WARWICK DISTRICT COUNCIL	Finance & Audit Scrutiny Committee - 10 December 2013	Agenda Item No. **5**

Title	**Treasury Management Activity Report for the period 1st April 2013 to 30th September 2013**
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No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	19.11.2013	Chris Elliott
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	19.11.2013	Mike Snow
Monitoring Officer	N/A	
Finance	17.11.13	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 2013 to 30th September 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 2013/14 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 current estimate for investment interest in 2013/14 is shown in the table below:

	Latest 2013/14 Budget (Aug 13)	**Original 2013/14 Budget (Jan 13) £**
Gross Investment Interest	371,500	323,400
Less HRA allocation	137,800	117,900
Net interest to General Fund	**233,700**	**205,500**

5.2 The 2013/14 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. When compared to the 2013/14 original, net external investment receipts are expected to increase by £35,000 in 2013/14 and decrease by £25,000 in 2014/15. The positive variation in 2013/14 is mainly due to additional interest earned on increased balances as a result of variations in the 2012/13 and 2013/14 revenue and capital programmes (+£92,000) which has been offset by a lower than expected interest rate due to the continuing low interest rate environment reflecting the current economic conditions (-£43,000). The increasing Housing Revenue Account balances form part of the increased balances available for investment and in recognition of this an additional £20,000 has been credited to the Housing Revenue Account. The Council disposed of Kingsway Community Centre to Waterloo Housing Association in 2012/13 under a deferred capital receipt arrangement and the General Fund has been credited with £6,000 in 2013/14 to reflect the foregone interest that it would have earned if the capital receipt had been received outright rather than deferred for a number of years.

6. ALTERNATIVE OPTION CONSIDERED

6.1 None.

7. ECONOMIC BACKGROUND

7.1 A detailed commentary by our Treasury Consultants, Capita Asset Services (formerly known as Sector), of the economic background surrounding this report 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 first half year to 30th September 2013. The Council's Treasury Management Advisors, Capita Asset Services, provided the following forecast for future Bank Rates:

Sector's Bank Rate Forecasts:

Qtr ending	Now (Sept 2013)	Dec 2013	Mar 2014	June 2014	Sept 2014	Dec 2014	Mar 2015	Jun 2015	Sept 2015	Dec 2015	Mar 2016
Current Forecast, as at September 2013:											
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Forecast, as at January 2013, (when Original Budgets were set):											
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%

Capita Asset Services undertook a review of its interest rate forecasts in late September 2013 as a result of an increase in confidence in economic recovery, chiefly in the US, but more recently, also in the UK and Eurozone. The latest forecast now includes a first increase in Bank Rate in quarter 3 of 2016.

The forecast as at January 2013 is shown for comparison purposes as this forecast was used in calculating the original budgets.

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 lending list is shown as Appendix B.

9 INVESTMENT PERFORMANCE

Money Market Investments

9.1. During 2013/14, the in house function has invested core cash funds in fixed term deposits in the Money Markets. The table below 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 2013	No investments made in this half year.		
Over 7 days & Up to 3 Months			
April to Sept 2013	No investments made in this half year.		
Over 3 Months & Up to 6 Months			
April to Sept 2013	0.53%	0.53%	+0.00%
Value of Interest earned first half year	£5,344	£5,340	+£4
Over 6 Months to 364 days			
April to Sept 2013	1.03%	0.82%	+0.21%
Value of Interest earned first half year	£82,374	£65,636	+£16,738
365 days and over			
April to Sept 2013	No investments made in this half year.		

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

9.3. During April to September, only three core investments matured. In the table above 'over 3 months & Up to 6 months', a matured Standard Charter Certificate of Deposit (CD) for £1million was reinvested in a new 6 month £2 million Standard Charter CD together with another £1 million. This investment produced an average return of 0.53% compared to the LIBID benchmark of 0.49% to produce an over performance of +0.04%. The other two deposits were with the part-nationalised Bank of Scotland who were still offering attractive tranche rates at the time. Therefore a reinvestment was made for the same amounts and same period of 364 days to produce an out performance of 1.05% when compared to the LIBID benchmark.

9.4 Given that the current Bank Rate is only 0.50% the level of outperformance achieved in this first half year continues to be satisfactory.

Money Market Funds & Call Accounts

9.5 The in house function utilises Money Market Funds and a Call Account 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
Goldman Sachs			
April to Sept 2013	0.37%	0.42%	-0.05%
Value of Interest earned first half year	£1,946	£2,242	-£296
Invesco Aim			
April to Sept 2013	0.32%	0.42%	-0.10%
Value of Interest earned first half year	£135	£177	-£42
Prime Rate			
April to Sept 2013	0.48%	0.42%	+0.06%
Value of Interest earned first half year	£21,464	£19,034	+£2,430
Ignis			
April to Sept 2013	0.43%	0.42%	+0.01%
Value of Interest earned first half year	£18,421	£18,097	+£324
HSBC BDA a/c			
April to Sept 2013	0.40%	0.42%	-0.02%
Value of Interest earned first half year	£5,955	£6,353	-£398
TOTAL INTEREST FIRST HALF YEAR	**£47,921**	**£45,903**	**+£2,018**

9.6 During the half year, the Council's cash flow investments were into the Money Market Funds and a new HSBC Business Deposit Account which was opened in May 2013.

9.7 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 total interest out performance of the benchmark continues to be satisfactory. The Council continued to concentrate its investments in the three highest performing funds Prime Rate, Ignis, and Goldman Sachs along with the HSBC Business Deposit Account This new account currently offers a rate of 0.30% up to £2 million and 0.40% for balances over £2 million.

9.8 During the first half of 2013/14 the Council earned £47,921 interest on its Money Market Fund investments at an average rate of 0.44% and the average balance in the funds during the period was £10,825,690.

9.9 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.

9.10 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	87,718	58,869	+28,849
Money Market Funds & Call A/c	47,921	45,903	+2,018
Total	**135,639**	**104,772**	**+30,867**

The original estimate of annual external investment interest for 2013/14 was £323,400 gross and this was revised in August to £371,500, the increase being mainly due to additional interest earned on increased balances as a result of variations in the 2012/13 and 2013/14 revenue and capital programmes (+£92,000) which has been offset by a lower than expected interest rate due to the continuing low interest rate environment reflecting the current economic conditions (-£43,000). It should be noted that the total investment return of £135,639 shown in the table above will not all be received in 2013/14 as it is an annualised figure and will include interest relating to 2014/15.

9.11 An analysis of the overall in house investments held by the Council at the end of September 2013 is shown below:

(The balance at 31st March 2013 is shown for comparison)

Type of Investment	**Closing Balance As at 30th September 2013**	**Closing Balance As at 31st March 2013**
	£	**£**
Money Markets inc CD's	30,000,000	26,000,000
Money Market Funds	18,005,000	12,488,000
Total	**48,005,000**	**38,488,000**

10. **COUNTERPARTY CREDIT RATINGS**

10.1 The investments made in the first 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**	**Viability**	**Support**
Banks					
WDC Minimum	(Fitch)	**A+**	**F1**	**BBB**	**1**
Standard Charter (CD)	£2,000,000	AA-	F1+	AA-	1
HSBC BDA (Call a/c)	£3,720,098	AA-	F1+	A+	1
UK Government Part Owned Banks					
WDC Minimum	(Fitch)	**A**	**F1**	**BBB**	**1**
Bank of Scotland	£2,000,000	A	F1	BBB	1
Bank of Scotland	£3,000,000	A	F1	BBB	1
Lloyds TSB Bank	£3,000,000	A	F1	BBB	1
MoneyMarket Funds (Investment amount is average principal in fund during the quarter)					
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAm or Moodys AAA & Volatility Rating MR1+				
Deutsche	£379	Fund retained its rating throughout half year			
Invesco Aim	£112,106	Fund retained its rating throughout half year			
Prime Rate	£8,953,253	Fund retained its rating throughout half year			
Ignis	£8,519,327	Fund retained its rating throughout half year			
Goldman Sachs	£1,060,602	Fund retained its rating throughout half year			
		Fund retained its rating throughout half year			

10.2 It can be seen that all investments made within the first 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 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 and analysis of the results for the first quarter show that the Councils weighted average rate of return on its investments at 0.84% was in line with Capita's model portfolio band range of 0.77% to 1.08% based on the risk in our portfolio.

11.2 Our result for the September quarter at 0.63% marginally underperformed the model portfolio band range which was 0.66% to 0.87%. This appears to be due to the fact that during this quarter the

Council renewed two Bank of Scotland investments for 364 days each at significantly lower rates than were obtained for the maturing investments i.e. one of them reduced from 2.85% in August 2012 to 1.01% in August 2013. The credit risk in the model portfolio is calculated using the lowest long term rating assigned to a counterparty by all three main rating agencies (Fitch, Moody's and Standard & Poors) which in the case of Bank of Scotland equates to A. However, this takes no account of the fact that the Bank of Scotland is part owned by the UK Government and thus enjoys the same credit rating quality which, depending on the agency, is at least AA+. Likewise nor does the model portfolio and it is likely that the underperformance is due to the model assuming that we should have obtained a higher rate of interest for our two Bank of Scotland investments. In fact, along with the strong credit quality, the two investments at 1.01% and 0.98% represented an excellent rate of return when compared to the "going" rate for 364 day money then being offered by other Local Authorities and Banks which was around 0.55%.

11.3 A comparison between Warwick District Council and the benchmarking group reveals that our second quarter weighted average rate of return 0.63% is higher than that of the group at 0.60% and further analysis indicates that the groups lower rate of return was in part due to significant amounts of investments, particularly by the County Councils, being placed with either the Governments overnight and short term Debt Management Office (DMO) facility or other Councils. These investments offer high security but at the expense of significantly lower interest rates than could be obtained from investing in Money Market Funds thus depressing the group's weighted average rate of return. Money Market Funds are themselves of equal security being AAA rated and were widely used by this Council during the first half year.

12. BORROWING

12.1 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.

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 half year no overdraft interest was paid.

13 PRUDENTIAL INDICATORS

13.1 The 2013/14 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. CAPITA ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND.

1.1 The period in question saw:

- Indicators suggesting that the economic recovery accelerated;
- Household spending growth remaining robust;
- Inflation falling back towards the 2% target;
- The Bank of England introducing state-contingent forward guidance;
- 10-year gilt yields rising to 3% at their peak and the FTSE100 falling slightly to 6460;
- The Federal Reserve deciding to maintain the monthly rate of its asset purchases.

1.2 After strong growth of 0.7% in Q2, it appears that UK GDP is likely to have grown at an even faster pace in Q3. On the basis of past form, the CIPS/Markit business surveys for July and August point to quarterly growth of potentially over 1.0% in the third quarter of 2013. Similarly, the official data have continued to improve. Admittedly, industrial production was flat in July. But even if it held steady in the rest of the quarter, it would still be 0.9% higher in Q3 than in Q2. In addition, the service sector expanded by 0.2% m/m and the construction sector grew by 2.2% m/m in July after growth of 1.8% q/q in Q2.

1.3 Consumer spending also continued to rise and may beat the increase seen in Q2. While the 1.1% monthly rise in retail sales in July was almost entirely offset by a 0.9% fall in August, the unusually warm weather in August is likely to have had a part to play in this. The retail surveys also painted a positive picture for household spending growth, with the Bank of England's Agents' Scores, BRC and CBI retail sales indicators showing stronger growth in Q3. And while growth in non-high street spending may have slowed, it probably remained robust.

1.4 The run of good news on the labour market continued, with the ILO unemployment rate falling to 7.7% in July from 7.8% in June. Employment rose by 80,000 in the three months to July, supported by an even bigger rise in full-time employment. This meant that the ratio of full-time to part-time workers continued to rise after it troughed last summer. The timelier claimant count measure of the unemployment rate also fell. Indeed, the cumulative fall in unemployment of 68,900 in July and August – the biggest two month fall since May and June 1997 – brought the claimant count unemployment rate down from 4.4% at the end of Q2 to 4.2% in August. Despite this, the headline (3 month average of the annual) rate of pay growth fell from 2.2% in June to just

1.1% in July. Excluding bonuses, earnings growth ticked up slightly to 1.1% y/y, but this remained well below the rate of CPI inflation at 2.7% in August, meaning real wages continued to fall.

1.5 Meanwhile, the cost of new credit has continued to fall, perhaps in response to the extension of the Bank of England's Funding for Lending Scheme (FLS) earlier this year. The quoted interest rate on a 5-year fixed mortgage at a 75% loan-to-value ratio was 3.34% in August, 7 basis points lower than in June and 77 basis points lower than when the FLS was introduced in July 2012.

1.6 Demand in the housing market continued to grow at a fast pace, supported by the FLS and the Government's Help to Buy scheme, which provide equity loans to credit-constrained borrowers. The RICS housing market survey reported that new buyer enquiries hit their highest level on record in August. Mortgage approvals for new house purchase rose to their highest level since February 2008 in August. Consequently, house prices continued to rise, with the Halifax and Nationwide measures recording 6.2% and 3.5% y/y rises in August, respectively. ONS data, though, shows that in real terms only London experienced year-on-year price rises in July. All other regions saw modest falls.

1.7 The economic recovery may finally be feeding through to the public finances. Although the government registered a surprise deficit in July (a month that normally delivers a surplus), in August net borrowing was 'just' £13.2bn, compared to £14.4bn in August 2012.

1.8 The new Governor of the Bank of England, Mark Carney, took office in July. Alongside the August Quarterly Inflation Report, the Bank introduced its new policy of forward guidance in which the Monetary Policy Committee (MPC) pledged not to raise official interest rates, or reduce the size of the asset purchase facility, until the ILO unemployment rate falls to 7%. At this point, the MPC would discuss whether or not to alter official policy. This guidance was subject to three 'knockouts' which, if breached, would invalidate the guidance. These are that the MPC forecasts inflation at or above 2.5% in 18-24 months' time, inflation expectations are no longer sufficiently well anchored or financial stability is threatened by the stance of monetary policy. On the MPC's current forecasts, the unemployment rate is most likely to reach 7% in late 2016.

1.9 However, financial markets continued to price in increases in Bank Rate by mid-2015, with overnight index swap rates and gilt yields rising after the announcement of forward guidance. Members of the MPC subsequently appeared at the Treasury Select Committee and three gave further speeches to clarify the guidance, but there was little market impact. However, the Bank of England's surveys suggest the message may have got through to the public as the balance of people expecting interest rates to rise over the next 12 months fell from 29% in May to 24% in August.

1.10 Meanwhile, CPI inflation fell from a 2013 peak of 2.9% in June to 2.7% in August. The fall was primarily the result of a drop in the contribution from petrol prices and a reduction in core inflation from 2.3% in June to 2% in August. CPI inflation looks likely to have edged down again in September, perhaps to about 2.5%, reflecting a further fading of both energy prices and core inflation.

1.11 The big news in financial markets was that the Federal Reserve unexpectedly decided not to taper its asset purchases in September. In announcing its decision to maintain monthly purchases at $85bn, the Fed explained that it wanted to *"await more evidence that [the economic recovery] will be sustained before adjusting the pace of its purchases."* This came despite previous hints of tapering from the Fed and the fall in the unemployment rate in both July and August. It currently stands at 7.3%.

1.12 Across the quarter as a whole, advanced economy bond markets sold off, suggesting the rise in UK gilt yields was not solely down to markets' scepticism about domestic forward guidance. Gilt yields tracked US Treasury yields up, with ten-year gilts rising by around 60 basis points to reach 3% in early September for the first time since mid-2011. After the Fed's decision not to taper, gilt yields fell back, although not enough to offset the previous rise. Ten-year gilts finished the quarter at 2.7%. Equity markets stayed relatively flat over the quarter. While the FTSE 100 rose from 6470 to 6620 over the first few weeks of June, the index closed the quarter at 6462.

1.13 Meanwhile, Eurozone business surveys suggested that the economy continued to expand in Q3, albeit at a moderate pace. There was also a general election in Germany in which the incumbent Chancellor, Angela Merkel, performed better than expected by winning 41.5% of the vote. She is now likely to form a coalition, but it remains to be seen what form this will take.

APPENDIX B

WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT OCTOBER 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 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 £9M (INCLUDING CATEGORY A BUILDING SOCIETIES) SEEK ADVICE FROM CAPITA ASSET SERVICES 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*	
Credit Industriel et Commercial (from 29/7/13)		
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*	

HONG KONG		
The Hong Kong & Shanghai Banking Corporation Ltd		
LUXEMBOURG (AAA)		
Clearstream Banking		
NETHERLANDS (AAA)		
ING Bank NV	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 (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		
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 Bank USA NA(cont'd)	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 AA+), LONG TERM A+ AND SHORT TERM F1

None

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 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 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 = 2 years

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 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

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