

 Finance and Audit Scrutiny Committee. 28th June 2016.		Agenda Item No. 4
Title	Treasury Management Activity Report for the period 1st October 2015 to 31st March 2016.	
For further information about this report please contact	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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	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	15/06/2016	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	15/06/2016	Mike Snow
Monitoring Officer	N/A	
Finance	10/06/2016	Roger Wyton
Portfolio Holder(s)		Peter Whiting
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 2015 to 31st March 2016.

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 2015/16 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 **Policy Framework** -The Treasury Management function enables the Council to achieve its objectives within the strategy and policies.
- 4.2 **Fit for the Future** – The Treasury Management function enables the Council to meet its vision of a great place to live work and visit as set out in the Sustainable Community.
- 4.3 **Impact Assessments** – No impacts of new or significant policy changes proposed in respect of Equalities.

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 2015/16 compared with the original and latest budgets is shown in the table below:

	Original 2015/16 Budget (Jan 15)	Latest 2015/16 Budget (Jan 16)	2015/16 Actual
	£	£	£
Gross Investment Interest	402,971	443,388	481,812
Less HRA allocation	132,100	172,200	198,600
Net interest to General Fund	270,871	271,188	283,212

6. Risks

- 6.1 Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the SLY principle. Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).

6.2 The Council invested in Corporate Bonds in 2015/16 which introduced Counterparty credit risk into the portfolio by virtue of the fact that it was possible that the institution invested in could have become bankrupt leading to the loss of all or part of the Council's investment. This was mitigated by only investing in Corporate Bonds with a strong Fitch credit rating, in this case A+ and issued as Senior Unsecured debt which ranked above all other debt in the case of a bankruptcy. No such capital loss was incurred in 2015/16.

7. Alternative Option(s) considered

7.1 None.

8. Background

8.1 A detailed commentary by our Treasury Consultants, Capita Asset Services, of the economic background surrounding this quarter appears as Appendix A.

9. Interest rate environment

9.1. 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 2016. The Council's Treasury Management Advisors, Capita Asset Services, provided the following forecast for future Bank Rates:

Capita Asset Services Bank Rate Forecasts:

Qtr ending	Now (May 16)	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018
Current Forecast, as at May 2016:											
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%
Forecast, as at January 2015, (when Original Budgets were set):											
Bank Rate	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%	n/a	n/a

The forecast as at January 2015 is shown for comparison purposes as this forecast was used in calculating the original budgets.

9.2. The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2016/17 was approved by Council on 10th February 2016. 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. A copy of the April 2016 lending list is shown as Appendix B. This list includes the recommendations from the 2016/17 Treasury Management Strategy report concerning new investment vehicles and limits.

10 INVESTMENT PERFORMANCE

Money Market Investments

10.1. During 2015/16, the in house function has invested its core cash 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 2015	No investments made in this half year.		
Oct to Mar 2016	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 2015	No investments made in this half year.		
Oct to Mar 2016	No investments made in this half year		
Year to Date	No investments made in year		
Over 3 Months & Up to 6 Months			
April to Sept 2015	0.69%	0.66%	+0.03%
Value of Interest earned first half year	£23,180	£22,271	+£909
Oct to Mar 2016	0.62%	0.68%	-0.06%
Value of Interest earned second half year	£23,796	£26,065	-£2,269
Rate for Year	0.65%	0.67%	-0.02%
Value of Interest earned in Year	£46,976	£48,336	-£1,360
Over 6 Months to 365 days			
April to Sept 2015	0.72%	0.81%	-0.09%
Value of Interest earned first half year	£22,128	£25,194	-£3,066
Oct to Mar 2016	0.93%	0.82%	+0.11%
Value of Interest earned second half year	£196,553	£173,464	+£23,089
Rate for Year	0.90%	0.82%	+0.08%
Value of Interest earned in Year	£218,681	£198,658	+£20,023

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) performance
1 year and over			
April to Sept 2015	1.00%	0.96%	+0.04%
Value of Interest earned first half year	£30,247	£29,173	+£1,074
Oct to Mar 2016	No investments made in this half year		
Rate for Year	1.00%	0.96%	+0.04%
Value of Interest earned in Year	£30,247	£29,173	+£1,074
TOTAL INTEREST FIRST HALF YEAR	£75,555	£76,655	-£1,100
TOTAL INTEREST SECOND HALF YEAR	£220,348	£199,529	+£20,819
TOTAL INTEREST FOR YEAR	£295,903	£276,183	+£19,719

- 10.2 All the LIBID rates in the table above and referred to below include a margin of 0.0625%.
- 10.3 During October to March, eighteen core investments matured. Capita's advice for this period was 'There is volatility in the longer term rates on the back of the moves in the gilt markets, but shorter dated rates are relatively unchanged, reflecting market expectations that Bank Rate will not be altered for some time. There does remain some value with longer term investments with suitable counterparties.' Therefore, as six of these investments matured, shorter dated ones of less than 1 year were purchased and the remainder were invested for 364 days.
- 10.4 Two 6 month certificates of deposits (CD) with Nordea and Rabo Bank were purchased along with two 6 month fixed deposits with Coventry Building Society and DBS Bank Ltd. These produced a lower yield due to their high credit ratings and consequently are reflected in the underperformance in the 'Over 3 months and under 6 months' section in the table above. At the time of looking to place these investments there was limited choice available that met our criteria.
- 10.5 In the '6 months to 1 year' category, two longer term Local Authority Fixed Deposits were replaced with two shorter term investments, a 364 day Toronto CD and a 364 day fixed deposit with Helaba Bank. Their yields are reflected in the out-performance shown in the table above.
- 10.6 Lloyds Banking Group was still offering enhanced rates for 1 year deposits therefore three investments were rolled over.
- 10.7 A £2 million Coventry Building Society and a £3 million Bank of Nederlanden Gementeen investments which matured towards the end of the financial year

were held in the Money Market Funds awaiting a suitable investment opportunity.

10.8 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.

10.9 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 & Call Accounts

10.10 The in house function continues to utilise the Money Market Funds and Call Accounts 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 2015	0.43%	0.42%	+0.01%
Interest earned 1st half year	£643	£641	+£2
Oct to Mar 2016	0.45%	0.42%	+0.03%
Value of Interest earned second half year	£6,855	£6,440	+£415
Rate for Year	0.45%	0.42%	+0.03%
Value of Interest earned in year	£7,498	£7,081	+£417
Goldman Sachs			
April to Sept 2015	0.44%	0.42%	+0.02%
Interest earned 1st half year	£10,915	£10,638	+£277
Oct to Mar 2016	0.44%	0.42%	+0.02%
Value of Interest earned second half year	£7,114	£6,831	+£283
Rate for Year	0.44%	0.42%	+0.02%
Value of Interest earned in year	£18,029	£17,469	+£560
Invesco Aim			
April to Sept 2015	0.44%	0.42%	+0.02%
Interest earned 1st half year	£213	£206	+£7
Oct to Mar 2016	0.47%	0.42%	+0.05%
Value of Interest earned second half year	£15,345	£13,763	+£1,582
Rate for Year	0.47%	0.42%	+0.05%
Value of Interest earned in year	£15,558	£13,969	+£1,589

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Federated Constant Net Asset Value (CNAV)			
April to Sept 2015	0.51%	0.42%	+0.09%
Interest earned 1st half year	£11,049	£9,185	+£1,864
Oct to Mar 2016	0.56%	0.42%	+0.14%
Value of Interest earned second half year	£13,971	£10,654	+£3,317
Rate for Year	0.53%	0.42%	+0.11%
Value of Interest earned in year	£25,020	£19,839	+£5,181
Federated Variable Net Asset Value (VNAV)			
April to Sept 2015	0.59%	0.66%	-0.07%
Interest earned 1st half year £	£13,030	£16,646	-£3,616
Oct to Mar 2016	0.56%	0.68%	-0.12%
Value of Interest earned second half year	£16,495	£16,495	0%
Rate for Year	0.68%	0.68%	0%
Value of Interest earned in year	£29,525	£33,141	-£3,616
Standard Life (was Ignis)			
April to Sept 2015	0.48%	0.42%	+0.06%
Value of Interest earned first half year	£21,110	£18,687	+£2,423
Oct to Mar 2016	0.50%	0.42%	+0.08%
Value of Interest earned second half year	£22,630	£19,146	+£3,484
Rate for Year	0.49%	0.42%	+0.07%
Value of Interest earned in year	£43,740	£37,833	+£5,907

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Royal London Cash Plus Account (VNAV)			
April to Sept 2015	0.49%	0.66%	-0.17%
Value of Interest earned first half year	£4,445	£3,930	+£515
Oct to Mar 2016	0.68%	0.68%	0%
Value of Interest earned second half year	£6,865	£6,865	£0
Rate for Year	0.58%	0.67%	-0.09%
Value of Interest earned in year	£11,310	£10,795	+£515
TOTAL INTEREST FIRST HALF YEAR	£61,405	£59,933	+£1,472
TOTAL INTEREST SECOND HALF YEAR	£89,275	£79,421	+£9,854
TOTAL INTEREST FOR YEAR	£150,680	£139,354	+£11,326

10.11 As with the Money Market investments in paragraph 10.1, the LIBID benchmark which in this case is the 7 day rate (plus a margin of 0.0625%) is used for comparing the CNAV funds performance. For the Federated Prime Rate Variable Net Asset Fund and Royal London Cash Plus Account the 6 month LIBID rate (plus a margin of 0.0625%) is used. It should be noted that the investment return on both of these includes fees and so is not directly comparable with the benchmark return. It can be seen from the table above that the total interest out performance of the benchmark continues to be satisfactory. The Council continued to concentrate its investments in the four highest performing funds Federated (variable and constant net asset value funds), Royal London Cash Plus, Ignis, and Invesco along with the two call accounts, HSBC Business Deposit Account and Svenska Handelsbanken.

10.12 During 2015/16 the Council earned £150,707 interest on its Money Market Fund investments at an average rate of 0.52%. The average balance during the year was £28,994,233.

Call Accounts

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
HSBC Business Deposit a/c			
April to Sept 2015	0.37%	0.42%	-0.05%
Value of Interest earned first half year	£3,126	£3,545	-£419
Oct to Mar 2016	0.34%	0.42%	-0.08%
Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Value of Interest earned second half year	£1,846	£2,245	-£399
Rate for Year	0.36%	0.42%	-0.06%
Value of Interest earned in year	£4,972	£5,790	-£818
Svenska Handelsbanken a/c			
April to Oct 2015	0.55%	0.45%	+0.10%
Value of Interest earned first half year	£13,810	£11,174	+£2,636
Oct to Mar 2016	0.55%	0.45%	+0.10%
Value of Interest earned second half year	£13,861	£11,226	+£2,635
Rate for Year	0.55%	0.45%	+0.10%
Value of Interest earned in Year	£27,671	£22,400	+£5,271
TOTAL INTEREST FIRST HALF YEAR	£16,936	£14,719	+£2,217
TOTAL INTEREST SECOND HALF YEAR	£15,707	£13,471	+£2,236
TOTAL INTEREST FOR YEAR	£32,643	£28,190	+£4,453

10.13 As with the Money Market investments in paragraph 10.1, the LIBID benchmark, which in this case is the 7 day rate, has been increased by a margin of 0.0625%. The return for the second half year in the Svenska accounts outperformed the benchmark rate. However, there was a continuation of an underperformance on HSBC BDA account due to adverse cash flows towards the end of the year.

10.14 During 2015/16 the Council earned £32,643 interest on its Call Accounts at an average rate of 0.51% and the average balance held was £6,414,228.

10.15 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	295,903	276,183	+19,719
Money Market Funds	150,680	139,354	+11,326
Call Accounts	32,643	28,190	+4,453
Total	479,226	443,727	+35,499

The table below provides a breakdown of original estimate against actual outturn 2015/16:-

Original Estimate		Actual Outturn	
Original estimate of annual external investment interest and other interest such as car loan and long term investments for 2015/16	£402,971	Actual outturn for 2015/16	£501,800
Revised to	£443,388	Latest Estimate	£443,388
Increase of	£40,417	Increase of	£58,412
Mainly due to 1) Additional interest earned on increased balances as a result of variations in the 2014/15 and 2015/16 revenue and capital programmes.	+£85,000	Mainly due to 1) Overall interest rate for the year being slightly lower than expected.	-£10,000
2) Offset by a lower than expected interest rate due to the Bank Rate not rising in line with previous predictions as a result of continuing economic difficulties.	-£52,000	2) Additional interest arising from increased balances due to underspendings in revenue and capital budgets.	+£60,000
3) Received in respect of the redemption on maturity of some 21/2% Consolidated Stock which has been treated as interest.	+£8,400	3) Received interest charged as a result of late payment of a S106 contribution.	+£8,200

It should be noted that the total investment return of £479,226 shown in the table above is in respect of investments made by the in house team and does not include the other interest received and not all will be received in 2015/16 as it is an annualised figure and will include interest relating to 2016/17.

10.16 An analysis of the overall in house investments held by the Council at the end of March 2016 is shown below:

(The previous half year is shown for comparison)

Type of Investment	Closing Balance first half year as at 30th Sept 2015	Closing Balance as at 31st March 2016
	£	£
Money Markets incl. CD's	36,000,000	33,200,000
Money Market Funds	27,733,000	21,679,000
Business Reserve Accounts including Call Accounts	4,050,000	5,046,000
Total	67,783,000	59,925,000

11. COUNTERPARTY CREDIT RATINGS

11.1 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 is shown in the table below:-

Counterparty	Investment Amount £	Credit Rating	
		Long Term	Short Term
Banks			
WDC Minimum	(Fitch)	A+	F1
DBS Bank Ltd	£2,000,000	AA-	F1+
Nordea Bank (CD)	£2,000,000	AA-	F1+
RABO Bank (CD)	£2,200,000	AA-	F1+
Nordea Bank (CD)	£2,000,000	AA-	F1+
Toronto Dominion Bank (CD)	£5,000,000	AA-	F1+
Landesbanken Hessen Thueringen-Helaba	£2,000,000	A+	F1+
Landesbanken Hessen Thueringen-Helaba	£2,000,000	A+	F1+
Bank Of Montreal (CD)	£2,000,000	AA-	F1+
DBS Bank Ltd	£2,000,000	AA-	F1+
Building Societies- Category B			
WDC Minimum	(Fitch)	Less than A+	F1
Coventry Building Society	£2,000,000	A	F1
Nationwide Building Society (CD)	£2,000,000	A	F1
UK Government Part Owned Banks			
WDC Minimum	(Fitch)	A	F1
Lloyds TSB Bank	£2,000,000	A+	F1
Lloyds TSB Bank	£3,000,000	A+	F1
Lloyds TSB Bank	£1,000,000	A+	F1
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	£303,072	Fund retained its rating throughout half year	
Invesco Aim	£6,482,220	Fund retained its rating throughout half year	
Federated Prime Rate	£9,000,000	Fund retained its rating throughout half year	
Ignis	£9,017,170	Fund retained its rating throughout half year	
Goldman Sachs	£3,217,308	Fund retained its rating throughout half year	
Royal London Asset Management	£2,000,000	Fund retained its rating throughout half year	
Call Accounts			
WDC Minimum	(Fitch)	A+	F1
HSBC Business Deposit Account	£1,322,932	Counterparty retained its rating throughout period of AA- long term, F1+ short term,	
Svenska Handelsbanken	£5,000,000	Counterparty retained its rating throughout period of AA- long term, F1+ short term.	

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

11.3 Also attached for the Committee's information as Appendix B is the Council's current 2015/16 Counterparty lending list.

12. **BENCHMARKING**

12.1 With regard to the Capita Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils, the results are published quarterly. Analysis of the results for quarters three and four show that the Councils weighted average rate of return on its investments at 0.65% and 0.73% respectively was above Capita's model portfolio band range.

12.2 The results for quarters three and four also show that the Council's weighted average rate of return was above that of the local group and the weighted average credit risk in the portfolio was below that of the local group thus demonstrating that the Council is balancing its aim of achieving the best rate of return on its investments whilst protecting the security of those investments.

13. **BORROWING**

13.1 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.

13.2 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 £50,000 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

£10 overdraft interest 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.

14 PRUDENTIAL INDICATORS

- 14.1 The 2015/16 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.

1. CAPITA ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND

- 1.1 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate +2.1% was again a leading rate in the G7 though the US achieved a higher rate of +2.4%. Growth in quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before falling back again to +0.4% (+2.2% y/y) in quarter 3. Growth improved to +0.6% in quarter 4 (+2.1% y/y) but overall this was a disappointing outturn for the year which dashed earlier forecasts for a significantly higher rate.
- 1.2 The economy now faces headwinds for exporters from the appreciation during 2015 of Sterling against the Euro, (which has only been minimally reversed in 2016), and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum coming up in June.
- 1.3 The Bank of England February Inflation Report included a forecast for growth for 2016 of 2.2% and 2.3% for 2017, down from 2.5% and 2.6% respectively. Nevertheless, this is still a reasonable rate of growth which is being driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a limited recovery in wage inflation and falls in many prices, especially fuel, which has seen CPI inflation fall to, or near to, zero over the last quarter.
- 1.4 There are, therefore, considerable risks around whether inflation will rise in the near future as strongly as previously expected; this will make it more difficult for the Bank of England to make a start on raising Bank Rate during 2016, especially given the subsequent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets over the last year, which could potentially spill over to impact the real economies rather than just financial markets.
- 1.5 The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015 before easing back to +2.0% in quarter 3 and to 1.4% in quarter 4, leaving growth in 2015 as a whole at 2.4%. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, downbeat news during the summer about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were also disappointingly weak so the first increase did not

eventually come until its December meeting. At that point, confidence was high that there would then be four more increases to come in 2016, but since then, more downbeat news on the international scene has caused a re-emergence of caution over the timing and pace of further increases.

- 1.6 In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it was intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of easing was then strengthened at its March meeting by cutting this rate further to -0.4% and its main refinancing rate from 0.05% to zero, and increased its monthly asset purchases to €80bn. This monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.6% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarters 3 and 4. The ECB is also struggling to get inflation up from around or below zero towards its target of 2%.

APPENDIX B

WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT APRIL 2016

BANKS

INVESTMENTS UP TO 364 DAYS (3 months for explicitly guaranteed subsidiaries)

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£5m if L/term rating minimum A+ but £3m if L/Term rating A.	364 days	In House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	364 days	In House +Advice & EFM*
Bank subsidiaries of UK Banks	Unrated	Unrated	Explicit Parent Guarantee	£5m	3 months	In House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's except where the Repo collateral is more highly credit rated than the counterparty in which case the counterparty limit is increased by £3m with a maximum in Repo's of £3m.

Counterparty Limit is also the Group Limit where investments are with different but related institutions.

INVESTMENTS OVER 364 DAYS

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£5m if L/term rating minimum A+ but £3m if L/Term rating A.	2 years	In House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	2 years	In House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's. Counterparty limit is also the Group Limit where investments are with different but related institutions.

£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.

NB - £20m over 364 day limit only applies to those investments where at 1st April the remaining term is greater than 364 days. Any over 364 day investment with 364 days or less to maturity at 1st April is deemed to be short term.

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc)	GROUP LIMIT APPLIE S
AUSTRALIA (AAA) Monitoring @ 01.04.2016		
Australia & New Zealand Banking Group Ltd – monitoring		
Commonwealth Bank of Australia monitoring		
Macquarie Bank Ltd		
National Australia Bank Ltd monitoring	Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale Clydesdale Bank*	Yes
Westpac Banking Corporation monitoring		
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*	
DENMARK (AAA)- monitoring		
Danske Bank		
FINLAND (AAA)- monitoring		
Nordea Bank Finland DO NOT DEAL DIRECT AS NOW DOMICILED IN SWEDEN UNDER NORDEA BANK AB BUT CD'S ETC OK WITH K&S.	Nordea Bank Denmark* Nordea Bank AB Nordea Bank Norge* Nordea Bank North America*	Yes
GERMANY (AAA)		
DZ Bank AG (Deutsche Zentral-genossenschaftsbank)		
Landesbanken Hessen- Thuringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
HONG KONG (AA+) –		

not on Capita's list as not active		
The Hong Kong & Shanghai Banking Corporation Ltd		
LUXEMBOURG (AAA)		
Clearstream Banking		
NETHERLANDS monitoring		
ABN AMRO Bank N.V		
Bank Nederlandse Gemeenten		
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)		
ING Bank NV		
SINGAPORE (AAA)		
DBS Bank Ltd	DBS Bank (Hong Kong)*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
SWEDEN (AAA)- monitoring		
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		
SWITZERLAND- monitoring		
Credit Suisse- monitoring		
UBS AG		
UNITED KINGDOM (AA+) monitoring		
Abbey National Treasury Services plc		
Barclays Bank plc- monitoring		
Close Brothers		
Goldman Sachs monitoring		
HSBC Bank plc monitoring	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	Yes
Lloyds Banking Group Including (now classed as private bank by CAPITA) :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
Santander UK plc		

Standard Chartered Bank- out of range		
Sumitomo Mitsui Banking Corporation Europe Ltd		
UBS Ltd		
UNITED STATES OF AMERICA (AAA)		
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
Bank Of America		
Bank of New York Mellon	Bank of New York (Delaware USA)* Bank of New York (New York USA)* Bank of New York Trust Company*	
Citibank		
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*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

BUILDING SOCIETIES

INVESTMENTS 364 DAYS OR LESS

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period
Building Societies - category A	F1	A	UK Sovereign	£4m	364 days
Building Societies - category B <ul style="list-style-type: none"> • Coventry • Nationwide • Leeds 	F1		UK Sovereign	£2m	364 days
Building societies - assets > £500m (Category C) <ul style="list-style-type: none"> • Yorkshire • Skipton • Leeds • Principality • West Bromwich • Newcastle • Nottingham • Progressive • Cumberland • National Counties • Saffron 				£1m	3 months

<ul style="list-style-type: none"> • Cambridge • Monmouthshire • Furness • Leek United • Newbury • Manchester • Ipswich 					
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INVESTMENTS OVER 364 DAYS

Investment / Counterparty type	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period
Building societies Category A & B (see above)	F1	A	UK Sovereign	£1m	2 years

NB. Group limit of £8m.

OTHER COUNTERPARTIES

Investment / Counterparty type	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period
DMADF	n/a	n/a	UK Sovereign	£12m	364 days
UK Govt. (includes Gilt Edged Securities & Treasury Bills), Local Authorities / Public Corporations / Nationalised Industries.	n/a	n/a	High viability/support	£9m	364 days
Money Market Fund(CNAV)	AAA / Aaa-mf/AAAmmf			£9m	liquid
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/AAA/V1			£6m	liquid
Corporate bonds - category 1		A	UK Sovereign	£5m	2 years
Corporate bonds - category 2		A		£9m	2 years
Corporate bonds - category 3		A		£3m	2 years
Covered bonds - category 1		A	UK Sovereign	£5m	2 years
Covered bonds - category 2		A		£9m	2 years
Covered bonds - category 3		A		£3m	2 years
Bonds - Supranational / Multi Lateral Development Banks European Community European Investment Bank African Development Bank Asian Development Bank Council of Europe Development Bank European Bank for	AAA / Govt Guarantee			£5m	364 days

Reconstruction & Development Inter-American Development Bank International Bank of Reconstruction & Development Or any other Supranational/Multi-Lateral Development Bank meeting criteria.					
Floating Rate Notes - category 1		A		£5m	364 days
Floating Rate Notes - category 2		A		£9m	364 days
Floating Rate Notes - category 3		A		£3m	364 days
Eligible Bank Bills	n/a		Determined by EFM	£5m	364 days
Sterling Securities guaranteed by HM Government	n/a		UK Sovereign	£9m	Not defined
Local Authorities	n/a	Viability/support= High £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£9m	5 years
Corporate Equity Funds - low risk (1-3)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£3m	10 years
Corporate Equity Funds - medium risk (4-5)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£2m	10 years
Corporate Equity Funds - high risk (6-7)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£1m	10 years
Corporate Bond Funds		BBB	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.	£5m	10 years
Pooled property fund eg: REITS			£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.	£5m	10 years
CCLA property funds	n/a	Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT. £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£5m	10 years

Categories for Covered Bonds, Corporate Bonds (must be Senior Unsecured), Floating Rate Notes:-

Category 1: Issued by private sector Financial Institutions

Category 2: Issued by Financial institutions wholly owned or part owned by the UK Govt

Category 3: Issued by Corporates