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|---|---|--------------------------|
|  | Finance and Audit Scrutiny Committee. 29th November 2016. | Agenda Item No. 7 |
| Title | Treasury Management Activity Report for the period 1st April 2016 to 30th September 2016. | |
| For further information about this report please contact | Karen Allison, Assistant Accountant 01926 456334 Karen.allison@warwickdc.gov.uk | |
| Wards of the District directly affected | | |
| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 | 17/11/2016 | Andrew Jones |
| Head of Service | N/A | |
| CMT | N/A | |
| Section 151 Officer | 09/11/2016 | Mike Snow |
| Monitoring Officer | N/A | |
| Finance | 15/11/2016 | Roger Wyton |
| Portfolio Holder(s) | 14/11/2016 | Peter Whiting |
| Consultation & Community Engagement | | |
| None. | | |
| Final Decision? | | Yes |
| Suggested next steps (if not final decision please set out below) | | |

1. Summary

1.1 This report details the Council's Treasury Management performance for the period 1st April 2016 to 30th September 2016.

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 2016/17 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 2016/17 is shown in the following table:

| | Latest 2016/17 Budget (Oct 16) £ | Original 2016/17 Budget (Jan 16) £ |
|------------------------------|---|---|
| Gross Investment Interest | 479,100 | 537,500 |
| Less HRA allocation | 184,500 | 195,500 |
| Net interest to General Fund | 294,600 | 342,000 |

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). It's accepted that longer duration investments increase the security risk within the portfolio, however this is inevitable in order to achieve the best possible return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.

- 6.2 In addition to credit ratings themselves, the Council will also have regard to any ratings watch notices issued by the 3 agencies as well as articles in the Financial press, market data and intelligence from Capita benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by Capita Asset Services – Treasury Solutions to determine the suitability of investing with counterparties.
- 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.
- 6.4 Covered Bonds also reduces risk as the bond is “backed” by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

7. Alternative Option(s) considered

- 7.1 None.

8. Background

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

9. Interest Rate Environment

- 9.1 The major influence on the Council’s investments is the Bank Rate. The Bank Rate reduced by 0.25% from August 2016 following the result of the referendum vote to leave the EU. The Council’s Treasury Management Advisors, Capita Asset Services, provided the following forecast for future Bank Rates:-

| Qtr End-ing | Now-Sept 2016 | Dec 2016 | Mar 2017 | June 2017 | Sept 2017 | Dec 2017 | Mar 2018 | Jun 2018 | Sept 2018 | Dec 2018 | Mar 2019 |
|--|---------------|----------|----------|-----------|-----------|----------|----------|----------|-----------|----------|----------|
| Current Forecast, as at August 2016: | | | | | | | | | | | |
| Bank Rate % | 0.25 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.25 | 0.25 | 0.25 | 0.25 |
| Forecast, as at January 2016, (when Original Budgets were set): | | | | | | | | | | | |
| Bank Rate % | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 | 1.25 | 1.25 | 1.50 | 1.50 | 1.75 | 1.75 |

The forecast as at January 2016 is shown for comparison purposes as this forecast was used in calculating the original budgets.

- 9.2 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy

2016/17 was approved by Council on 24th Feb 2016. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions credit ratings, to ensure that it does not lend to those institutions identified as being at risk either from the residual impact of the past crisis in the banking sector or the potential issues arising from the current economic situation. A copy of the current lending list is shown as Appendix D.

10 INVESTMENT PERFORMANCE

Money Market Investments

- 10.1. During 2016/17, the in house function has invested core cash funds in fixed term deposits in the Money Markets. Table 1 in Appendix A illustrates the performance of the in house function during this first half year for each category normally invested in.
- 10.2 All the LIBID rates in the table and referred to below include a margin of 0.0625%.
- 10.3 During April to September, six core investments matured and a Toronto Dominion Bank CD was sold early and replaced with a new one to achieve a pick-up on yield. In the period '3 to 6 months' the Council's out-performance was achieved by purchasing a CD and a fixed bond.
- 10.4 The slight out-performance in the 'over 6 months to 365 days' period was mainly due to the pre-Brexit investments achieving a good rate of return, in particular a Lloyds Bank fixed deposit and some ING fixed bonds. Lastly in the "1 year and over" category, the Council purchased a Close Brothers CD @1% for 1 year pre-Brexit and a Prudential Bond post-Brexit @ 0.87% for 513 days which highlights the need to have longer term investments in order to achieve a reasonable yield after Brexit.
- 10.5 Given that the current Bank Rate is only 0.25% and counterparty security is of the utmost importance over return of yield, the level of performance achieved in this first half year continues to be satisfactory.

Money Market Funds & Call Accounts

- 10.6 The in house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Their performance in this period is shown in table 2 of Appendix A.
- 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 10.1, 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 table 2 in Appendix A that the total interest out performance of the benchmark remains satisfactory.
- 10.9 The Council continued to concentrate its investments in the highest performing funds Federated (variable and constant net asset value funds), Standard Life, Goldman Sachs, Invesco and Royal London along with the call accounts, HSBC Business Deposit and Svenska Handelsbanken accounts until the effects of

Brexit filtered through the banking system. During the last few weeks of this first half year the Money Market Fund rates have gradually reduced apart from the HSBC Business Deposit Account. Therefore this account has taken preference for cash flow investments.

10.10 During the first half of 2016/17 the Council earned £85,774 interest on its Money Market Fund investments at an average rate of 0.54% and the average balance in the funds during the period was £15,788,815.

Call Accounts

10.11 As with the Money Market investments in paragraph 10.1, the LIBID benchmark, which in this case is the 7 day rate for HSBC and 1 month for Svenska Handelsbanken, has been increased by a margin of 0.0625%.

10.12 The Council earned £16,890 interest on its call accounts in the first half year at an average rate of 0.50% and the average balance in the funds during the period was £3,382,636.

10.13 In August Svenska Handelsbanken reduced the rate on our account to 0.35%. This was originally cash flow derived money which had subsequently become core cash. It was decided that a better return with longer term investments could be achieved, so it was switched into a 513 day bond @ 0.87% and a 364 day CD @ 0.67%.

10.14 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:-

| Vehicle | Return (Annualised) £ | Benchmark (Annualised) £ | Under (-)/Over(+) Performance £ |
|------------------------------------|--------------------------------------|---|--|
| Money Markets | 211,840 | 202,844 | 8,996 |
| Money Market Funds & Call A/c's | 102,664 | 73,626 | 29,038 |
| Total | 314,504 | 276,470 | 38,034 |

The original estimate of annual external investment interest for 2016/17 was £537,500 gross and this was revised in October to £479,100. The reduction of £58k being due to:-

- Increase in In House balances of £101k
- Decrease in In House Interest Rate of £109k (as shown in paragraph 9.1)
- Removal of additional target of investment interest £50k required by members. This is now considered to be unachievable due to recent economic changes.

It should be noted that the total investment return of £314,504 shown in the table above will not all be received in 2016/17 as it is an annualised figure and will include interest relating to 2015/16 and 2017/18.

10.15 An analysis of the overall in house investments held by the Council at the end of September 2016 is shown in the following table:
(The balance at 31st March 2016 is shown for comparison)

| Type of Investment | Closing Balance @ 30th September 2016 | Closing Balance @ 31st March 2016 |
|---|--|--|
| | £ | £ |
| Money Markets incl. CD's & Bonds | 40,440,000 | 33,200,000 |
| Money Market Funds | 28,161,000 | 21,679,000 |
| Business Reserve Accounts incl. Call Accounts | 3,299,000 | 5,046,000 |
| Total | 71,900,000 | 59,925,000 |

11. CORPORATE EQUITY FUNDS

11.1 In line with the 2016 Treasury Management Strategy the Council has appointed Capita Asset Services to assist in the appointment of corporate equity managers. Their brief is:-

- To support the Authority in deciding the key objectives for the appointment of a manager.
- Advise the Authority on establishing a long list of appropriate funds.
- To produce a detailed questionnaire to send to prospective fund managers.
- Assist the Authority in interviewing
- To undertake legal documentation
- Provide high level monitoring.

11.2 Preliminary discussions have taken place with Capita and currently Finance, in conjunction with the Finance Portfolio holder, to progress securing equity funds, with a plan currently being formulated for the formal appointment process over the next 2 months.

11.3 Finance are also reviewing the criteria that will measure the amount of risk in the portfolio in order to achieve a balance between low, medium and high risk. This again will help Capita determine suitable funds.

11. COUNTERPARTY CREDIT RATINGS

11.1 The investments made in the first half year and the long and short term credit ratings applicable to the counterparty at the point at which the investment was made is shown in Appendix B.

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 2016/17 Counterparty lending list.

12. BENCHMARKING

12.1 With regard to the Capita Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and the results are published quarterly. Analysis of the results for the

first quarter show that the Councils weighted average rate of return (WARoR) on its investments at 0.75% was above Capita's model portfolio of 0.66% based on the risk in the portfolio.

12.2 The result for the September quarter was 0.71% WARoR which again was above Capita's model portfolio band range.

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

13. BORROWING

13.1 During the half year, there was no long term borrowing activity other than to pay the first half year interest instalment on the £136.157m PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383m.

13.2 During the half year it was not necessary to undertake any Money Market borrowing to fund cash flow deficits, with any deficits being managed within the Council's £50,000 overdraft facility with HSBC. The interest rate on this facility is 2% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the half year there was no overdraft interest.

14 PRUDENTIAL INDICATORS

14.1 The 2016/17 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

15. 2017/18 Treasury Management Strategy.

15.1 Work is currently underway in preparing the 2017/18 Treasury Management and Investment Strategies. Whilst security of the funds will be paramount, it is intended that the Council will continue to achieve the best returns possible. Details will be included within the forthcoming Treasury Management report in February.

Investment Performance Analysis**Table 1**

| Period | Investment Return (Annualised) | LIBID Benchmark (Annualised) | Out/(Under) Performance |
|---|--------------------------------|------------------------------|-------------------------|
| Up to 3 months | | | |
| April to September 2016 | No investments were made | | |
| Over 3 months & Up to 6 months | | | |
| April to September 2016 | 0.73% | 0.58% | 0.15% |
| Interest earned 1st half year £ | 9,876 | 7,866 | 2,010 |
| Over 6 months to 365 days | | | |
| April to September 2016 | 0.84% | 0.82% | 0.02% |
| Interest earned 1st half year £ | 145,281 | 141,488 | 3,793 |
| 1 year and over | | | |
| April to September 2016 | 0.91% | 0.86% | 0.05% |
| Interest earned 1st half year £ | 56,683 | 53,490 | 3,193 |
| TOTAL INTEREST FIRST HALF YEAR £ | 211,840 | 202,844 | 8,996 |

Table 2

| Fund | Investment Return (Annualised) | LIBID Benchmark (Annualised) | Out/(Under) Performance |
|--|--------------------------------|------------------------------|-------------------------|
| Deutsche | | | |
| April to September 2016 | 0.46% | 0.35% | 0.11% |
| Interest earned 1st half year £ | 2,019 | 1,518 | 501 |
| Goldman Sachs | | | |
| April to September 2016 | 0.43% | 0.35% | 0.08% |
| Interest earned 1st half year £ | 1,856 | 1,507 | 349 |
| Invesco | | | |
| April to September 2016 | 0.47% | 0.35% | 0.12% |
| Interest earned 1st half year £ | 18,486 | 13,615 | 4,871 |
| Standard Life | | | |
| April to September 2016 | 0.48% | 0.35% | 0.13% |
| Interest earned 1st half year £ | 21,339 | 15,301 | 6,038 |
| Federated Constant Net Asset Value (CNAV) | | | |
| April to September 2016 | 0.53% | 0.35% | 0.18% |
| Interest earned 1st half year £ | 13,400 | 8,698 | 4,702 |
| Federated Variable Net Asset Value (VNAV) | | | |
| April to September 2016 | 0.53% | 0.35% | 0.18% |
| Interest earned 1st half year £ | 19,547 | 13,912 | 5,635 |
| Royal London Cash Plus Account (VNAV) | | | |
| April to September 2016 | 0.40% | 0.35% | 0.05% |
| Interest earned 1st half year £ | 9,127 | 6,910 | 2,217 |
| TOTAL INTEREST FIRST HALF YEAR £ | 85,774 | 61,461 | 24,313 |

Table 3

| Fund | Investment Return (Annualised) | LIBID Benchmark (Annualised) | Out/(Under) Performance |
|---|---------------------------------------|-------------------------------------|--------------------------------|
| HSBC Business Deposit Account | | | |
| April to September 2016 | 0.38% | 0.35% | 0.03% |
| Interest earned 1st half year £ | 3,543 | 3,233 | 310 |
| Svenska Handelsbanken Account | | | |
| April to September 2016 | 0.55% | 0.37% | 0.18% |
| Interest earned 1st half year £ | 13,347 | 8,932 | 4,415 |
| TOTAL INTEREST FIRST HALF YEAR £ | 16,890 | 12,165 | 4,725 |

Warwick District Council Counterparty Lending List

| Counterparty | Investment Amount £ | Credit Rating | | Duration of Investment (days) |
|--|---|--|-------------------|--------------------------------------|
| | | Long Term | Short Term | |
| Banks | | | | |
| WDC Minimum | (Fitch) | A+ | F1 | |
| ING Bank NV - Bond | £1,859,000 | A+ | F1 | 169 |
| ING Bank NV - Bond | £540,000 | A+ | F1 | 219 |
| ING Bank NV - Bond | £1,000,000 | A+ | F1 | 238 |
| ING Bank NV - Bond | £1,304,000 | A+ | F1 | 247 |
| National Bank of Abu Dhabi - CD | £2,000,000 | AA- | F1+ | 364 |
| UBS Ltd - CD | £2,000,000 | A+ | F1 | 364 |
| WDC Minimum | (Fitch) | A | F1 | |
| Sumitomo Mitsui Banking Corp. Europe Ltd- CD | £1,000,000 | A | F1 | 183 |
| Santander UK | £2,200,000 | A | F1 | 364 |
| Close Brothers | £2,000,000 | A | F1 | 365 |
| Corporations | | | | |
| WDC Minimum | (Fitch) | A | n/a | |
| National Grid Gas plc - Bond | £1,537,000 | A | | 307 |
| Prudential plc - Bond | £3,000,000 | A | | 513 |
| UK Government Part Owned Banks | | | | |
| WDC Minimum | (Fitch) | A | F1 | |
| Lloyds TSB Bank | £3,000,000 | A+ | F1 | 361 |
| 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 | £876,225 | Fund retained its rating throughout half year | | liquid |
| Invesco | £7,859,959 | Fund retained its rating throughout half year | | liquid |
| Federated | £9,000,000 | Fund retained its rating throughout half year | | liquid |
| Ignis | £8,881,048 | Fund retained its rating throughout half year | | liquid |
| Goldman Sachs | £870,125 | Fund retained its rating throughout half year | | liquid |
| Royal London Asset Management | £2,000,000 | Fund retained its rating throughout half year | | liquid |
| Call Accounts | | | | |
| WDC Minimum | (Fitch) | | | |
| HSBC Business Deposit Account | £1,852,829 | Counterparty retained its rating throughout period of AA- long term, F1+ short term, | | liquid |
| Svenska Handelsbanken | £4,880,255 | Counterparty retained its rating throughout period of AA- long term, F1+ short term, | | liquid |

CAPITA ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND

- 1.1 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.
- 2.1 In the American economy Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%. However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December this year.
- 3.1 In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) but slowed to +0.3% (+1.6% y/y) in quarter 2. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in their economies and economic growth.
- 4.1 Japan is still bogged down in anaemic growth and making little progress on fundamental reform of the economy while Chinese economic growth has been weakening and medium term risks have been increasing.

**WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT OCTOBER
2016**

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

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

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

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

INVESTMENTS OVER 364 DAYS

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

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

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

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

| BANK NAME | OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.) | GROUP LIMIT APPLIES |
|--|---|--------------------------------|
| AUSTRALIA (AAA) Monitoring @ 01.04.2016 | | |
| Australia & New Zealand Banking Group Ltd – | | |
| Commonwealth Bank of Australia | | |
| Macquarie Bank Ltd | | |
| National Australia Bank Ltd | Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale Clydesdale Bank* | Yes |
| Westpac Banking Corporation | | |
| | | |
| BELGIUM (AA)MONITORING | | |
| BNP Paribas Fortis | | |
| | | |
| 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-negative outlook | Royal Trust Company* Royal Bank of Canada Europe* Royal Bank of Canada Suisse* RBC Centura Banks Inc* | |
| Toronto Dominion Bank | TD Banknorth Inc* | |
| | | |
| DENMARK (AAA)-monitoring | | |
| Danske Bank | | |
| | | |
| FINLAND (AA+)- monitoring | | |
| Nordea Bank Finland DO NOT DEAL DIRECT AS NOW DOMICILED IN SWEDEN UNDER NORDEA BANK AB BUT CD'S ETC OK WITH K&S. | Nordea Bank Denmark* Nordea Bank AB Nordea Bank Norge* Nordea Bank North America* | Yes |
| | | |
| FRANCE (AA)-monitoring | | |
| BNP Paribas | | |
| Credit Agricole Corporate & Investment Bank | | |
| Credit Industriel et Commercial | | |
| Credit Agricole SA | | |
| Societe Generale | | |
| | | |
| GERMANY (AAA) | | |
| DZ Bank AG (Deutsche Zentral- genossenschaftsbank) | | |
| Landesbanken Hessen-Thuringen Girozentrale (Helaba) | | |
| Landwirtschaftliche Rentenbank | | |
| NRW Bank | | |
| | | |
| HONG KONG (AA+) – not on Capita's list as not active | | |

| | | |
|---|--|--------------------------------|
| The Hong Kong & Shanghai Banking Corporation Ltd | | |
| LUXEMBOURG (AAA) | | |
| Clearstream Banking | | |
| BANK NAME | OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.) | GROUP LIMIT APPLIES |
| NETHERLANDS (AAA) monitoring | | |
| ABN AMRO Bank N.V | | |
| Bank Nederlandse Gemeenten | | |
| Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland) | | |
| ING Bank NV | | |
| | | |
| QATAR (AA) OUT OF RANGE | | |
| Qatar National Bank | | |
| SINGAPORE (AAA) | | |
| DBS Bank Ltd | DBS Bank (Hong Kong)* | |
| Oversea Chinese Banking Corporation Ltd | | |
| United Overseas Bank Ltd | | |
| | | |
| SWEDEN (AAA) monitoring | | |
| Nordea Bank AB | Nordea Bank Denmark* Nordea Bank Finland Nordea Bank Norge* Nordea Bank North America* | Yes |
| Skandinaviska Enskilde Banken AB | SEB Bolan* | |
| Svenska Handelsbanken AB | Stadshypotek* Svenska Handelsbanken Inc USA* | |
| Swedbank AB | | |
| | | |
| SWITZERLAND (AAA) | | |
| Credit Suisse AG-monitoring | | |
| UBS AG | | |
| | | |
| UNITED ARAB EMIRATES (AA)- out of range | | |
| National Bank of Abu Dhabi | | |
| | | |
| UNITED KINGDOM (AA) monitoring | | |
| Abbey National Treasury Services plc | | |
| Barclays Bank plc | | |
| Close Brothers | | |
| Goldman Sachs | | |
| HSBC Bank plc | HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank* | Yes |
| Lloyds Banking Group Including (now classed as private bank by CAPITA) :- Lloyds TSB Bank of Scotland | Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc* | Yes |

| | | |
|--|--|----------------------------|
| | | |
| Santander UK plc | | |
| Standard Chartered Bank-monitoring | | |
| Sumitomo Mitsui Banking Corporation Europe Ltd- negative outlook | | |
| UBS Ltd | | |
| BANK NAME | OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.) | GROUP LIMIT APPLIES |
| UNITED STATES OF AMERICA (AAA) MONITORING | | |
| HSBC Bank USA NA | HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC UK Hang Seng Bank* | Yes |
| Bank Of America | | |
| Bank of New York Mellon | Bank of New York (Delaware USA)* Bank of New York (New York USA)* Bank of New York Trust Company* | |
| Citibank | | |
| JP Morgan Chase Bank NA | Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd* | |
| Wells Fargo Bank NA- negative outlook | Wachovia Bank* Wachovia Bank NA North Carolina USA* | |

BUILDING SOCIETIES

INVESTMENTS 364 DAYS OR LESS

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

| | | | | | |
|---|--|--|--|--|--|
| <ul style="list-style-type: none"> • Principality • West Bromwich • Newcastle(Fitch removed ratings 7.9.16) • Nottingham • Progressive • Cumberland • National Counties • Saffron • Cambridge • Monmouthshire • Furness • Leek United • Newbury • Manchester • Ipswich | | | | | |
|---|--|--|--|--|--|

INVESTMENTS OVER 364 DAYS

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

NB. Group limit of £8m.

OTHER COUNTERPARTIES

| Investment / Counterparty type | S/term | L/term | Security / Min credit rating | Max limit per counterparty | Max. Maturity period |
|---|-------------------------|---------------|-------------------------------------|-----------------------------------|-----------------------------|
| DMADF | n/a | n/a | UK Sovereign | £12m | 364 days |
| UK Govt. (includes Gilt Edged Securities & Treasury Bills), Local Authorities / Public Corporations /Nationalised Industries. | n/a | n/a | High viability/support | £9m | 364 days |
| Money Market Fund(CNAV) | AAA m / Aaa-mf/AAAmmf | | | £9m | liquid |
| Money Market Fund (VNAV) | AAAf S1 / Aaa-bf/AAA/V1 | | | £6m | liquid |
| Corporate bonds - category 1 | | A | UK Sovereign | £5m | 2 years |
| Corporate bonds - category 2 | | A | | £9m | 2 years |
| Covered bonds - category 1 | | A | UK Sovereign | £5m | 2 years |
| Covered bonds - category 2 | | A | | £9m | 2 years |
| Covered bonds - category 3 | | A | | £3m | 2 years |
| Floating Rate Notes - category 1 | | A | | £5m | 364 days |
| Floating Rate Notes - category 2 | | A | | £9m | 364 days |

| | | | | | |
|---|---|--|---|-----------------------------------|-----------------------------|
| Floating Rate Notes - category 3 | | A | | £3m | 364 days |
| Eligible Bank Bills | n/a | | Determined by EFM | £5m | 364 days |
| Sterling Securities guaranteed by HM Government | n/a | | UK Sovereign | £9m | Not defined |
| Local Authorities | n/a | Viability/support= High £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties. | | £9m | 5 years |
| Corporate Equity Funds - low risk (1-3) | n/a | Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment. | | £3m | 10 years |
| Investment / Counterparty type | S/term | L/term | Security / Min credit rating | Max limit per counterparty | Max. Maturity period |
| Corporate Bond Funds | | BBB | £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties. | £5m | 10 years |
| Pooled property fund eg: REITS | £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties. | | | £5m | 10 years |
| CCLA property funds | n/a | Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT. £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties. | | £5m | 10 years |

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

Category 1: Issued by private sector Financial Institutions

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

Category 3: Issued by Corporates