

	Finance and Audit Scrutiny Committee. 2nd December 2014.	Agenda Item No. 5
Title	Treasury Management Activity Report for the period 1st April 2014 to 30th September 2014.	
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	10.11.2014	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	06.11.2014	Mike Snow
Monitoring Officer	N/A	
Finance	06.11.2014	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 2014 to 30th September 2014.

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 2014/15 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 2014/15 is shown in the table below:

	Latest 2014/15 Budget (Aug 14)	Original 2014/15 Budget (Jan 14) £
Gross Investment Interest	398,900	311,100
Less HRA allocation	140,000	137,600
Net interest to General Fund	258,900	173,500

5.2 The 2014/15 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 increase by £85,400 in 2014/15 and by £181,000 in 2015/16, when compared to the 2014/15 original. The positive variations in 2014/15 and 2015/16 are mainly due to a forecast of gradual interest rate increases, in particular from the 1st quarter rate of 0.75% in 2015/16 to the 4th quarter rate of 1.00%. 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 £6,900 in 2014/15 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. During 2014/15, the Council has also disposed of Bourton Drive and Henley Road garage sites in a similar manner. No interest credit is due to the General Fund in 2014/15 but £13,900 will be credited to the General Fund in 2015/16.

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 In addition, the introduction, for 2014/15, of Variable Net Asset Money Market Funds into the portfolio potentially increases capital risk. This is through potential capital loss due to market price fluctuations, for instance if investments have to be withdrawn early. This is mitigated by good cash flow management ensuring that investments are available for the necessary length of time to ensure that there is no negative impact on the capital value of the fund. In addition, mitigation is achieved by having a lower investment limit than for Constant Net Asset Value Money Market Funds in which there is no risk of capital loss.
- 6.3 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.

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 2014. The Council's Treasury Management Advisors, Capita Asset Services, provided the following forecast for future Bank Rates:-

Qtr End- ing	Now (Sept 2014)	Dec 2014	Mar 2015	June 2015	Sept 2015	Dec 2015	Mar 2016	Jun 2016	Sept 2016	Dec 2016	Mar 2017
Current Forecast, as at September 2014:											
Bank Rate %	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50
Forecast, as at January 2014, (when Original Budgets were set):											
Bank Rate %	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.25

Capita Asset Services undertook a review of its interest rate forecasts in mid-October 2014 as a result of the financial markets having a 'panic attack' which has seen equities markets down sharply and investors moving into safe haven bonds, so depressing bond yields. The latest forecast now includes a first increase in Bank Rate in quarter 2 of 2015.

The forecast as at January 2014 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 2014/15 was approved by Council on 12th March 2014. 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 2014/15, the in house function has invested core cash funds and one cash flow fund 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 2014	No investments made in this half year.		
Over 7 days & Up to 3 Months			
April to Sept 2014	0.48%	0.46%	+0.02%
Value of Interest earned first half year	£2,420	£2,309	+£111
Over 3 Months & Up to 6 Months			
April to Sept 2014	0.68%	0.61%	+0.07%
Value of Interest earned first half year	£23,755	£21,543	+£2,212
Over 6 Months to 365 days			
April to Sept 2014	0.91%	0.94%	-0.03%
Value of Interest earned first half year	£90,655	£93,975	-£3,320
1 year and over			
April to Sept 2014	0.95%	1.10%	-0.15%
Value of Interest earned first half year	£28,526	£33,105	-£4,579
TOTAL INTEREST FIRST HALF YEAR	£145,356	£150,932	-£5,576

- 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, nine core investments matured. In the period 'over 7 days to 3 months' our out-performance was achieved by purchasing a three month cash flow investment with DBS Bank which, when it matured in mid-September, was re-invested for six months. Also a core investment CD with Standard Charter for 6 months was replaced mid-July with a Nordea Bank Finland CD for 3 months. In the period '3 to 6 months' again we out-performed. Two Lloyds Banking Group 364 day investments were re-invested for only 6 months due to the UK Government making no clear indication as to the timing and size of future divestments. However both of these investments took advantage of the enhanced rates being offered by Lloyds Banking Group over the 6 month "going" market rate.
- 10.4 The under-performance in 'over 6 months to 365 days' was mainly due to improving the security and maturity profile of the portfolio. A maturing three month building society investment was re-invested with a higher credit rated counterparty, Royal Bank Of Scotland CD, for 365 days. Also a matured 3 month Nordea Bank CD was invested in a Deutsche Bank CD for 364 days. Finally, in April, a matured five month investment with Skandinaviska Enskilde Bank was invested with the Greater London Authority for a year and a half. The above investments reflect the need to balance security against yield which on occasions may result in an underperformance of the benchmark.

- 10.5 Given that the current Bank Rate is only 0.50% 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 2014	0.36%	0.41%	-0.05%
Value of Interest earned 1st half yr	£199	£227	-£28
Goldman Sachs			
April to Sept 2014	0.38%	0.41%	-0.03%
Value of Interest earned 1st half yr	£1,082	£1,155	-£73
Invesco Aim			
April to Sept 2014	0.42%	0.41%	+0.01%
Value of Interest earned 1st half yr	£1,658	£1,614	+£44
Federated Prime Rate Constant Net Asset Value (CNAV)			
April to Sept 2014	0.46%	0.41%	+0.05%
Value of Interest earned 1st half yr	£9,056	£8,070	+£986
Federated Prime Rate Variable Net Asset Value (VNAV) from 29th April 2014			
April to Sept 2014	0.62%	0.41%	+0.21%
Value of Interest earned 1st half yr	£15,811	£14,060	+£1,751
Ignis			
April to Sept 2014	0.45%	0.41%	+0.04%
Value of Interest earned first half year	£19,103	£17,494	+£1,609
HSBC BDA a/c- Call Account			
April to Sept 2014	0.39%	0.41%	-0.02%

Value of Interest earned first half year	£4,893	£5,205	-£312
Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Svenska Handelsbanken- Call Account			
April to Sept 2014	0.55%	0.41%	+0.14
Value of Interest earned first half year	£13,808	£10,283	+£3,525
TOTAL INTEREST FIRST HALF YEAR	£65,610	£58,108	+£7,502

- 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 As with the Money Market investments in paragraph 9.1, the LIBID benchmark which in this case is the 7 day rate (except for the Federated Prime Rate Variable Net Asset Fund where a 6 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 continues to be satisfactory. The Council continued to concentrate its investments in the three highest performing funds Federated Prime Rate (variable and constant net asset value funds), Ignis, and Goldman Sachs along with the two call accounts, HSBC Business Deposit Account and Svenska Handelsbanken.
- 10.9 During the first half of 2014/15 the Council earned £65,610 interest on its Money Market Fund investments at an average rate of 0.49% and the average balance in the funds during the period was £13,304,656.
- 10.10 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	145,356	150,932	-5,576
Money Market Funds & Call A/c's	65,610	58,108	+7,502
Total	210,966	209,040	+1,926

The original estimate of annual external investment interest for 2014/15 was £311,100 gross and this was revised in August to £398,900, the increase being due to additional interest earned on increased balances as a result of variations in the 2013/14 and 2014/15 revenue and capital programmes (+£48,300) and also the prediction of a gradual rise in interest rates resulting in an increase of £39,600. It should be noted that the total investment return of £210,966

shown in the table above will not all be received in 2014/15 as it is an annualised figure and will include interest relating to 2015/16.

- 10.11 An analysis of the overall in house investments held by the Council at the end of September 2014 is shown below:

(The balance at 31st March 2014 is shown for comparison)

Type of Investment	Closing Balance As at 30 th September 2014	Closing Balance As at 31st March 2014
	£	£
Money Markets incl. CD's	36,000,000	34,000,000
Money Market Funds	15,842,000	12,671,000
Business Reserve Accounts including Call Accounts	5,666,000	5,739,000
Total	57,508,000	52,410,000

11. Counterparty Credit Ratings

- 11.1 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:-

<u>Counterparty</u>	<u>Investment Amount</u> £	<u>Credit Rating</u>			
		<u>Long Term</u>	<u>Short Term</u>	<u>Viability</u>	<u>Support</u>
Banks					
WDC Minimum	(Fitch)	A+	F1	BBB	1
Deutsche (CD)	£3,000,000	A+	F1+	A	1
DBS	£2,000,000	AA-	F1+	AA-	1
DBS	£2,000,000	AA-	F1+	AA-	1
Nordea Bank	£2,000,000	AA-	F1+	AA-	1
UK Government Part Owned Banks					
WDC Minimum	(Fitch)	A	F1	BBB	1
Bank of Scotland	£2,000,000	A	F1	A-	1
Royal Bank of Scotland	£3,000,000	A	F1	BBB	1
Royal Bank of Scotland	£1,000,000	A	F1	BBB	1
Lloyds TSB Bank	£3,000,000	A	F1	A-	1
Lloyds TSB Bank	£3,000,000	A	F1	A-	1
Local Authorities					
WDC Minimum	N/A				
Greater London Authority	£2,000,000				
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	£110,493	Fund retained its rating throughout half year			
Invesco Aim	£786,023	Fund retained its rating throughout half year			
Federated Prime Rate	£9,000,000	Fund retained its rating throughout half year			

Ignis	£8,563,986	Fund retained its rating throughout half year			
Goldman Sachs	£562,195	Fund retained its rating throughout half year			
Counterparty	Investment Amount £	Credit Rating			
		Long Term	Short Term	Viability	Support
Call Accounts					
WDC Minimum	(Fitch)	A+	F1	BBB	1
HSBC Business Deposit Account	£2,534,428	Counterparty retained its rating throughout period of AA- long term, F1+ short term, A+ viability and 1 for support.			
Svenska Handelsbanken	£5,000,000	Counterparty changed its rating in June 2014 from A+ long term, F1 short term, A+ viability and 1 for support to AA- long term, F1+ short term, AA- viability and 1 for support.			

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 2014/15 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 the first quarter show that the Councils weighted average rate of return (WARoR) on its investments at 0.70% was in line with Capita's model portfolio band range of 0.65% to 0.77% based on the risk in our portfolio.

12.2 Our result for the September quarter was, again, 0.70% WARoR which matched that of Capita's model portfolio.

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 one of the lowest. Furthermore, our portfolio (call accounts, fixed deposits etc.) and institution (banks, Money Market Funds etc.) breakdowns are comparable with the benchmarking group, which provides comfort that our investments are being placed wisely.

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 £10.25 was paid.

14 Prudential Indicators

- 14.1 The 2014/15 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 After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering.
- 1.2 The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting.
- 1.3 This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable.
- 1.4 There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016.
- 1.5 Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.
- 1.6 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in

2018-19. However, monthly public sector deficit figures have disappointed so far this year.

- 1.7 In September, the U.S. Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures were depressed by exceptionally bad winter weather, but quarter 2 rebounded strongly to 4.6%.
- 1.8 The Eurozone is facing an increasing threat from deflation. In September, the inflation rate fell further, to reach 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June and September to loosen monetary policy in order to promote growth.

Warwick District Council Standard Lending List As At April 2014

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 £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)- MONITORING @ 5.9.14		
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
FRANCE (AA+) Monitoring CDS status @5.9.14		
BNP Paribas-	BNP Paribas Finance* BancWest Corporation (California)* Banca Nazionale Del Lavoro SpA* First Hawaiian Bank* United Overseas Bank*	
Credit Industriel et Commercial		
GERMANY (AAA)		
Commerzbank AG- care as CDS status monitoring.		
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*	
Landesbank Baden Weurtemberg		

HONG KONG (AA+)- Monitoring @ 17.10.14		
The Hong Kong & Shanghai Banking Corporation Ltd		
LUXEMBOURG (AAA)		
Clearstream Banking		
NETHERLANDS (AAA)		
ING Bank NV	ING Belgium*	
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- check CDS status before using as 'monitoring' @ 11/07/14		

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)		
Bank of New York Mellon	Bank of New York (Delaware USA)* Bank of New York (New York USA)* Bank of New York Trust Company*	
HSBC Bank USA NA	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC UK Hang Seng Bank*	Yes
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
State Street Bank and Trust Company	State Street Banque* State Street Corporation*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

BUILDING SOCIETIES – CATEGORY A

Investments up to 364 days

Maximum investment limit with any one building society = £4m

Minimum Fitch ratings credit rating = at least equal to UK sovereign rating (currently 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 £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 04.04.14) 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 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 £5m 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.

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