borrowings and derivative transactions of, and certain wholesale deposits held in accounts with Northern Rock (Asset Management) plc, in each case existing immediately after the transfer became effective on 1 January 2010 and which were not transferred pursuant to the restructuring of the bank. (Treasury Minute dated 25 January 2010).	Up to 14,300,000
HM Treasury has put in place guarantee arrangements to safeguard certain wholesale borrowings and deposits with Bradford & Bingley (29 September 2008 letters to Chair of PAC and TSC and Treasury minute of 30 March 2009).	5,300,000
HM Treasury has indemnified a scheme (Special Liquidity Scheme) to allow banks to swap temporarily their high quality mortgage-backed and other securities for Treasury Bills. Payment under the indemnity would only arise if the capital losses exceed any surplus accruing to the Bank of England over the duration of the scheme.	Up to 110,000,000
On 19 January 2009, HM Treasury authorised the Bank of England to purchase high quality private sector assets and UK Government debt purchased on the secondary market. The Government has indemnified the Bank of England and the fund specially created to implement the facility from any losses arising out of or in connection with the facility. (Letter to Treasury Select Committee 19 January 2009, letters dated 29 January 2009 and 3 March 2009 to Governor of the Bank of England, Treasury Minutes dated 19 January, 5 March, 14 September, 9 November 2009, 5 February and 24 March 2010, 6 October and 29 November 2011).	Up to 285,000,000

Part III: Note K - Contingent Liabilities

Contingent Liabilities related to the Asset Protection Scheme

In January 2009 the then Chancellor of the Exchequer announced the creation of the Asset Protection Scheme (APS), one of the major steps taken by the UK Government in response to the global financial crisis. Under the APS, HM Treasury provides protection in return for a fee against a proportion of future credit losses on a defined pool of assets to the extent that credit losses exceed a “first loss” amount, to be borne by the participating institution. The Government protection covers 90 per cent of the credit losses exceeding the amount of the first loss, with the institution retaining the residual 10 per cent exposure. RBS insured an asset pool of £282bn, with a £60bn first loss piece. RBS published its interim management statement for Q3 2011 in November 2011. This showed that the covered assets within the APS have reduced to £155.8bn as at 30 September 2011. Further details can be obtained at:

http://www.investors.rbs.com/download/announcements/Q3_Interim_Management_Statement_Conference.pdf

The maximum contingent liability that the Treasury now faces is £86.2bn: (£155.8bn- £60bn) *90%=£86.2bn

To ensure RBS is adequately capitalised under the Financial Services Authority’s stress tests, the Treasury also made available £8bn of contingent capital to RBS, in return for a premium of 4 per cent per annum. This commitment will be in place for 5 years, and can be ended by the firm with the consent of the Financial Services Authority. The contingent capital would, if drawn down, be injected in tranches in the form of B-shares, should the core tier one capital ratio of RBS fall below 5%. The fee may be satisfied in cash, or B-shares or deferred tax assets.

Other Contingent Liabilities

HM Treasury has confirmed to the FSA its intention to take appropriate steps (should they prove necessary) to ensure that Northern Rock (Asset Management) plc will continue to operate above the minimum regulatory capital requirements (Treasury Minute dated 25 January 2010).

HM Treasury has guaranteed indemnities provided by Northern Rock plc and Northern Rock (Asset Management) plc for its new directors against liabilities and losses in the course of their actions whilst both entities are in public ownership (Treasury Minute dated 25 January 2010).

HM Treasury has guaranteed indemnities provided by UK Asset Resolution (UKAR) for its directors against liabilities and losses in the course of their actions whilst the entity is in public ownership (Treasury Minute dated 8 July 2010).

HM Treasury has guaranteed indemnities provided by United Kingdom Financial Investments (UKFI) for its new directors against liabilities and losses incurred in the course of their actions.

Part III: Note K - Contingent Liabilities

As part of the credit guarantee scheme, HM Treasury has made available guarantees to back banks' new short and medium term debt. They will be made available for terms of up to 36 months to help refinance maturing wholesale funding obligations as they fall due. (Treasury Minute 8 October 2008).	Up to 115,000,000
HM Treasury has confirmed to the FSA its intention to take appropriate steps (should they prove necessary) to ensure that Bradford & Bingley will continue to operate above the minimum regulatory capital requirements (Treasury Minute dated 2 June 2009).	Unquantifiable
HM Treasury has provided indemnities for the directors of Infrastructure Finance Unit Limited against liabilities and losses incurred in the course of their actions.	Unquantifiable
Under the Dunfermline Building Society Compensation Scheme, Resolution Fund and Third Party Compensation Order 2009 the Treasury is required to appoint an Appointment Panel, which is responsible for appointing an independent valuer to perform the functions referred to in article 4 of that Order. The Panel is also responsible for removing the independent valuer from office on the ground of incapacity or serious misconduct. HM Treasury has indemnified members of the Appointment Panel against any and all claims, losses, damages and liabilities incurred by Panel members in connection with or arising from their membership of the Panel and the performance of the Panel's functions.(Treasury Minute dated 2 November 2009)	Unquantifiable
An indemnity similar to those given to civil servants under the Civil Service Management Code has been given to the members of the board of Royal Mint Limited for the period between 16 July 2009 and 31 December 2009. The indemnity remains in place for one director who is a civil servant.	Unquantifiable
HM Treasury has made a commitment to provide the FSCS with a loan of up to £20 million in 2011-12 in order to pay compensation to eligible retail depositors of London Scottish Bank. On 30 March 2012, any amount which has not be drawn under the facility will be cancelled.	Up to 20,000
In 2009 HM Treasury and the Chancellor of Exchequer acting in his capacity as Master of the Mint sold all the assets and liabilities of the Royal Mint Trading Fund (RMTF) to a new subsidiary entity called Royal Mint Ltd (RM Ltd). The business purchase agreement signed on 31 December 2009 covering this sale states: "the purchaser undertakes to the seller that, with effect from completion it will properly perform, assume and pay and discharge when due all assumed obligations...excluding any obligations and liabilities which relate to or arise out of the recovery of any amounts in respect of VAT relating to the Business attributable to periods ended on or before, or transactions occurring on or before completion."	3,200
The RMTF now exists as a pass-through body for financial flows between RM Ltd and HMT (it receives dividends from RM Ltd and passes these onto HMT, and it channels any loans from the National Loans Fund to RM Ltd as required). At present, HMRC is pursuing the RMTF for the amount of £3.2m for issues relating to VAT documentation on investment gold products sold during the period 2007-2009. RMTF disputes HMRC's claim and discussions with HMRC are continuing. However, were it to be unsuccessful, RMTF does not have the resources to fund this potential penalty, therefore would seek to retain a proportion of the dividends received from RM Ltd to meet this.	

Part III: Note K - Contingent Liabilities

Under the terms of the sale of Northern Rock, HM Treasury has provided certain warranties and a tax indemnity to Virgin Money. Up to 314,000

In addition to the warranties detailed above, the agreement includes a tax indemnity in relation to any tax that Northern Rock is required to pay relating to when it was in public ownership.

The warranties and tax indemnity are both time-limited and subject to an overall cap (100% of the final consideration in relation to the warranties in relation to title, capacity and authority and 35% of the final consideration in other cases).

Statutory

Under the Northern Rock plc Compensation Scheme Order 2008 an independent valuer was appointed to assess what compensation, if any, is payable to former shareholders and others as a result of the company being taken into public ownership. On 30 March 2010 the valuer issued Assessment Notices and a Final Document, in which he concluded that no compensation is payable. Under the Order any affected party may request the valuer to reconsider his assessment, and may refer his revised assessment to the Upper Tribunal (formerly the Financial Services and Markets Tribunal). The valuer issued a revised assessment notice on 4 October 2010 upholding his view that the amount payable to former Northern Rock shareholder is nil. The matter is now being referred to the Tribunal. Unquantifiable

Under the Bradford & Bingley plc Compensation Scheme Order 2008 an independent valuer was appointed to assess what compensation, if any, is payable to former shareholders and others as result of the company being taken into public ownership. On 5 July 2010 the valuer issued Assessment Notices and a Final Document, in which he concluded that no compensation is payable. Under the Order any affected party may request the valuer to reconsider his assessment, and may refer his revised assessment to the Upper Tribunal (formerly the Financial Services and Markets Tribunal). The valuer is currently reconsidering his assessment. Unquantifiable

On 7 July 2009 the Dunfermline Building Society Compensation Scheme, Resolution Fund and Third Party Compensation Order 2009 (“the Order”) came into force. Under the Order HM Treasury is liable to pay to specified third parties any amount of compensation determined to be payable by the independent valuer appointed to perform the functions referred to in article 4 of that Order. (Treasury Minute dated 4 June 2009) Unquantifiable

Pool Re and Pool Re (Nuclear) are responsible for arrangements for reinsurance of industrial and commercial property damage and consequential business interruption arising from terrorist attacks in Great Britain (excluding Northern Ireland). Treasury carries the contingent liability for these risks. These arrangements are given statutory authority under the Reinsurance (Acts of Terrorism) Act 1993. Unquantifiable

HM Treasury continues to indemnify the liquidators and receivers (the Officeholders) of Barlow Clowes pursuant to the deeds of indemnity dated 3rd April 1991 and 29th March 1994. Maximum potential liabilities under this intervention are unquantifiable. Unquantifiable

Part III: Note K - Contingent Liabilities

<p>Under the Financial Services and Markets Act 2000 (Dissolution of Insurance Brokers Registration Council) (Consequential Provisions) Order 2001 which came in to force on 30 April 2001, all assets and liabilities of the Insurance Brokers' Registration Council (IBRC) passed to HM Treasury. HM Treasury Minute of 10 April 2001 complemented this order by indemnifying former members of the IBRC in their personal capacity. Maximum potential liabilities under this intervention are considered unquantifiable.</p>	Unquantifiable
<p>The Bradford & Bingley plc Transfer of Securities and Property etc. Order 2008 requires HM Treasury to give a guarantee or to make other arrangements for the purposes of securing the assets of the remaining section of the Bradford & Bingley Pension Scheme are sufficient to meet its liabilities. This "remaining section" comprises the whole Scheme other than the portion relating to service with Bradford & Bingley International; responsibility for that latter part in effect transferred to Abbey on 29 September 2008. HM Treasury has therefore guaranteed to pay or procure the payment of any benefit amount which falls due for payment from the remaining section at a time when there are insufficient assets to pay that amount. The size of this contingent liability is £101.4m as at 30 June 2010.</p>	£101,400
<p>The Deed of Indemnity between HM Treasury, the Bank of England and BEAPFF provides that BEAPFF on behalf of itself and its officers and directors may at any time claim payment under the indemnity in respect of any indemnified losses incurred. The losses include all claims, losses, damages, liabilities, etc suffered or incurred by BEAPFF or its officers or directors as a result of, arising out of, in connection with, or which are attributable to, BEAPFF carrying on activities pursuant to or in connection with the APF, save to the extent that the losses arise from BEAPFF's own wilful default or reckless disregard of its obligations. Maximum potential liabilities under this intervention are considered unquantifiable.</p>	Unquantifiable
<p>The Royal Mint Trading Fund has a Memorandum of Understanding (MOU) arrangement with the National Loans Fund by which it can draw down funds in the form of a financing facility subject to demand. The upper limit of this financing facility is £50 million. If the Royal Mint Trading Fund was unable to meet this commitment the National Loans Fund funding conditions dictate that the amount outstanding would have to be met from within the Treasury's DEL.</p>	50,000