WARWICK DISTRICT COUNCIL	**Finance & Audit Scrutiny Committee - 8 May 2013**	**Agenda Item No. 4**

Title	**Treasury Management Activity Report for the period 1st October 2012 to 31st March 2013**
For further information about this report please contact	Roger Wyton, Principal Accountant 01926 456801 roger.wyton@warwickdc.gov.uk Karen Allison, Assistant Accountant 01926 456334 Karen.allison@warwickdc.gov.uk
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	n/a
Background Papers	Treasury Management File L2/9 Treasury Management Information via External Advisers, Brokers, External Investment Agents etc.

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	No – not relevant

Officer/Councillor Approval

Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	26.01.2013	Chris Elliott
Head of Service	N/A	Andy Jones
CMT	N/A	
Section 151 Officer	19.04.2013	Mike Snow
Monitoring Officer	N/A	
Finance	19.04.2013	Roger Wyton
Portfolio Holder(s)	N/A	

Consultation & Community Engagement

None

Final Decision?	Yes

Suggested next steps (if not final decision please set out below)

1. **SUMMARY**

1.1 This report details the Council's Treasury Management performance for the period 1st October 2012 to 31st March 2013.

2. **RECOMMENDATIONS**

2.1 That Finance and Audit Scrutiny Committee notes the contents of this report.

3. **REASONS FOR THE RECOMMENDATION**

3.1 The Council's 2012/13 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

3.2 This report informs Members of past performance, hence Members are just asked to note the information contained within it.

4. **POLICY FRAMEWORK**

4.1 Treasury Management will support the Council in achieving its aims as set out in "Fit for the Future".

5. **BUDGETARY FRAMEWORK**

5.1 Treasury Management has a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security of the capital. The Council is reliant upon interest received to help fund the services it provides. The actual investment interest earned in 2012/13 compared with the original and revised budgets is shown in the table below:

	2012/13 Actual £	**Revised 2012/13 Budget (Jan 13) £**	**Original 2012/13 Budget (Jan 12) £**
Gross Investment Interest	451,354	437,400	460,500
Less HRA allocation	131,100	131,100	139,400
Net interest to General Fund	**320,254**	**306,300**	**321,100**

5.2 At the time of writing this report the actual 2012/13 HRA allocation figure was unavailable. Therefore the figure used in the table above is the revised 2012/13 figure.

6. **ALTERNATIVE OPTION CONSIDERED**

6.1 None.

7. **ECONOMIC BACKGROUND**

7.1 A detailed commentary by our Treasury Consultants, Sector, of the economic background surrounding this quarter appears as Appendix A.

8. INTEREST RATE ENVIRONMENT

8.1. The major influence on the Council's investments is the Bank Rate. The Bank Rate remained at 0.5% for the second half of the year to 31st March 2013. The Council's Treasury Management Advisors, Sector, provided the following forecast for future Bank Rates:

Sector's Bank Rate Forecasts:

Qtr ending	Now (April 13)	Jun 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015
Current Forecast, as at April 2013:												
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%
Forecast, as at January 2012, (when Original Budgets were set):												
Bank Rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%	n/a	n/a	n/a

The forecast as at January 2012 is shown for comparison purposes as this forecast was used in calculating the original budgets.
Forecasting interest rates remains difficult with so many external influences weighing on the UK. Key areas of concern include:-

- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain.
- Failure of Italian political parties to form a viable coalition after the general election
- The impact of the Eurozone crisis on financial markets and the banking sector.
- Monetary policy action failing to stimulate growth in western economies.
- The impact of the UK Government's austerity plan on confidence and growth.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and recovery of economic growth.

Given the weak outlook for economic growth, Sector sees the prospects for any increase in Bank Rate before 2015 as very limited indeed, and the first increase could be even further delayed if growth disappoints.

8.2. The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2013/14 was approved by Council on 13th February 2013. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions credit ratings, to ensure that it does not lend to those institutions identified as being at risk either from the residual impact of the past crisis in the banking sector or the potential issues arising from the current Eurozone debt crisis. A copy of the current April 2013 lending list is shown as Appendix B.

9 **INVESTMENT PERFORMANCE**

Money Market Investments

9.1. During 2012/13, the in house function has invested both cash flow driven and core cash funds in fixed term deposits in the Money Markets. The table below illustrates the performance of the in house function during this second half year for each category normally invested in:

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) performance
Up to 7 days			
April to Sept 2012	No investments made in this half year.		
Oct to Mar 2013	No investments made in this half year		
Year to Date	No investments made in year		
Over 7 days & Up to 3 Months			
April to Sept 2012	0.93%	0.67%	+0.26%
Value of Interest earned first half year	£108,946	£78,984	+£29,962
Oct to Mar 2013	0.62%	0.45%	+0.17%
Value of Interest earned second half year	£18,213	£13,014	+£5,199
Rate for Year	0.87%	0.63%	+0.24%
Value of Interest earned in Year	£127,159	£91,998	+£35,161
Over 3 Months & Up to 6 Months			
April to Sept 2012	No investments made in this half year.		
Oct to Mar 2013	0.41%	0.53%	-0.12%
Value of Interest earned second half year	£2,033	£2,636	-£603
Rate for Year	0.41%	0.53%	-0.12%
Value of Interest earned in Year	£2,033	£2,636	-£603
Over 6 Months to 364 days			
April to Sept 2012	2.76%	1.33%	+1.43%
Value of Interest earned first half year	£80,778	£66,374	+£14,404
Oct to Mar 2013	0.65%	0.78%	-0.13%
Value of Interest earned second half year	£125,545	£150,312	-£24,767
Rate for Year	1.09%	0.89%	+0.20%
Value of Interest earned in Year	£206,323	£216,686	-£10,363
365 days and over			
April to Sept 2012	No investments made in this half year.		
Oct to Mar 2013	No investments made in this half year.		

9.2 Members will recall that they requested the Treasury function to investigate a more challenging alternative to the LIBID benchmarks previously used. Accordingly, the 2012/13 Investment Strategy includes a margin of 0.0625% to the benchmark as some recognition of the need to provide a more competitive benchmark. Therefore all the LIBID rates in the table above and referred to below include this margin of 0.0625%.

9.3 During October to March, various core investments matured. Sector's advice up to January 2013 was that due to the ongoing problems in the Eurozone it would be wise to limit investments to a maximum duration of three months until the situation resolved itself. Therefore during this period any maturing loans were re-invested for three months and produced an average return of 0.62% compared to the LIBID benchmark of 0.45% which is an amalgam of the 1 and 3 month LIBID rates. However, when Sector revised their advice to allow investing in longer dated investments of up to 364 days with stronger rated counterparties, we placed most of the maturing three month investments with Local Authorities for around 300 days and also all of the 364 day maturing investments were re-invested for the same duration. In total, these investments produced an average return of 0.65% compared to the LIBID benchmark of 0.78%. This underperformance of 0.12% reflects the consequences of prioritising counterparty security against return of yield.

9.4 During January to March the Council's cash flow investments began to unwind themselves as cash outflows (Precepts, NNDR payments to DCLG etc.) exceeded the inflows and any cash flow investments during this period were made into the Money Market Funds.

9.5 Following the maturity of a three month investment, a £1million Certificate of Deposit was purchased with Standard Charter for 6 months. This produced a return of 0.41% which when compared with the 6 month day average LIBID rate of 0.54% shows an underperformance of 0.13%. As explained in 9.3 above, this reflects the increasing shift in the portfolio towards security over yield in line with Sector's advice.

9.6 Given that the current Bank Rate is only 0.50% and counterparty security is of the utmost importance over return of yield, the level of performance achieved in this half year continues to be satisfactory.

Money Market Funds

9.7 The in house function continues to utilise the Money Market Funds to assist in managing its short term liquidity needs. Their performance in this period together with a summary of the performance for the full year is shown in the following table:

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Deutsche			
April to Sept 2012	0.54%	0.49%	+0.05%
Value of Interest earned first half year	£4,619	£4,183	+£436
Oct to Mar 2013	0.37%	0.36%	+0.01%
Value of Interest earned second half year	£5,118	£4,662	+£456
Rate for Year	0.47%	0.39%	+0.08%
Value of Interest earned in year	£9,737	£8,845	+£892

Goldman Sachs			
April to Sept 2012	0.54%	0.49%	+0.05%
Value of Interest earned first half year	£4,199	£3,791	+£408
Oct to Mar 2013	0.40%	0.36%	+0.04%
Value of Interest earned second half year	£8,669	£7,774	+£895
Rate for Year	0.44%	0.39%	+0.05%
Value of Interest earned in Year	£12,868	£11,565	+£1,303
Invesco Aim			
April to Sept 2012	N/A	N/A	N/A
Value of Interest earned first half year	No investments made in fund during 1st half year		
Oct to Mar 2013	0.35%	0.36%	-0.01%
Value of Interest earned second half year	£2,991	£3,170	-£179
Rate for Year	0.35%	0.36%	-0.01%
Value of Interest earned in Year	£2,991	£3,170	-£179

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Prime Rate			
April to Sept 2012	0.77%	0.49%	+0.28%
Value of Interest earned first half year	£23,088	£14,665	+£8,423
Oct to Mar 2013	0.55%	0.36%	+0.19%
Value of Interest earned second half year	£16,529	£10,711	+£5,818
Rate for Year	0.66%	0.39%	+0.27%
Value of Interest earned in Year	£39,617	£25,376	+£14,241
Ignis			
April to Sept 2012	0.72%	0.49%	+0.23%
Value of Interest earned first half year	£19,274	£13,071	+£6,203
Oct to Mar 2013	0.50%	0.36%	+0.14%
Value of Interest earned second half year	£14,430	£10,156	+£4,274
Rate for Year	0.56%	0.39%	+0.17%
Value of Interest earned in Year	£33,704	£23,227	+£10,477
TOTAL INTEREST FIRST HALF YEAR	£51,180	£35,710	+£15,470
TOTAL INTEREST SECOND HALF YEAR	£47,737	£36,473	+£11,264
TOTAL INTEREST FOR YEAR	£98,917	£72,183	+£26,734

9.8 During the half year, the Council’s cash flow investments were into the Money Market Funds and the policy of using these funds in preference to the Business Reserve Accounts for liquidity balances was continued as the Money Market Funds were paying rates comparable to Bank Rate. The rates being offered by the Business Reserve Accounts were lower than the Money Market Fund rates because for the levels of investments being held in the accounts we would not earn the top level, equivalent to Bank Rate or slightly higher.

9.9 As with the Money Market investments in paragraph 9.1, the LIBID benchmark which in this case is the 7 day rate has been increased by a margin of 0.0625% and it can be seen from the table above that the out performance of the benchmark continues to be satisfactory. The Council continued to concentrate its investments in the four highest performing funds Prime Rate, Ignis and Deutsche and Goldman Sachs.

9.10 During 2012/13 the Council earned £98,917 interest on its Money Market Fund investments at an average rate of 0.56%. This compares with an original estimate of £65,900 and latest estimate of £65,800. The average balance in the funds during the year was £17,562,000. The major reason for the variance in interest earned is due to higher balances than anticipated being maintained in the funds particularly Ignis and Prime Rate due to attractive interest rates when compared to, for instance, 3 month deposits with banks.

Business Reserve Accounts

9.11 The Council operates two Business Reserve accounts with Santander and Lloyds Banking Group. If sufficient balances are maintained these accounts offer a guaranteed rate of return equivalent to Bank Rate or slightly higher. However, because the Money Market Funds were offering rates above the Business Reserve Accounts for the levels of investments held, the Business Reserve Accounts were not used. In addition, Santander is not currently on the Council's Standard lending List as it's credit rating is below our minimum criteria.

9.12 The following table brings together the investments made in the various investment vehicles during the year to give an overall picture of the investment return:-

Investment Vehicle	Investment Return (Annualised) £	LIBID Benchmark (Annualised) £	Out/(Under) Performance £
Money Markets	396,008	330,455	+65,553
Money Market Funds	84,292	53,704	+30,588
Total	**480,300**	**384,159**	**+96,141**

The original estimate of annual external investment interest for 2012/13 was £460,459 gross and this was revised in January to £437,391, the difference in the amounts is partly due to increased balances available for investment resulting from slippage in the capital programmes but offset by lower than expected interest rates. It should be noted that the total investment return of £480,300 shown in the table will not all be received in 2012/13 as it is an annualised figure and will include interest relating to 2013/14, hence the actual interest quoted of £451,354 in paragraph 5.1 is below this figure.

9.13 An analysis of the overall in house investments held by the Council at the end of March 2013 is shown below: (The previous half year is shown for comparison)

Type of Investment	Closing Balance first half year as at 31st Sept 2012	Closing Balance second half year as at 31st March 2013
	£	£
Money Markets	30,000,000	26,000,000
Money Market Funds	13,777,000	12,488,000
Business Reserve Accounts	0	0
Total	**43,777,000**	**38,488,000**

10. COUNTERPARTY CREDIT RATINGS

10.1 Except for an appendix to the Treasury Management Strategy Plan presented to the Executive in February each year, an analysis of the credit ratings enjoyed by our various counterparties with whom we have invested in recent times has never been reported regularly to Members. In these heightened times of concern over the Eurozone crisis and its potential impact on UK banks it is felt appropriate to provide such a regular update listing the investments made in the second half year and the credit ratings applicable to the counterparty at the point at which the investment was made and this is shown in the table below:-

Counterparty	Investment Amount £	Credit Rating			
		Long Term	Short Term	Viability	Support
Banks					
WDC Minimum	(Fitch)	**A+**	**F1**	**BBB**	**1**
Bank Of Scotland	£1,000,000	A	F1	N/A	1
Bank Of Scotland	£1,000,000	A	F1	N/A	1
Standard Charter (CD)	£1,000,000	AA-	F1+	AA-	1
UK Government Part Owned Banks **N.B. Where multiple investments are shown for a UK Government Part Owned Bank this reflects re-investment of the previous matured loan during the second half year.**					
WDC Minimum	(Fitch)	**A**	**F1**	**BBB**	**1**
Royal Bank Of Scotland	£1,000,000	A	F1	BBB	1
Royal Bank Of Scotland	£1,000,000	A	F1	BBB	1
Royal Bank Of Scotland	£4,000,000	A	F1	BBB	1
Local Authorities					
WDC Minimum	**N/A**				
Lancashire County Council	£2,000,000				
Birmingham City Council	£3,000,000				
Birmingham City Council	£1,000,000				
Birmingham City Council	£1,000,000				
Birmingham City Council	£1,000,000				
Glasgow City Council	£2,000,000				
Glasgow City Council	£2,000,000				
Newcastle City Council	£1,000,000				

Rated Building Societies- Category A					
WDC Minimum	(Fitch)	**A+**	**F1**	**N/A**	**N/A**
Nationwide	£1,000,000	A+	F1		
Nationwide	£1,000,000	A+	F1		
Rated Building Societies- Category B					
WDC Minimum	(Fitch)	**Less than A+**	**F1**	**N/A**	**N/A**
Coventry	£2,000,000	A	F1		
Unrated Building Societies					
WDC Minimum	**Must be in Top 20 ranked by Asset Value**				
Cambridge	£1,000,000	Ranked 14			
Manchester	£1,000,000	Ranked 15			
Newcastle	£1,000,000	Ranked 8			
West Bromwich	£1,000,000	Ranked 6			
Hinckley & Rugby	£1,000,000	Ranked 20			
Progressive	£1,000,000	Ranked 10			
National Counties	£1,000,000	Ranked 12			
MoneyMarket Funds (Investment amount is average principal in fund during the half year)					
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAm or Moodys AAA & Volatility Rating MR1+				
Deutsche	£1,324,833	Fund retained its rating throughout period			
Invesco Aim	£890,035	Fund retained its rating throughout period			
Prime Rate	£3,007,556	Fund retained its rating throughout period			
Ignis	£2,851,664	Fund retained its rating throughout period			
Goldman Sachs	£2,182,839	Fund retained its rating throughout period			

10.2 It can be seen that all investments made within the second half year were in accordance with the Council's credit rating criteria.

10.3 Also attached for the Committee's information as Appendix B is the Council's current 2013/14 Counterparty lending list.

11. BENCHMARKING

11.1 With regard to the Sector Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and analysis of the results for the March quarter show that the Councils weighted average rate of return on its investments at 0.924% was marginally below Sector's model portfolio rate of return based on the risk in our portfolio which was 1.00%. This slight difference of 0.08% meant that Sector classed our performance as 'inline' with their model.

11.2 Analysis of the benchmarking groups data suggest that the common trend has been to invest longer with the part-nationalised banks to take advantage of the special tranche rates being offered by these counterparties which has also had the beneficial effect of reducing the risk in the groups portfolios.

11.3 Following our out of line performance against Sector's model in the first half year our strategy has been to withdraw from the Building Society sector and invest in stronger rated counterparties such as Local Authorities and part nationalised banks. Consequently, our credit risk has decreased greatly in the second half year to a point where it is amongst the lowest within the benchmarking group. This has been achieved without any significant affect on investment returns as the rates being offered by Building Societies when investments with them came up for renewal were poor due to the effects of the Governments Funding for Lending scheme.

12. BORROWING

12.1 During the second half year, there was no long term borrowing activity other than to pay the second half year interest instalment on the £136.157m PWLB borrowing taken out in March 2012 for the HRA Self Financing settlement which amounted to £2.383m.

12.2 During the half year it was not necessary to undertake any Money Market borrowing to fund cashflow deficits, with any deficits being managed within the Council's £100,000 overdraft facility with HSBC. The interest rate on this facility is 2% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the second half year overdraft interest of £10.44 was paid. Overdraft interest is normally offset by the interest earned at 1% below Bank Rate on the days when the end of day balance was in credit; however, with Bank Rate at 0.50% this is not applicable.

13 PRUDENTIAL INDICATORS

13.1 The 2012/13 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

APPENDIX A

1. SECTOR COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND.

1. During the quarter ended 31 March: -
   - Indicators suggest that the economy was very near to a second consecutive quarter of negative growth in GDP;
   - Household spending strengthened, both on and off the high-street;
   - Unemployment rose for the first time for a year;
   - Inflation remained stubbornly above the MPC's 2% target;
   - Three members of the MPC voted for further QE;
   - UK equity prices rose and sterling fell;
   - The US economic recovery gathered pace.
2. It remains touch-and-go whether the UK economy contracted again in the first quarter: if so, it would result in a triple-dip recession. On the basis of past form, the CIPS/Markit business surveys point to next to no growth in the first quarter of 2013 and the first official sets of output data have been fairly disappointing. Although the index of services rose by a monthly 0.3% in January, this did not fully reverse its drop in December. Meanwhile, industrial production posted a 1.2% monthly fall in January. This was partly driven by lower output in the volatile energy sector, but manufacturing output was down 1.5% on the month too. Note also that unusually bad weather at the end of the quarter may have depressed activity in certain sectors, such as retail and construction.
3. Household spending appears to have started the year on a stronger footing. The 2.1% monthly rise in retail sales in February more than offset January's 0.7% fall. Non-high street spending has been robust too, with new car registrations up by 7.9% in the year to February.
4. The latest data tentatively suggested that the labour market's recent resilience is coming to an end. Employment continued to grow, by 131,000 in the three months to January, but this was slower than the 175,000 gain seen in the fourth quarter. Meanwhile, pay growth remained subdued, with the headline (3m average of the annual rate) measure of earnings falling to 1.2% in January.
5. Elsewhere, the housing market has been revived a bit by the Bank of England's Funding for Lending Scheme (FLS) which helped to bring down some mortgage rates, primarily on fixed products. The

quoted interest rate on a 2-year fixed mortgage at a 90% loan-to-value ratio has fallen around 80 basis-points since the introduction of the FLS back in August.

6. This is helping to support house prices. Both the Halifax and Nationwide measures reported monthly gains in February, rising by 0.5% and 0.2% respectively. The Halifax measure rose by 1.9% on a 3-month-on-3-month basis, the fastest pace since the beginning of 2010. But there were some early signs of weakness in the housing market in the first quarter. Mortgage approvals as measured by the BBA fell in both January and February, and are now 8% lower compared with the end of last year. But this may be overstating the fall, as smaller lenders, not measured by the BBA figures, have been gaining market share recently. The broader Bank of England data, which also includes non-bank lenders, showed that approvals fell by just 1.6% in January.

7. On the fiscal front, the public borrowing figures for this year have been flattered by a number of one-offs, including the transfer of the Royal Mail pension fund and the revenues of interest generated by the Bank of England's Asset Purchase Facility. On an underlying basis, however, the OBR forecast net borrowing of £121.9bn in 2012/13, is basically unchanged from the outturn seen in the last financial year. Underlying borrowing is now not forecast to fall substantially until 2014/15.

8. This year's Budget contained many good individual measures, but they were on a small scale and their overall effect was fiscally neutral. The further 1p cut in corporation tax and the "employment allowance", which helps to reduce employers' national insurance contributions, were welcome moves that should help business. But giveaways were matched by further cuts, including a further 1% reduction in departmental spending in the next two fiscal years.

9. The Budget also contained a reaffirmation of the MPC's 2% inflation target along with some minor tweaks to the MPC's remit, which will allow the MPC more flexibility in the communication of its policy. This fell short of speculation that the government could suspend, or even scrap entirely, the 2% inflation target.

10. Inflation, meanwhile, remained high, with the CPI measure rising from 2.7% to 2.8% in February. The latest rises have been driven, mainly, by higher energy prices. This reflected a sharp rise in sterling oil prices as well as the final price rise from a "big six" utility company filtering through.

11. The MPC has said that it would "look through" the latest energy driven price rises when setting monetary policy. Indeed, the minutes of February's meeting showed that three members of the MPC, including Governor, Mervyn King, voted for further

quantitative easing. The size of the Bank's asset purchase programme has remained at £375bn since November.

12. Turning to the markets, both UK and global equity prices have rallied since the start of the year, with the FTSE 100 rising from 5,897 to 6,400. Gilt prices were volatile over the quarter, with the yield on 10-year gilts hitting 2.2% in early March, before falling back to 1.72% at the end of the quarter, similar to the level seen at the start of the year. Meanwhile, the pound has fallen sharply against the dollar, from $1.63 to $1.51. Sterling was slightly weaker against the euro, too, slipping from €1.23 to €1.19.

13. Internationally, the economic recovery in the US appeared to gather momentum over the first quarter. A weighted average of the ISM indices is consistent with annualised GDP growth of close to 3%. What is more, the growth in private payrolls accelerated to a 3-month average of 200,000 in February. While the expiry of the payroll tax cut at the start of the year will hit real incomes, the 0.4% rise in underlying retail sales in February looks consistent with consumption growth of 2% annualised.

14. The Eurozone crisis flared up again at the end of the quarter, after it was agreed that bank deposits could be subject to a "haircut" as part of an international bail-out package for Cyprus. While a bailout package agreed by European Finance Ministers should avert disaster, the episode has raised fears about the safety of bank deposits in other periphery countries. Meanwhile, the underlying Eurozone economy looks weak. On past form the composite Eurozone PMI points to a 0.3% quarterly contraction of GDP in Q1.

APPENDIX B

WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT MARCH 2013

BANKS

INVESTMENTS UP TO 364 DAYS (3 MONTHS FOR EXPLICITLY GUARANTEED SUBSIDIARIES)

Maximum investment limit with any one part or fully nationalised bank = £9m

Maximum investment limit with any one private sector bank = £5m

Group limit = £5m (£9m uk govt part owned banks) (group = other banks on wdc list as identified below* including explicitly guaranteed subsidiaries) Minimum fitch ratings credit rating = long term a+ (uk govt part owned a), short term f1, viability rating of bbb and support rating of 1. sovereign country rating – at least equal to that of the uk (currently aaa).

INVESTMENTS OVER 364 DAYS

As above but maximum overall investment per counterparty and/or group is £5m for a maximum of two years, subject to an overall limit of £9m (including category a building societies) seek advice from sector before placing deals in this category to ensure that the interest rate offered is appropriate.

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc)	GROUP LIMIT APPLIES
AUSTRALIA (AAA)		
Australia & New Zealand Banking Group Ltd.		
Commonwealth Bank of Australia		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale Clydesdale Bank	Yes
Westpac Banking Corporation		
CANADA (AAA)		
Bank of Montreal	Bank of Montreal Ireland plc*	
Bank of Nova Scotia	Scotia Bank* Scotia Bank (Ireland) Ltd* Scotia Bank Capital Trust (United States)* Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada	Royal Trust Company* Royal Bank of Canada Europe*	

	Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
FRANCE (AAA)		
BNP Paribas	BNP Paribas Finance* BancWest Corporation (California)* Banca Nazionale Del Lavoro SpA* First Hawaiian Bank* United Overseas Bank*	
Societe Generale **DO NOT USE AS CDS OUT OF RANGE**	Societe Generale Asset Management* Credit Du Nord* Sogecap/Sogessur*	
GERMANY (AAA)		
Deutsche Bank AG	Bankers Trust International plc* Deutsche Asset Management* Deutsche Bank Americas Finance LLC* Deutsche Bank Securities * Deutsche Bank Trust Company Americas* Deutsche Trust Corporation New York*	
LUXEMBOURG (AAA)		
Clearstream Banking		
NETHERLANDS (AAA)		
ING Bank NV **DO NOT USE AS CDS OUT OF RANGE @ 12.04.13**	ING Belgium*	
NORWAY (AAA)		
DnB NOR Bank	DnB NOR Group* Sparebankkredit* Union Bank of Norway*	
SINGAPORE (AAA)		
DBS Bank Ltd	DBS Bank (Hong Kong)*	
Oversea Chinese banking Corporation Ltd		
United Overseas Bank Ltd		
SWEDEN (AAA)		
Nordea Bank AB	Nordea Bank Denmark* Nordea Bank Finland* Nordea Bank Norge* Nordea Bank North America*	Yes
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadtshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB (new)		

UNITED KINGDOM (AAA)		
HSBC Bank plc	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	Yes
Standard Chartered Bank		
Lloyds Banking Group Including :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
Royal Bank of Scotland Group Including :- Royal Bank of Scotland	Citizens Financial Group Inc* First Active plc (Ireland)* National Westminster Bank* Ulster Bank*	Yes
UNITED STATES OF AMERICA (AAA)		
Bank of New York Mellon	Bank of New York (Delaware USA)* Bank of New York (New York USA)* Bank of New York Trust Company*	
HSBC Bank USA NA	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC UK Hang Seng Bank*	Yes
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
State Street Bank and Trust Company	State Street Banque* State Street Corporation*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

BUILDING SOCIETIES – CATEGORY A

INVESTMENTS UP TO 364 DAYS

Maximum investment limit with any one building society = £4m.
Minimum Fitch ratings credit rating = at least equal to UK sovereign rating (currently AAA), long term a+ and short term f1.

- Nationwide **(28/12/12 –watch cds status as keep dipping in and out of monitoring/in range)**

INVESTMENTS OVER 364 DAYS

Category A building societies up to £1m for up to 2yrs subject to overall £9m limit (including banks)

BUILDING SOCIETIES – CATEGORY B

Maximum investment limit = £2m
Maximum length of investment = 364 days
Minimum Fitch ratings credit rating = at least equal to UK (currently AAA) sovereign rating , long term less than a+ and short term f1 or above

- Coventry

BUILDING SOCIETIES – CATEGORY C

All other building societies in the top 20 ranked by asset value (floor £500m)
Maximum investment limit = £1m
Maximum length of investment = 3 months
Group limit = £8m

- Yorkshire (now merged with Norwich & Peterborough) **(28/12/12 – DO NOT USE – CDS NOW AT MONITORING STATUS)**
- Leeds
- Skipton – **DO NOT USE UNTIL FURTHER NOTICE**
- West Bromwich
- Principality
- Newcastle
- Nottingham
- Progressive
- Cumberland
- National Counties
- Cambridge
- Saffron
- Manchester
- Furness
- Leek United
- Monmouthshire
- Newbury
- Hinckley & Rugby

NATIONALISED INDUSTRIES AND PUBLIC CORPORATIONS

Maximum investment limit = £6m
Maximum length of investment = 364 days

LOCAL AUTHORITIES INCLUDING POLICE & FIRE AUTHORITIES

Maximum investment limit = £9M
Maximum length of investment = 364 DAYS

Any local authority in Great Britain and Northern Ireland at the discretion of the Head of Finance

SUPRANATIONAL INSTITUTIONS / MULTI-LATERAL DEVELOPMENT BANKS

Minimum Fitch credit rating = AAA or government guaranteed

Maximum investment limit = £5m per counterparty
Maximum length of investment = not specified. seek advice from sector before placing deals in this category to ensure that the interest rate offered is appropriate.

European Community
European Investment Bank
African Development Bank
Asian Development Bank
Council of Europe Development Bank
European Bank for Reconstruction & Development
Inter-American Development Bank
International Bank of Reconstruction & Development

TRIPLE A RATED MONEY MARKET FUNDS

Minimum credit rating – Standard and Poors AAAm or Moodys AAA-mf or Fitch AAAmmf
Maximum investment limit = £6M
Maximum length of investment = not defined – depends on cash flow

CURRENT
Aim Global (£9m limit)
Deutsche (9m limit
Prime Rate (£9m limit)
Goldman Sachs (£9m limit
Ignis (£9m limit)

Any other MMF satisfying above credit rating criteria (£9m limit)

OTHER
Maximum investment limit = £12M
Maximum length of investment = 364 days

Government Debt Management Account Facility

Maximum investment limit = £9M
Maximum length of investment = not specified

UK Government Gilts