WARWICK DISTRICT COUNCIL	Finance and Audit Scrutiny Committee. 1st December 2015.	Agenda Item No. 4

Title	Treasury Management Activity Report for the period 1st April 2015 to 30th September 2015.
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	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 Impact Assessment Undertaken	No-not relevant.

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	09/11/2015	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	09/11/2015	Mike Snow
Monitoring Officer	N/A	
Finance	09/11/2015	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 April 2015 to 30th September 2015.

2. **Recommendation**

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 current estimate for investment interest in 2015/16 is shown in the table below:

	Latest 2015/16 Budget (Oct 15)	**Original 2015/16 Budget (Jan 15) £**
Gross Investment Interest	443,400	403,000
Less HRA allocation	172,200	132,100
Net interest to General Fund	**271,200**	**270,900**

5.2 The 2015/16 original investment interest forecast was predicated on the basis that the economic situation and the creditworthiness of banks would improve thus allowing core investments to once again be re-invested for 364 days. Net external investment receipts are expected to be broadly in line with the 2015/16 original and expected to increase by £106,500 in 2016/17, when compared to the 2015/16 original. The positive variation in 2016/17 is mainly due to a forecast increase in investment balances and increasing interest rates.

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 Corporate Bonds and Floating Rate Notes (FRN's) introduce Counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRN's with a strong Fitch credit rating, in this case A+ and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.

6.3 The introduction of Covered Bonds into the portfolio for 2015/16 also reduces risk as the bond is "backed" by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

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 report 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 first half year to 30th September 2015. The Council's Treasury Management Advisors, Capita Asset Services, provided the following forecast below for future Bank Rates:-

Qtr End-ing	Now (Sept 2015)	Dec 2015	Mar 2016	June 2016	Sept 2016	Dec 2016	Mar 2017	Jun 2017	Sept 2017	Dec 2017	Mar 2018
Current Forecast, as at September 2015:											
Bank Rate %	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.50	1.50	1.75
Forecast, as at January 2015, (when Original Budgets were set):											
Bank Rate %	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.75	1.75	2.00

Capita Asset Services undertook a review of its interest rate forecasts in mid-August 2015 which now includes a first increase in Bank Rate in quarter 2 of 2016.

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 2015/16 was approved by Council on 25th Feb 2015. 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 poor Eurozone economic situation. A copy of the current lending list is shown as Appendix B.

10 INVESTMENT PERFORMANCE

Money Market Investments

10.1. During 2015/16, the in house function has invested core cash funds in fixed term deposits in the Money Markets. The table overleaf illustrates the performance of the in house function during this first 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.		
Over 7 days & Up to 3 Months			
April to Sept 2015	No investments made in this half year.		
Over 3 Months & Up to 6 Months			
April to Sept 2015	0.69%	0.66%	+0.03%
Interest earned 1st half year £	£23,180	£22,271	+£909
Over 6 Months to 365 days			
April to Sept 2015	0.72%	0.81%	-0.09%
Interest earned 1st half year £	£22,128	£25,194	-£3,066
1 year and over			
April to Sept 2015	1.00%	0.96%	+0.04%
Interest earned 1st half year £	£30,247	£29,173	+£1,074
TOTAL INTEREST FIRST HALF YEAR	**£75,555**	**£76,638**	**-£1,083**

10.2 All the LIBID rates in the table above and referred to below include a margin of 0.0625%.

10.3 During April to September, five core investments matured. In the period '3 to 6 months' our out-performance was achieved by purchasing two Westpac Corporate Bonds and a Commonwealth Bank of Australia Fixed Bond, all yielding over 0.70%. The use of Corporate Bonds has enabled us to invest in names that do not ordinarily fund in the deposit market and they can potentially offer a yield pick-up on the comparable CD issue level.

10.4 The underperformance in the 'over 6 months to 365 days' period was mainly due to the inclusion of a 7 month Bank Nederlanse Gemeenten Fixed Bond within this category. This bond achieved a rate of 0.66% which is actually comparable with the 6 month LIBID rate (plus the 0.0625% margin) whereas the rate used in the table above was an average of 6 month and 1 year LIBID (plus the 0.0625% margin). A further Westpac Corporate Bond was also purchased during this period. Lastly in the "1 year and over" category, we rolled-over a Lloyds Bank investment for 1 year to achieve an outperformance.

10.5 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 first half year continues to be satisfactory.

Money Market Funds & Call Accounts

10.6 The in house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Their performance in this period 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
Goldman Sachs			
April to Sept 2015	0.44%	0.42%	+0.02%
Interest earned 1st half year £	£10,915	£10,638	+£277
Invesco Aim			
April to Sept 2015	0.44%	0.42%	+0.02%
Interest earned 1st half year £	£213	£206	+£7
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
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
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
Royal London Cash Plus Account (VNAV)			

April to Sept 2015	0.49%	0.66%	+0.07%
Value of Interest earned first half year	£4,445	£3,930	+£515
TOTAL INTEREST FIRST HALF YEAR	**£61,405**	**£59,933**	**+£1,472**

10.7 During the half year, the Council's cash flow investments were into the Money Market Funds and the HSBC Business Deposit Account.

10.8 The Royal London Asset Management (RLAM) Cash Plus Account was opened on 15th April 2015 with £2 million of core money. This is an Enhanced Money Market fund in a similar vein to the Federated Variable Net Asset fund shown in the table above and was opened in order to add value to the Council's investment returns and RLAM's September overview of the account gives a gross performance of 0.88% for the year to September. The investment has been running for five and a half months and the return of 0.49% in the table above is in line with their rate when extrapolated for one year.

10.9 As with the Money Market investments in paragraph 10.1, the LIBID benchmark which in this case is the 7 day rate, (except for the Federated Variable Net Asset and RLAM funds where a 6 month LIBID rate is used and Svenska Handelsbanken 35 day call account where a 1 month LIBID rate is used) has been increased by a margin of 0.0625% and it can be seen from the table above that the total interest out performance of the benchmark remains satisfactory. The Council continued to concentrate its investments in the highest performing funds Federated Prime Rate (variable and constant net asset value funds), Ignis, Goldman Sachs and latterly the RLAM fund along with the call accounts, HSBC Business Deposit, and Svenska Handelsbanken.

10.10 During the first half of 2015/16 the Council earned £61,405 interest on its Money Market Fund investments at an average rate of 0.50% and the average balance in the funds during the period was £14,033,932.

Call Accounts

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
HSBC Business Deposit Account			
April to Sept 2015	0.37%	0.42%	-0.05%
Value of Interest earned first half year	£3,126	£3,545	-£419
Svenska Handelsbanken Account			
April to Sept 2015	0.55%	0.45%	+0.10%
Value of Interest earned first half year	£13,810	£11,174	+£2,636
TOTAL INTEREST FIRST HALF YEAR	**£16,936**	**£14,719**	**+£2,217**

10.11 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%.

10.12 The Council earned £16,936 interest on its call accounts in the first half year at an average rate of 0.50% and the average balance in the funds during the period was £3,346,925.

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

Investment Vehicle	Investment Return (Annualised) £	LIBID Benchmark (Annualised) £	Out/(Under) Performance £
Money Markets	75,555	76,638	-1,083
Money Market Funds & Call A/c's	78,341	74,652	+3,689
Total	**153,896**	**151,290**	**+2,606**

The original estimate of annual external investment interest for 2015/16 was £402,950 gross and this was revised in October to £443,400, the increase being due to additional interest earned on increased balances as a result of variations in the 2014/15 and 2015/16 revenue and capital programmes (+£84,700) offset by a reduction of £52,500 as a result of expected interest rate rises which are not expected to materialise in 2015/16. It should be noted that the total investment return of £153,896 shown in the table above will not all be received in 2015/16 as it is an annualised figure and will include interest relating to 2016/17.

10.14 An analysis of the overall in house investments held by the Council at the end of September 2015 is shown below:

(The balance at 31st March 2015 is shown for comparison)

Type of Investment	Closing Balance As at 30th September 2015	Closing Balance As at 31st March 2015
	£	£
Money Markets incl. CD's	36,000,000	32,000,000
Money Market Funds	27,733,000	15,541,000
Business Reserve Accounts including Call Accounts	4,050,000	7,278,000
Total	**67,783,000**	**54,819,000**

11. COUNTERPARTY CREDIT RATINGS

11.1 The investments made in the first half year and the long and short term credit ratings applicable to the counterparty at the point at which the investment was made is shown in the table below:-

(N.B. viability and support ratings were discontinued from 29th July 2015 as agreed in the July Budget Monitoring Executive report).

Counterparty	**Investment Amount £**	**Credit Rating**			
		Long Term		**Short Term**	
Banks					
WDC Minimum	(Fitch)	**A+**		**F1**	
Commonwealth Bank Of Australia (Bond)	£1,800,000	AA-		F1+	
Standard Charter (CD)	£2,000,000	AA-		F1+	
Westpac Banking Corporation (Bond)	£500,000	AA-		F1+	
Counterparty	**Investment Amount £**	**Credit Rating**			
		Long Term		**Short Term**	
Westpac Banking Corporation (Bond)	£2,000,000	AA-		F1+	
Westpac Banking Corporation (Bond)	£700,000	AA-		F1+	
Bank Nederlandse Gemeenten (Bond)	£3,000,000	AA+		F1+	
Building Societies- Category B					
WDC Minimum	(Fitch)	**Less than A+**		**F1**	
Nationwide Building Society	£2,000,000	A		F1	
UK Government Part Owned Banks					
WDC Minimum	(Fitch)	**A**		**F1**	
Lloyds TSB Bank	£3,000,000	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	£301,454	Fund retained its rating throughout half year			
Invesco Aim	£96,838	Fund retained its rating throughout half year			
Federated Prime Rate	£9,000,000	Fund retained its rating throughout half year			
Ignis	£8,839,050	Fund retained its rating throughout half year			
Goldman Sachs	£5,004,085	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**	**BBB**	**1**
HSBC Business	£1,667,435	Counterparty retained its rating throughout			

Deposit Account		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 first 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 and the results are published quarterly. Analysis of the results for the first quarter show that the Councils weighted average rate of return (WARoR) on its investments at 0.71% was in line with Capita's model portfolio band range of 0.64% to 0.75% based on the risk in our portfolio.

12.2 Our result for the September quarter was 0.70% WARoR which again was in line with Capita's model portfolio band range.

12.3 A comparison between Warwick District Council and the benchmarking group reveals that during both quarters our WARoR was one of the highest in the group and our weighted average risk was the lowest compared to those other authorities with a balanced investment portfolio.

13. BORROWING

13.1 During the half year, there was no long term borrowing activity other than to pay the first half year interest instalment on the £136.157m PWLB borrowing 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 cash flow 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 half year overdraft interest of £0.23 was paid.

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.

15. TRAINING

15.1 Treasury Management training was provided for Members on 29th October as part of the Members' Induction Programme. The presenters at the session were from the Council's Treasury Management Advisors, Capita. Whilst the training was not well attended, those attending did find the training useful and enhanced their understanding of this technical subject.

16. 2016/17 Treasury Management Strategy.

16.1 Work in currently underway in preparing the 2016/17 Treasury Management and Investment Strategies. In discussion with the Finance Portfolio holder and Capita, consideration is being given to the inclusion of additional investments instruments, such as equity funds. Whilst security of the funds will be paramount, it is intended that the Council will be able to achieve enhanced returns. Details will be included within the forthcoming Treasury Management report in February.,

1. CAPITA ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND

1.1 The 2015 UK growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter.

1.2 Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

1.3 The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

1.4 There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent 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 in 2015 so far, 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. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the recent downbeat news 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 disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

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 is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

APPENDIX B

WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT AUGUST 2015

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. Sovereign country rating – at least equal to that of the UK (currently AA+).

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 £15m (including category a building societies, corporate bonds, corporate bond funds and property funds) seek advice from capita asset services before placing deals in this category to ensure that the interest rate offered is appropriate.

Nb. - £15m 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 APPLIES
AUSTRALIA (AAA) (Out of range @ 25.09.15)		
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*	
FINLAND (AAA)		
Nordea Bank Finland	Nordea Bank Denmark* Nordea Bank AB Nordea Bank Norge* Nordea Bank North America*	Yes
Pohjola Bank		
GERMANY (AAA)		
DZ Bank AG (Deutsche Zentral-genossenscaftsbank)		
Landesbanken Hessen-Thueringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
HONG KONG (AA+) (Monitoring)		
The Hong Kong & Shanghai Banking Corporation Ltd		
LUXEMBOURG (AAA)		
Clearstream Banking		
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		
UNITED KINGDOM (AA+)		
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-(out of range @ 25.09.2015)		
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
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- (monitoring status)		
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 – 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 AA+), long term a+ and short term f1

None

INVESTMENTS OVER 364 DAYS
Category a building societies (L/T a+, S/T F1 & support BBB/1) up to £1m for up to 2yrs subject to overall £15m limit for over 364 day investments

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 AA+) sovereign rating, long term less than a+ and short term f1 or above

- Coventry
- Nationwide

BUILDING SOCIETIES – CATEGORY C

All other building societies in the top 20 (at 04.04.15) ranked by asset value (floor £500m)
Maximum investment limit = £1m
Maximum length of investment = 3 months
Group limit = £8m

- Yorkshire
- Skipton
- Leeds
- Principality
- West Bromwich
- Newcastle
- Nottingham
- Progressive
- Cumberland
- National Counties
- Saffron
- Cambridge

- Monmouthshire
- Furness
- Leek United
- Newbury
- Manchester
- Ipswich

NATIONALISED INDUSTRIES AND PUBLIC CORPORATIONS

Maximum investment limit = £9m
Maximum length of investment = 364 days

LOCAL AUTHORITIES INCLUDING POLICE & FIRE AUTHORITIES

Maximum investment limit = £9m

Maximum length of investment	Short term – up to and including 364 days
	Long term – over 364 days and up to 5 years subject to overall over 364 day limit of £15m

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 = 364 days. Seek advice from capita asset services 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
Or any other Supranational/Multi-Lateral Development Bank meeting criteria

CNAV MONEY MARKET FUNDS

Minimum credit rating – Standard and Poors aaam or Moodys AAA-mf or Fitch AAAMMF
Maximum investment limit = £9m
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)

VNAV MONEY MARKET FUNDS

Minimum credit rating – Standard and Poors AAAfS1 or MOODYS Aaa-bf or Fitch AAA/V1
Maximum investment limit = £6M (also group limit)
Maximum length of investment = not defined – depends on cash flow.

CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 1

SHORT TERM
Senior Unsecured Corporate Bonds and Floating Rate Notes issued by private sector Financial Institutions with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note - maximum limit per counterparty =£5m for maximum of 364 days subject to overall group limit of £5m.

LONG TERM – CORPORATE BONDS ONLY
Senior Unsecured Corporate Bonds issued by Financial Institutions with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£5m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m

CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 2

SHORT TERM
Senior Unsecured Corporate Bonds and Floating Rate Notes issued by Financial Institutions part or wholly owned by the UK Government and with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note- maximum limit per counterparty =£9m for maximum of 364 days subject to overall group limit of £9m.

LONG TERM – CORPORATE BONDS ONLY
Senior Unsecured Corporate Bonds issued by Financial Institutions part or wholly owned by the UK Government and with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£9m for maximum of 2 years subject to overall group limit of £9m and overall over 364 day limit of £15m.

CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 3

SHORT TERM
Senior Unsecured Corporate Bonds and Floating Rate Notes issued by Corporate Entities with minimum Fitch rating of A + and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note - maximum limit per counterparty =£3m for maximum of 364 days.

LONG TERM – CORPORATE BONDS ONLY
Senior Unsecured Corporate Bonds issued by Corporate Entities with minimum Fitch rating of A + and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£3m for maximum of 2 years subject to overall 364 day limit of £15m.

CORPORATE BOND FUNDS

LONG TERM ONLY

Any Corporate Bond Fund with a minimum investment grade rating of BBB (Fitch). £5m per counterparty for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

COVERED BONDS

CATEGORY 1

SHORT TERM
Covered Bonds issued by private sector, Financial Institutions and Corporates with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£5m for maximum of 364 days.

LONG TERM
Covered Bonds issued by private sector, Financial Institutions and Corporates with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£5m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m.

CATEGORY 2

SHORT TERM
Covered Bonds issued by Financial Institutions wholly owned or part owned by UK Govt. with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond- maximum limit per counterparty = £9 million for maximum of 364 days.

LONG TERM
Covered Bonds issued by private sector, Financial Institutions wholly owned or part owned by UK Govt. with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£9m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m.

CATEGORY 3

SHORT TERM
Covered Bonds issued by Corporates with minimum Fitch rating of A+ and sovereign rating at least equal to that of UK at the time of purchasing the bond- maximum limit per counterparty = £3 million for maximum of 364 days.

LONG TERM
Covered Bonds issued by private sector, Financial Institutions wholly owned or part owned by UK Govt. with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£3m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m.

BANK BILLS

Minimum credit rating determined by External Fund Manager, maximum investment of £5 million for maximum of 364 days**.**

POOLED PROPERTY FUNDS (E.G. REITS)

LONG TERM ONLY
Any Pooled Property Fund authorised by the FS&MA. £5m per counterparty for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

CCLA PROPERTY FUND

LONG TERM ONLY
£5m for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

UK GOVERNMENT

UK Government Debt Management Account Facility

Maximum investment limit = £12m
Maximum length of investment = 364 days.

UK Government Gilt Edges Securities
UK Government Treasury Bills

Maximum investment limit = £9m
Maximum length of investment = not defined.