



<b>Title</b>	Treasury Management Activity Report for the period 1st April 2012 to 30th September 2012.
<b>For further information about this report please contact</b>	Roger Wyton, Principal Accountant 01926 456801 <a href="mailto:roger.wyton@warwickdc.gov.uk">roger.wyton@warwickdc.gov.uk</a> Karen Allison, Assistant Accountant 01926 456334 <a href="mailto:Karen.allison@warwickdc.gov.uk">Karen.allison@warwickdc.gov.uk</a>
<b>Wards of the District directly affected</b>	All
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No
<b>Date and meeting when issue was last considered and relevant minute number</b>	n/a
<b>Background Papers</b>	Treasury Management File L2/9 Treasury Management Information via External Advisers, Brokers, External Investment Agents etc.

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

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	25 <sup>th</sup> Oct 2012	Andy Jones
Head of Service	25 <sup>th</sup> Oct 2012	Andy Jones
CMT	N/A	
Section 151 Officer	29 <sup>th</sup> Oct 2012	Mike Snow
Monitoring Officer	N/A	
Finance	23 <sup>rd</sup> Oct 2012	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 2012 to 30th September 2012.

2. **RECOMMENDATIONS**

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

3. **REASONS FOR THE RECOMMENDATION**

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

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

4. **POLICY FRAMEWORK**

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

5. **BUDGETARY FRAMEWORK**

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

	<b>Latest 2012/13 Budget (Aug 12)</b>	<b>Original 2012/13 Budget (Jan 12) £</b>
Gross Investment Interest	448,000	460,500
Less HRA allocation	109,600	139,400
Net interest to General Fund	<b>338,400</b>	<b>321,100</b>

5.2 The 2012/13 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 at a time as opposed to the then current policy of a maximum of three months as per Sector’s advice. However, this has not happened and core investments, except for those with part nationalised UK Banks, continue to be subject to a three month limit with a resultant reduction in the interest rates obtained. Mainly as a result of this the latest gross investment interest forecast predicts a reduction of approximately £12,000 when compared to the original. However, this has been more than offset by a reduction of some £30,000 in the amount credited to the HRA mainly as a result of the reduced overall interest rate

leading to an increased net investment interest credit to the General Fund over the original of approximately £17,000.

**6. ALTERNATIVE OPTION CONSIDERED**

6.1 None.

**7. ECONOMIC BACKGROUND**

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

**8. INTEREST RATE ENVIRONMENT**

8.1. The major influence on the Council’s investments is the Bank Rate. The Bank Rate remained at 0.5% for the first half year to 30th September 2012. The Council’s Treasury Management Advisors, Sector, provided the following forecast for future Bank Rates:

**Sector’s Bank Rate Forecasts:**

Qtr ending	Now (Sept 2012)	Dec 2012	Mar 2013	June 2013	Sept 2013	Dec 2013	Mar 2014	Jun 2014	Sept 2014	Dec 2014	Mar 2015
<b>Current Forecast, as at September 2012:</b>											
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%
<b>Forecast, as at January 2012, (when Original Budgets were set):</b>											
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%

The Bank of England August 2012 Inflation Report pushed back the timing of a return to trend growth and the rate at which inflation will fall back towards the target rate of 2%. 40% of UK GDP is dependent on overseas trade. High correlation of UK growth to US and EU GDP growth means that the UK economy is likely to register weak growth in the next two years. Consumers are likely to remain focused on paying down debt and alongside weak consumer sentiment and job fears, will all act to keep consumer expenditure suppressed. The coalition government has been hampered in promoting growth by the need to tackle the budget deficit and there’s little sign of a co-ordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.

Consequently, Sector have pushed back their first rise in Bank rate from quarter three 2013 to quarter four 2014.

The forecast as at January 2012 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 2012/13 was approved by Council on 7<sup>th</sup> March 2012. 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 2012/13, the in house function has invested both cash flow driven and core cash funds in fixed term deposits in the Money Markets. The table below illustrates the performance of the in house function during this first half year for each category normally invested in:

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) performance
<b>Up to 7 days</b>			
April to Sept 2012	No investments made in this half year.		
<b>Over 7 days &amp; Up to 3 Months</b>			
April to Sept 2012	0.93%	0.67%	+0.26%
Value of Interest earned first half year	£108,946	£78,984	+£29,962
<b>Over 3 Months &amp; Up to 6 Months</b>			
April to Sept 2012	No investments made in this half year.		
<b>Over 6 Months to 364 days</b>			
April to Sept 2012	2.76%	1.33%	+1.43%
Value of Interest earned first half year	£80,778	£66,374	+£14,404
<b>365 days and over</b>			
April to Sept 2012	No investments made in this half year.		

- 9.2. Members will recall that they requested the Treasury function to investigate a more challenging alternative to the LIBID benchmarks shown above and it is appropriate to add a margin of 0.0625% to the benchmark as some recognition of the need to provide a more competitive benchmark therefore all the LIBID rates in the table above and referred to below include this margin of 0.0625%.
- 9.3. During April to September, various core investments matured and generally were re-invested for three months on the advice of Sector who felt, and still do feel with the exception of part nationalised UK Banks , that due to the ongoing problems in the Eurozone it is wise to limit

investments to a maximum duration of three months until the situation resolves itself. In total, these investments produced an average return of 0.93% compared to the LIBID benchmark of 0.67% which is an amalgam of the 1 and 3 month LIBID rates. This out performance of 0.26% was achieved mainly by using building societies who were offering attractive enhanced rates whilst still conforming with our lending list criteria. All the investments were for around three months in each case and when compared to the three month rate alone of 0.73% the out performance is 0.20%.

9.4 Reference has been made in previous reports to the Council opening up a facility with King & Shaxson in order to invest in Certificates of Deposit (CD's). This facility was opened during June 2012 and during the half year the Council has purchased 3 month CD's to the value of £7m with ING Bank and BNP Paribas yielding interest rates between 0.59% and 0.67%. These investments derived from maturing core deposits with either counterparties no longer on our list e.g. Barclays Bank or Building Societies. By investing in these CD's, the Council has achieved a reasonable rate of return but more importantly improved the capital security by the use of higher rated counterparties. The interest earned on these CD's is reflected in the figures shown in the Over 7 Days and up to 3 Months category within the table in 9.1 above. For the future, as core investments mature, consideration will be given to the purchase of further CD's depending on what is available in the Market at that particular time.

9.5 Two investments with Bank of Scotland were made for 364 days and produced an average return of 2.76% which when compared with the 364 day average LIBID rate of 1.33% shows an outperformance of 1.43%. One of these was a re-investment of a matured three month deposit. This extended re-investment period was on the back of Sector's advice which states 'We continue to maintain our view that investments, with the exception of part government owned institutions (such as Bank of Scotland), should be kept short during the ongoing market uncertainty'.

9.6 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**

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

<b>Fund</b>	<b>Investment Return (Annualised)</b>	<b>LIBID Benchmark (Annualised)</b>	<b>Out/(Under) Performance</b>
<b>Deutsche</b>			
April to Sept 2012	0.54%	0.49%	+0.05%
Value of Interest earned first half year	£4,619	£4,183	+£436
<b>Goldman Sachs</b>			
April to Sept 2012	0.54%	0.49%	+0.05%
Value of Interest earned first half year	£4,199	£3,791	+£408
<b>Invesco Aim</b>			
April to Sept 2012	0.55%	0.49%	+0.06%
Value of Interest earned first half year	£0	£0	£0
<b>Prime Rate</b>			
April to Sept 2012	0.77%	0.49%	+0.28%
Value of Interest earned first half year	£23,088	£14,665	+£8,423
<b>Ignis</b>			
April to Sept 2012	0.72%	0.49%	0.23%
Value of Interest earned first half year	£19,274	£13,071	+£6,203
<b>TOTAL INTEREST FIRST HALF YEAR</b>	<b>£51,180</b>	<b>£35,710</b>	<b>£15,470</b>

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

9.9 As with the Money Market investments in paragraph 9.1, the LIBID benchmark which in this case is the 7 day rate has been increased by a margin of 0.0625% and it can be seen from the table above that the out

performance of the benchmark continues to be satisfactory. The Council continued to concentrate its investments in the four highest performing funds Prime Rate, Ignis, Deutsche and Goldman Sachs.

- 9.10 During the first half of 2012/13 the Council earned £51,180 interest on its Money Market Fund investments at an average rate of 0.62% and the average balance in the funds during the period was £7,305,403.

**Business Reserve Accounts**

- 9.11 The Council operates two Business Reserve accounts with Santander and Lloyds Banking Group. If sufficient balances are maintained these accounts offer a guaranteed rate of return equivalent to Bank Rate or slightly higher. However, because the Money Market Funds were offering rates above the Business Reserve Accounts for the levels of investments held, the Business Reserve Accounts were not used.
- 9.12 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:-

<b>Investment Vehicle</b>	<b>Investment Return (Annualised) £</b>	<b>LIBID Benchmark (Annualised) £</b>	<b>Out/(Under) Performance £</b>
Money Markets	189,724	145,358	+44,366
Money Market Funds	51,180	35,710	+15,470
<b>Total</b>	<b>240,904</b>	<b>181,068</b>	<b>+59,836</b>

The original estimate of annual external investment interest for 2012/13 was £460,500 gross and this was revised in August to £448,000, the reduction being mainly due to a reduction in the expected investment interest rate. It should be noted that the total investment return of £240,904 shown in the table will not all be received in 2012/13 as it is an annualised figure and will include interest relating to 2013/14.

- 9.13 An analysis of the overall in house investments held by the Council at the end of September 2012 is shown below:

(The balance at 31<sup>st</sup> March 2012 is shown for comparison)

<b>Type of Investment</b>	<b>Closing Balance As at 30<sup>th</sup> September 2012</b>	<b>Closing Balance As at 31st March 2012</b>
	<b>£</b>	<b>£</b>
Money Markets inc CD's	30,000,000	30,000,000
Money Market Funds	13,777,000	4,604,000
Business Reserve Accounts	0	0
<b>Total</b>	<b>43,777,000</b>	<b>34,604,000</b>

## 10. COUNTERPARTY CREDIT RATINGS

- 10.1 Except for an appendix to the Treasury Management Strategy Plan presented to the Executive in February each year, an analysis of the credit ratings enjoyed by our various counterparties with whom we have invested in recent times has never been reported regularly to Members. In these heightened times of concern over the Eurozone crisis and its potential impact on UK banks it is appropriate to provide such a regular update listing 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 and this 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>
<b>Banks</b>					
<b>N.B. Where multiple investments are shown for a Bank this reflects re-investment of the previous matured loan during the half year.</b>					
<b>WDC Minimum</b>	( Fitch )	<b>A+</b>	<b>F1</b>	<b>BBB</b>	<b>1</b>
Barclays Bank	£4,000,000	A	F1	A	1
BNP Paribas ( CD )	£2,000,000	A+	F1+	A+	1
BNP Paribas ( CD )	£1,000,000	A+	F1+	A+	1
Santander	£1,000,000	A+	F1	A+	1
Santander	£1,000,000	A+	F1	A+	1
ING Bank ( CD )	£4,000,000	A+	F1+	A	1
<b>UK Government Part Owned Banks</b>					
<b>N.B. Where multiple investments are shown for a UK Government Part Owned Bank this reflects re-investment of the previous matured loan during the half year.</b>					
<b>WDC Minimum</b>	( Fitch )	<b>A</b>	<b>F1</b>	<b>BBB</b>	<b>1</b>
Bank of Scotland	£1,000,000	A	F1	BBB	1
Bank of Scotland	£1,000,000	A	F1	BBB	1
Bank of Scotland	£2,000,000	A	F1	BBB	1
Bank of Scotland	£3,000,000	A	F1	BBB	1
<b>Rated Building Societies</b>					
<b>N.B. Where multiple investments are shown for a Rated Building Society this reflects re-investment of the previous matured loan during the half year</b>					
<b>WDC Minimum</b>	( Fitch )	<b>A+</b>	<b>F1</b>	<b>N/A</b>	<b>N/A</b>
Nationwide	£1,000,000	A+	F1		
Nationwide	£1,000,000	A+	F1		
Nationwide	£1,000,000	A+	F1		
Coventry	£2,000,000	A+	F1		
Coventry	£2,000,000	A+	F1		
<b>Unrated Building Societies</b>					
<b>N.B. Where multiple investments are shown for a Building Society this reflects re-investment of the previous matured loan during the half year.</b>					
<b>WDC Minimum</b>	<b>Must be in Top 20 ranked by Asset Value</b>				
Furness	£1,000,000	Ranked 17			
Furness	£1,000,000	Ranked 17			



Cambridge	£1,000,000	Ranked 14
Cambridge	£1,000,000	Ranked 14
Manchester	£1,000,000	Ranked 15
Manchester	£1,000,000	Ranked 15
Monmouthshire	£1,000,000	Ranked 16
Monmouthshire	£1,000,000	Ranked 16
Newcastle	£1,000,000	Ranked 8
Newcastle	£1,000,000	Ranked 8
Nottingham	£1,000,000	Ranked 9
Nottingham	£1,000,000	Ranked 9
West Bromwich	£1,000,000	Ranked 6
West Bromwich	£1,000,000	Ranked 6
Hinckley & Rugby	£1,000,000	Ranked 20
Hinckley & Rugby	£1,000,000	Ranked 20
Principality	£1,000,000	Ranked 7
Progressive	£1,000,000	Ranked 10
Progressive	£1,000,000	Ranked 10
Saffron	£1,000,000	Ranked 13
National Counties	£1,000,000	Ranked 12
National Counties	£1,000,000	Ranked 12
<b>MoneyMarket Funds</b> (Investment amount is average principal in fund during the quarter )		
<b>WDC Minimum</b>	Fitch AAA & Volatility rating VR1+ or S & P AAAM or Moodys AAA & Volatility Rating MR1+	
Deutsche	£1,716,072	Fund retained its rating throughout half year
Invesco Aim	£0	Fund retained its rating throughout half year
Prime Rate	£6,017,827	Fund retained its rating throughout half year
Ignis	£5,362,839	Fund retained its rating throughout half year
Goldman Sachs	£1,555,390	Fund retained its rating throughout half year

- 10.2 It can be seen that Barclays Bank's long term credit rating was at the time of investment below the minimum A+. As mentioned in the March Quarterly report to June Finance & Audit Scrutiny Committee, a credit rating alert notifying us of this change had been missed and the investment in the table above had been accidentally renewed before this error had been rectified. The investment above matured on 8<sup>th</sup> August 2012 and was reinvested into a CD with ING as also shown in the table above .thus increasing the security of the portfolio. All other investments made within the quarter 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 Counterparty lending list. It will be seen that for the reason outlined above Barclays Bank is not on the list and nor is Santander UK. In Santander UK's case, when the investment was made, the Bank's credit rating was above our minimum and its CDS price was within range. Subsequently, the CDS price went out of range and the Bank was removed from our lending list and subsequent to that, the Bank's long term credit rating was cut to below our minimum. These deposits matured on 14<sup>th</sup> August and were reinvested into BNP Paribas CD's.

## 11. **BENCHMARKING**

- 11.1 With regard to the Sector Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and analysis of the results for the first half year show that the Councils weighted average rate of return on its investments at 1.01% was below Sector's model portfolio rate of return based on the risk in our portfolio which was 1.31%. Our underperformance of the model portfolio return was due, in Sector's view, to the continuing use of unrated Building Societies but with a lower rate of return than in the previous quarter. However, in the Treasury team's view, the credit risk is mitigated by the fact that the maximum investment with any one unrated Building Society is limited to £1m and for a maximum duration of three months. In order to reduce this risk further we have now begun to purchase CD's from higher rated banks and future consideration will be given to using other part nationalised banks such as Royal Bank of Scotland through 364 day.
- 11.2 Our return of 1.01% was slightly above the group's rate of return which was 0.99% 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. However, District Council's within the group do seem to be making more use of Money Market Funds and also some longer term investments with part nationalised banks for a higher rate of return but lower security risk.
- 11.3 A further contributing factor to the underperformance when compared with our rate of return seems to be the fact that other members of the club are investing a significant element of their portfolio's in short duration assets of less than 1 month. Whilst this undoubtedly reduces the risk that a counterparty may default during the duration of an investment it does lessen the ability to maximise investment returns whilst still adequately protecting the security of the investment. Sector's current advice is to invest for up to three months, with the exception of part government owned institutions, which still limits the risk of default whilst providing a reasonable rate of return which is the approach that the Treasury team took during this first half year and are continuing to take. As a result of Sector's advice, we now have two investments of approximately 364 days with Bank of Scotland earning 2.70% to 2.85% interest.

## 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 taken out last March 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 overdraft interest of £2.95 was paid. Overdraft interest is normally offset by the interest earned at 1% below Bank Rate on the days when the end of day balance was in credit; however, with Bank Rate at 0.50% this is not applicable.

### **13 PRUDENTIAL INDICATORS**

- 13.1 The 2012/13 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. Both were increased in the February budget report to allow for the self financing borrowing in 12.1 above and it is confirmed that during the half year neither indicator has been exceeded.

**1. SECTOR COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND.**

- 1.1 Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013.
- 1.2 It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably permeate into the UK's economic performance.
- 1.3 With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East/China.
- 1.4 In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (CPI @ 2.6% in July), UK GDP fell by 0.5% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the worst and slowest of any G7 country apart from Italy (G7 = US, Japan, Germany, France, Canada, Italy and UK). It is also the slowest recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.5% below its peak in 2008.
- 1.5 This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.
- 1.6 On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the ECB bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

## APPENDIX B

### WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT JULY 2012

#### BANKS

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

**MAXIMUM INVESTMENT LIMIT WITH ANY ONE PART OR FULLY NATIONALISED BANK = £6M**

**MAXIMUM INVESTMENT LIMIT WITH ANY ONE PRIVATE SECTOR BANK = £5M**

**GROUP LIMIT = £5M (£6M UK GOVT PART OWNED BANKS) (GROUP = OTHER BANKS ON WDC LIST AS IDENTIFIED BELOW INCLUDING EXPLICITLY GUARANTEED SUBSIDIARIES)**

**MINIMUM FITCH RATINGS CREDIT RATING = LONG TERM A+ ( UK GOVT PART OWNED A), SHORT TERM F1, VIABILITY RATING OF BBB AND SUPPORT RATING OF 1.**

**SOVEREIGN COUNTRY RATING – AT LEAST EQUAL TO THAT OF THE UK ( CURRENTLY AAA ).**

#### INVESTMENTS OVER 364 DAYS

**AS ABOVE BUT MAXIMUM OVERALL INVESTMENT PER COUNTERPARTY AND/OR GROUP IS £5M FOR A MAXIMUM OF TWO YEARS, SUBJECT TO AN OVERALL LIMIT OF £9M ( INCLUDING CATEGORY A BUILDING SOCIETIES ) SEEK ADVICE FROM SECTOR BEFORE PLACING DEALS IN THIS CATEGORY TO ENSURE THAT THE INTEREST RATE OFFERED IS APPROPRIATE.**

<b>BANK NAME</b>	<b>OTHER BANKS IN GROUP ( *= Not on list but included for information re potential problems etc )</b>	<b>GROUP LIMIT APPLIES</b>
<b>AUSTRALIA ( AAA )</b>		
Austraila & 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		
<b>CANADA ( AAA )</b>		
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*	

<b>FRANCE ( AAA )</b>		
BNP Paribas	BNP Paribas Finance* BancWest Corporation ( California )* Banca Nazionale Del Lavoro SpA* First Hawaiian Bank* United Overseas Bank*	
Societe Generale <b>DO NOT USE AS CDS OUT OF RANGE</b>	Societe Generale Asset Management* Credit Du Nord* Sogecap/Sogessur*	
<b>GERMANY ( AAA )</b>		
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*	
<b>LUXEMBOURG ( AAA )</b>		
Clearstream Banking		
<b>NETHERLANDS ( AAA )</b>		
ING Bank NV	ING Belgium*	
<b>NORWAY ( AAA )</b>		
DnB NOR Bank	DnB NOR Group* Sparebankkredit* Union Bank of Norway*	
<b>SINGAPORE ( AAA )</b>		
DBS Bank Ltd	DBS Bank ( Hong Kong )*	
Oversea Chinese banking Corporation Ltd		
United Overseas Bank Ltd		
<b>SWEDEN ( AAA )</b>		
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 )		
<b>UNITED KINGDOM ( AAA )</b>		
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	Halifax plc*	Yes

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

#### **BUILDING SOCIETIES – CATEGORY A**

##### **INVESTMENTS UP TO 364 DAYS**

MAXIMUM INVESTMENT LIMIT WITH ANY ONE BUILDING SOCIETY = £4M  
MINIMUM FITCH RATINGS CREDIT RATING = AT LEAST EQUAL TO UK SOVEREIGN RATING ( CURRENTLY AAA ), LONG TERM A+ AND SHORT TERM F1

- Nationwide

##### **INVESTMENTS OVER 364 DAYS**

CATEGORY A BUILDING SOCIETIES UP TO £1M FOR UP TO 2YRS SUBJECT TO OVERALL £9M LIMIT ( INCLUDING BANKS )

#### **BUILDING SOCIETIES – CATEGORY B**

MAXIMUM INVESTMENT LIMIT = £2M  
MAXIMUM LENGTH OF INVESTMENT = 364 DAYS  
MINIMUM FITCH RATINGS CREDIT RATING = AT LEAST EQUAL TO UK ( CURRENTLY AAA ) SOVEREIGN RATING , LONG TERM LESS THAN A+ AND SHORT TERM F1 OR ABOVE

- Coventry

### **BUILDING SOCIETIES – CATEGORY C**

ALL OTHER BUILDING SOCIETIES IN THE TOP 20 RANKED BY ASSET VALUE ( FLOOR £500M )  
MAXIMUM INVESTMENT LIMIT = £1M  
MAXIMUM LENGTH OF INVESTMENT = 3 MONTHS

- Yorkshire ( now merged with Norwich & Peterborough )
- Leeds
- Skipton
- 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 = £6M  
MAXIMUM LENGTH OF INVESTMENT = 364 DAYS

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

### **SUPRANATIONAL INSTITUTIONS / MULTI-LATERAL DEVELOPMENT BANKS**

MINIMUM FITCH CREDIT RATING = AAA OR GOVERNMENT GUARANTEED

MAXIMUM INVESTMENT LIMIT = £5M PER COUNTERPARTY  
MAXIMUM LENGTH OF INVESTMENT = NOT SPECIFIED. SEEK ADVICE FROM SECTOR BEFORE  
PLACING DEALS IN THIS CATEGORY TO ENSURE THAT THE INTEREST RATE OFFERED IS  
APPROPRIATE.

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

### **TRIPLE A RATED MONEY MARKET FUNDS**

MINIMUM CREDIT RATING – STANDARD AND POORS AAAM OR MOODYS AAA AND VOLATILITY  
RATING MRI + OR FITCH AAA AND VOLATILITY RATING VR1+  
MAXIMUM INVESTMENT LIMIT = £6M  
MAXIMUM LENGTH OF INVESTMENT = NOT DEFINED – DEPENDS ON CASH FLOW



**CURRENT**

Aim Global ( £6m limit )

Deutsche ( £6m limit )

Prime Rate ( £6m limit )

Goldman Sachs ( £6m limit )

Ignis ( £6m limit )

Any other MMF satisfying above credit rating criteria ( £6m limit )

**OTHER**

MAXIMUM INVESTMENT LIMIT = £6M

MAXIMUM LENGTH OF INVESTMENT = 364 DAYS

Government Debt Management Account Facility

MAXIMUM INVESTMENT LIMIT = £6M

MAXIMUM LENGTH OF INVESTMENT = NOT SPECIFIED

UK Government Gilts