AUDIT COMMITTEE – 21 SEPTEMBER 2012

Title of paper:	2012/13 Treasury Management Investment Strategy Review	
Director(s)/ Corporate Director(s):	Report of Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Tony Kirkham ☎ 0115 8763132 ✉ tony.kirkham@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Members of Treasury Management Panel: Tony Kirkham, Director of Strategic Finance Jeff Abbott, Head of Strategic Finance Geoff Walker, Strategic Finance Manager Barry Dryden, Senior Finance Manager Peter Guest, Treasury Management Officer	

Relevant Council Plan Strategic Priority: (you must mark ✓ in the relevant boxes below)	
World Class Nottingham	✓
Work in Nottingham	✓
Safer Nottingham	✓
Neighbourhood Nottingham	✓
Family Nottingham	✓
Healthy Nottingham	✓
Leading Nottingham	✓

Summary of issues (including benefits to citizens/service users):

This report proposes changes to the Council's approved Investment Strategy for 2012/13 in light of changes to the national and global economic situation and, in particular, the impact on the Council's eligible investment counterparties.

Recommendation(s):

1	Audit Committee consider and comment on the proposed amendments to the 2012/13 Treasury Management Investment Strategy detailed in the report.

1. BACKGROUND

Treasury management is the management of an organisation's borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.

The treasury management function is governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the City Council must have regard to the CIPFA Prudential Code and the CIPFA Code of Practice (the Code).

The 2012/13 Treasury Management strategy was approved at a meeting of the City Council on 5 March 2012, after consideration by Executive Board and scrutiny by Audit Committee. That document included a detailed Investment Strategy for the year, based on a range of specific investment criteria. In particular, a list of approved counterparties for investment was adopted, including limits to periods and size of deposits. Changes to economic conditions both national and world-wide have led to pressure on the available counterparties for investment and it is now considered appropriate to review that investment strategy and propose a number of amendments. Under the Code, any amendment to the approved Treasury

Management strategy must be approved by a meeting of the Council, after due consideration and scrutiny by the appropriate bodies. The proposed changes are:

- *The exclusion of short-term credit ratings for eligible financial institutions* – at present, the investment strategy criteria includes minimum levels for both the long-term and short-term credit ratings of eligible counterparties. Increasingly in capital markets, the long-term rating is becoming the principal driver which influences a bank's funding costs and perceived creditworthiness internationally and hence market sentiment towards that institution. It is therefore proposed to exclude the requirement for a minimum short-term rating for eligible financial institutions. The existing requirement for a minimum long-term rating from all 3 major rating agencies of A- (FITCH), A- (S&P) and A3 (Moodys) will be retained. This will enable the re-instatement of RBS on the eligible counterparty list. RBS is a state-owned UK bank considered 'systemically important' to the UK financial system and therefore likely to be in receipt of financial support from the Government, if required.

- *An increase in the maximum investment sum for individual UK banks* – at present, the limit for deposits with UK banks is £20m. It is proposed to increase this to £25m. With the current investment portfolio size, this sum represents a maximum of around 12.5% of the portfolio deposited with any one institution.

- *An increase in the maximum investment sum for individual non-UK banks* – at present, the limit for deposits with non-UK banks is £5m. It is proposed to increase this to £10m. The existing restriction on the total sum invested with any one country will also be raised, from 10% to 15% at the time of investment. The over-riding 25% limit for non-UK banks as a proportion of the total portfolio will be retained. This will provide potential further investment in eligible Australian and Canadian banks, which are currently considered more secure than their European counterparties.

The adoption of these changes will ease the pressure on investments for the remainder of the financial year. Full details of the impact of these changes to the investment strategy, together with the original treasury management strategy, are shown at **Appendix A** for information. This report was considered by Executive Board on 18 September 2012.

2. REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

The Code requires authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. It is considered that the City Council's Audit Committee is the most appropriate body for this function. In undertaking this, the Audit Committee will be responsible for the effective scrutiny of treasury management policies and practices

3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

Options for management of the Council's debt and investment portfolio are continually reviewed. The overall aim is to minimise the net revenue costs of our debt whilst maintaining an even debt profile in future years, and to maximise investment returns within stated security and liquidity guidelines.

4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

Details of the financial implications associated with the proposed changes to the investment strategy are provided in **Appendix A, section 5.**

5. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

Risk management plays a fundamental role in treasury activities, due to the value of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

6. EQUALITY IMPACT ASSESSMENT

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)	✓
No	☐
Yes – Equality Impact Assessment attached	☐

7. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

PWLB records, working papers 2011/12

8. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

CIPFA statistics, LIBID rates 2011/12

APPENDIX A

EXECUTIVE BOARD – 18 SEPTEMBER 2012

<table>
<tr><td>Title of paper:</td><td colspan="2">2012/13 Treasury Management Investment Strategy Review</td></tr>
<tr><td>Director(s)/
Corporate Director(s):</td><td>Director of Strategic Finance</td><td>Wards affected: All</td></tr>
<tr><td>Portfolio Holder(s):</td><td>Cllr Graham Chapman – Deputy Leader and Portfolio Holder for Economic Development, Resources and Customer Care</td><td>Date of consultation with Portfolio Holder(s):</td></tr>
<tr><td>Report author and contact details:</td><td colspan="2">Tony Kirkham
☎ 0115 8763132
✉ tony.kirkham@nottinghamcity.gov.uk</td></tr>
<tr><td>Others who have provided input:</td><td colspan="2">Members of Treasury Management Panel:
Tony Kirkham, Director of Strategic Finance
Jeff Abbott, Head of Strategic Finance
Geoff Walker, Strategic Finance Manager
Barry Dryden, Senior Finance Manager
Peter Guest, Treasury Management Officer</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>Key Decision:</td><td colspan="2">No</td></tr>
<tr><td colspan="3">Reasons for Key Decision:</td></tr>
<tr><td colspan="2">Expenditure of £1,000,000 or more in a single year</td><td></td></tr>
<tr><td colspan="2">Revenue income of £1,000,000 or more in a single year</td><td></td></tr>
<tr><td colspan="2">Savings of £1,000,000 or more in a single year</td><td></td></tr>
<tr><td colspan="2">Capital expenditure of £1,000,000 or more</td><td></td></tr>
<tr><td colspan="2">Capital income of £1,000,000 or more</td><td></td></tr>
<tr><td colspan="2">To be significant in terms of its effects on communities living or working in an area consisting two or more wards in the City</td><td></td></tr>
<tr><td colspan="3"></td></tr>
<tr><td colspan="3">Relevant Council Plan theme(s):</td></tr>
<tr><td colspan="2">World Class Nottingham</td><td>✓</td></tr>
<tr><td colspan="2">Work in Nottingham</td><td>✓</td></tr>
<tr><td colspan="2">Safer Nottingham</td><td>✓</td></tr>
<tr><td colspan="2">Neighbourhood Nottingham</td><td>✓</td></tr>
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<tr><td colspan="2">Healthy Nottingham</td><td>✓</td></tr>
<tr><td colspan="2">Leading Nottingham</td><td>✓</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td colspan="3">Summary of issues (including benefits to customers/service users):</td></tr>
<tr><td colspan="3">This report proposes changes to the Council’s approved Investment Strategy for 2012/13 in light of changes to the national and global economic situation and, in particular, the impact on the Council’s eligible investment counterparties.</td></tr>
<tr><td colspan="3">Recommendation(s):</td></tr>
<tr><td>1</td><td colspan="2">To endorse and recommend for approval by the City Council at its meeting on 15 October 2012 the proposed amendments to the 2012/13 Investment Strategy detailed in the report.</td></tr>
</table>

1 BACKGROUND

1.1 Executive Board considered and endorsed the 2012/13 treasury management strategy on 21 February 2012. A meeting of the City Council on 5 March 2012 formally approved that strategy. That document contained a strategy for the investment of the Council's surplus cash, including details of approved counterparties with whom the Council would deposit monies. Following changes to economic conditions both national and world-wide, it is now considered appropriate to review that investment strategy and propose a number of amendments.

2 REASONS FOR RECOMMENDATIONS (INC. OUTCOMES OF CONSULTATION)

2.1 The Council adopted the Chartered Institute of Public Finance and Accountancy (CIPFA)'s revised Code of Practice on Treasury Management in Local Authorities (the Code) on 18 February 2002. Part of the Code requires any proposed changes to the annual treasury management strategy to be considered by the Council's executive body and formally approved by a meeting of the Council.

3 2012/13 INVESTMENT STRATEGY

3.1 Current strategy

The approved investment strategy for 2012/13 is shown at **Appendix A.** The Council has adopted specific investment criteria, including formal credit ratings of financial institutions and a range of other relevant information. Based on those criteria, a list of approved counterparties for investment is compiled, with maximum sums and period limits applied. **Table 4**, within **Appendix A**, details those eligible counterparties.

In conjunction with our appointed treasury advisors, Council officers monitor and evaluate changes in credit ratings and other adopted criteria and take appropriate action which may include the suspension of counterparties, reductions in the maximum sum or period for deposits or requests for repayments of deposits, where terms allow.

3.2 Changes in 2012/13

The continued turmoil in global financial markets (and in particular the problems for banks and sovereigns within the Euro-zone), has led to the downgrading of a number of financial institutions since the Council's investment strategy was developed and approved. As a consequence of this, and other concerns about the viability of these institutions, changes to the approved investment counterparty list have been introduced in the current financial year, including :

- The suspension of all European banks for future deposits, pending a resolution of Euro-zone problems
- The recall of existing deposits and the suspension of future deposits with Santander(UK) and Royal Bank of Scotland (RBS), following a downgrading by one of the credit rating agencies
- The reduction of the maximum period of investment for term deposits from 364 days to 6 months, 100 days or even 1-day deposits for some institutions.

These changes have been made at a time when the level of surplus cash within the Council has remained high, with a consequent pressure on available eligible counterparties for the investment of such monies.

3.3 Actions to date

In order to respond to these pressures, treasury officers have adopted a number of measures, within the existing strategy, in recent months:

- Placing new deposits with eligible Australian banks (relatively protected from the Euro-zone crisis, with high credit ratings retained as a consequence)
- Using alternative instruments such as Certificates of Deposit, to enable deposits to be placed with other UK banks with higher ratings (e.g. Standard Chartered)
- Using surplus cash to repay maturing debt, rather than for investment purposes

Notwithstanding these actions, it was considered appropriate to review the Council's existing investment strategy and propose a number of amendments, in anticipation of a possible worsening of the global economic situation in the near future.

3.4 Proposed changes

Following an evaluation of available options in conjunction with our advisors, a number of strategy changes have been drawn up. Subject to the necessary approval by a meeting of the City Council, the following changes are proposed:

- *The exclusion of short-term credit ratings for eligible financial institutions* – at present, the investment strategy criteria includes minimum levels for both the long-term and short-term credit ratings of eligible counterparties. Increasingly in capital markets, the long-term rating is becoming the principal driver which influences a bank's funding costs and perceived creditworthiness internationally, and hence market sentiment towards that institution. It is therefore proposed to exclude the requirement for a minimum short-term rating for eligible financial institutions. The existing requirement for a minimum long-term rating from all 3 major rating agencies of A- (FITCH), A- (S&P) and A3 (Moodys) will be retained. This will enable the re-instatement of RBS on the eligible counterparty list. RBS is a state-owned UK bank considered 'systemically important' to the UK financial system and therefore likely to be in receipt of financial support from the Government, if required.
- *An increase in the maximum investment sum for individual UK banks* – at present, the limit for deposits with UK banks is £20m. It is proposed to increase this to £25m. With the current investment portfolio size, this sum represents a maximum of around 12.5% of the portfolio deposited with any one institution.
- *An increase in the maximum investment sum for individual non-UK banks* – at present, the limit for deposits with non-UK banks is £5m. It is proposed to increase this to £10m. The existing restriction on the total sum invested with any one country will also be raised, from 10% to 15% at the time of investment. The over-riding 25% limit for non-UK banks as a proportion of the total portfolio will be retained. This will provide potential further investment in eligible Australian and Canadian banks, which are currently considered more secure than their European counterparties.

The adoption of these changes will ease the pressure on investments for the remainder of the financial year. **Appendix B** provides details of the revised eligible counterparty list, if the changes are approved. The position will remain under review, and further changes considered, as appropriate.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

Options for management of the Council's debt and investment portfolio are continually reviewed, as part of the treasury management operation.

5 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

5.1 Financial Implications

The proposals within this report will enhance the stated investment strategy aims of security and liquidity, whilst seeking to maximise the yield (the return on investments) within those parameters.

5.2 Value for Money

Management of borrowing and investments is undertaken in conjunction with our appointed advisors, with the aim of minimising net revenue costs, maintaining an even debt maturity profile and ensuring the security and liquidity of investments.

6 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

Risk management plays a fundamental role in treasury activities, due to the value of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

7 EQUALITY IMPACT ASSESSMENT (HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT?)

No – this report does not include proposals for new or changing policies, services or functions.

8 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

None

9 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

None

APPENDIX A

Investment Strategy 2012/13

Investment Policy
All external investments will be made in accordance with the Council's adopted investment policy and prevailing legislation and regulation. In line with CLG guidance, the Council's general policy objective is to invest its surplus funds prudently. The investment priorities are:

- Security of the invested capital
- Liquidity of the invested capital
- And, commensurate with security and liquidity, an optimum return on investments.

During 2011/12 the Investment Strategy has been increasingly cautious. This is as a result of ongoing global financial problems, particularly the economic crisis in Europe (with major potential consequences for banks and other financial institutions). Some eligible investment counterparties have been suspended from the approved list and the maximum period for investment has been reduced, to enable repayment of investments at short notice in the event of further financial difficulties. At 31 December 2011, the average life of the investment portfolio was 23 days, with 80% of all investments subject to same-day repayment.

For 2012/13 it is expected that global economic problems will continue and a similar cautious approach to investment is planned. The main changes to the strategy are:

- The inclusion of a number of alternative approved investment options - Treasury Bills, Government Gilts, Local Authority Bills and Certificates of Deposit
- A consolidation of the minimum credit rating requirement for financial institutions, with the adoption of flexible limits on the period and size of investments.

Specific Investment Criteria
The selection of counterparties eligible for investment in 2012/13 has been based on advice received from our advisors and has taken into account all appropriate credit ratings for those institutions (using the lowest available rating supplied by the three main agencies). In addition to the use of counterparty credit rating information, a range of other factors have been taken into account:

- The inclusion of those UK banks and building societies considered 'systemically important' to the UK financial system and therefore likely to be supported by the Government
- Other sovereign support mechanisms
- Country credit ratings
- Credit Default Swap rates (where quoted)
- Share prices (where quoted)
- Economic fundamentals, corporate developments etc
- Press articles and reports
- Market sentiment and momentum
- Any other information pertinent to the security of the investment

All investments are required to be categorised as ‘Specified’ or Non-Specified’, based on criteria in the CLG guidance. To qualify as a Specified Investment, the investment has to be:

- In sterling only
- For a maximum period of 364 days
- With a counterparty of a high credit quality, as determined by the Council
- Not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146.

Any investments not meeting the above requirements are deemed to be Non-Specified investments.

The categories of investment identified for possible use within the above criteria in 2012/13 are:

- Term deposits with the Government’s Debt Management Account Deposit Facility
- Term deposits with other UK local authorities
- Term deposits, call accounts or Certificates of Deposit (tradeable time deposits) with those UK banks and building societies meeting the high credit quality, as determined by the Council and included on the approved counterparty list
- Term deposits or Certificates of Deposit with non-UK banks meeting the high credit quality, as determined by the Council and included on the approved counterparty list
- Money Market Funds - pooled, short maturity, high quality investment vehicles offering instant access, with a AAAm rating and a Constant Net Asset Value
- Supranational Bonds - the debt of international organizations such as the World Bank, the Council of Europe and the European Investment Bank
- Treasury Bills – short-term loan instruments issued by the Government
- Government Gilts – longer-term, tradeable interest-earning bonds
- UK Local Authority Bills – medium-term loan instruments

<u>Approved investment counterparty list</u>
The proposed counterparty list, shown in **Table 4** (page 10), has been drawn up in consultation with the Council’s advisors, after evaluating and applying the above criteria for available institutions. For UK banks, a minimum short and long-term credit rating from all three rating agencies (Fitch, S&P and Moodys) has been applied as follows:

- a short-term rating of F1 (Fitch), A-1 (S&P) or P-1 (Moodys)
- and a long-term rating of A- (Fitch and S&P) or A3 (Moodys)

For non-UK banks, the same individual credit rating criteria apply and there is an additional requirement that the sovereign rating of the relevant country is a minimum of AA+. The interpretation of these various credit ratings is provided as a note to **Table 4.**

Regular monitoring and evaluation of credit ratings and other criteria will be maintained, and appropriate action taken, based on this combined evaluation. Actions may include; reducing the period for new investments below the maximum sum or period (but not above the adopted limits); suspending counterparties from the approved list for further investment; or requesting repayment of deposits where terms allow.

Maximum limits on periods of investment and maximum sums to be deposited have been applied to individual institutions, based on the evaluation of the adopted criteria and strengthened through reference to the size of the investment portfolio, banking group structures and country limits. The details of all limits applied are provided in **Table 4** and the associated notes. In particular:

- Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds TSB Bank), the individual limits will also apply to the group as a whole.
- Country limits – other than for UK institutions, a total investment limit will apply to all counterparties in a particular country. No more than 10% of the total investment portfolio, at the time of the deposit, will be placed with any one country.
- Overall country limit – in addition, no more than 25% of the investment portfolio, at the time of the deposit, will be placed with non-UK banks in total.
- Money Market Funds (individual) – an individual limit of £10m per Fund, with a further over-riding limit of 0.50% of the net asset value of the Fund.
- Money Market Funds (total) - an overall total limit of £80m in all MMFs will also be applied.
- UK local authorities – an individual limit of £20m per individual authority and a maximum period of 2 years.
- Supranational Bonds – a maximum sum of £20m and a maximum period of two years.
- Government Gilts (bonds issued by the UK Government) – a maximum sum of £20m and a maximum period of two years.
- UK Government Debt Management Account Deposit Facility (DMADF)* – no limit to the maximum sum or period.
- UK Government Treasury Bills* – no limit to the maximum sum or period.
- Co-Operative Bank – the Council's own bank, while not meeting the minimum criteria for investments, is included on the counterparty list for periods of up to 5 days, with no maximum sum, to accommodate necessary short-term cash management.

* Deposits with the Government, either directly into the DMADF, or in the form of Treasury Bills, are treated as the ultimate 'safe haven' for cash deposits and therefore no limits are applied to the amount or the period of deposit.

TABLE 4: ELIGIBLE COUNTERPARTIES FOR INVESTMENT 2012/13				
INSTRUMENT	**COUNTRY**	**COUNTERPARTY**	**MAX. SUM**	**MAX. PERIOD**
Term deposit / CD / call a/c	U.K.	Bank of Scotland / Lloyds TSB Bank	£20m	364 days
		Barclays Bank	£20m	364 days
		Co-Operative Bank	-	5 days
		HSBC Bank	£20m	364 days
		Nationwide Building Society	£20m	364 days
		Royal Bank of Scotland / Nat West	£20m	364 days
		Santander UK	£20m	364 days
		Standard Chartered	£20m	364 days
	Australia	Australia & NZ Banking Group	£5m	364 days
		Commonwealth Bank of Australia	£5m	364 days
		National Australia Bank Ltd	£5m	364 days
		Westpac Banking Corporation	£5m	364 days
	Canada	Bank of Montreal	£5m	364 days
		Bank of Nova Scotia	£5m	364 days
		Canadian Imp. Bank of Commerce	£5m	364 days
		Royal Bank of Canada	£5m	364 days
		Toronto-Dominion Bank	£5m	364 days
	Finland	Nordea Bank Finland	£5m	364 days
	France	BNP Paribas	£5m	364 days
		Credit Agricole SA	£5m	364 days
		Soc Gen	£5m	364 days
	Germany	Deutsche Bank AG	£5m	364 days
	Netherlands	Bank Nederlandse Gemeenten	£5m	364 days
		ING Bank	£5m	364 days
		Rabobank	£5m	364 days
	Sweden	Svenska Handelsbanken	£5m	364 days
	Switzerland	Credit Suisse	£5m	364 days
	USA	JP Morgan	£5m	364 days
Term deposit	UK	Government Debt Management Account Deposit Facility	-	-
	UK	Other local authorities	£20m	2 years
	UK	Government Treasury Bills	-	-
Money Market Funds	World-wide	AAA-rated funds (Constant Net Asset Value)	£10m / fund	N/A
Supranational Bonds	World-wide	E.g. European Investment Bank/Council of Europe/World Bank	£20m	2 years
Government Gilts	UK	Bonds issued by the UK Government	£20m	2 years

IMPORTANT NOTES TO TABLE 4:

<u>Credit Rating Definitions</u>

Short Term Ratings

Fitch F1
Highest credit quality, indicating the strongest capacity or timely payment of commitments.

Standard & Poor's A-1
Strong capacity to meet its financial commitments.

Moody's P-1
Offers superior credit quality and a very strong capacity for timely payment of short-term deposit obligations.

Long Term Ratings

Fitch A-
High credit quality. 'A' ratings denote expectations of low credit risk. They indicate strong capacity for payment of financial commitments.

Standard & Poor's A-
An obligor rated 'A' has strong capacity to meet its financial commitments.

Moody's A3
Banks rated 'A' are considered upper-medium grade and are subject to low credit risk.

<u>Limiting Factors</u>

Co-operative Bank – *the Council's own bank does not meet the applied criteria. They are included on the counterparty list, with a maximum period of investment of 5 days, for cash flow purposes.*

Groups *- where more than one institution is included within a banking group, the individual limit will apply to the total investment in that group*

Countries *- a maximum of 10% of the investment portfolio to be invested in any one country (excluding the UK) at the time of investment, with a maximum of 25% of the portfolio, at the time of investment, in non-UK banks in total.*

Money Market Funds *– a limit of £80m in all MMFs is to be applied at all times.*

Supranational Bonds and UK Government Gilts *– a maximum sum of £20m*

APPENDIX B

REVISED TABLE - ELIGIBLE COUNTERPARTIES FOR INVESTMENT 2012/13				
INSTRUMENT	**COUNTRY**	**COUNTERPARTY**	**MAX. SUM**	**MAX. PERIOD**
Term deposit / CD / call a/c	U.K.	Bank of Scotland / Lloyds TSB Bank	£25m	364 days
		Barclays Bank	£25m	364 days
		Co-Operative Bank	-	5 days
		HSBC Bank	£25m	364 days
		Nationwide Building Society	£25m	364 days
		Royal Bank of Scotland / Nat West	£25m	364 days
		Santander UK	£25m	364 days
		Standard Chartered	£25m	364 days
	Australia	Australia & NZ Banking Group	£10m	364 days
		Commonwealth Bank of Australia	£10m	364 days
		National Australia Bank Ltd	£10m	364 days
		Westpac Banking Corporation	£10m	364 days
	Canada	Bank of Montreal	£10m	364 days
		Bank of Nova Scotia	£10m	364 days
		Canadian Imp. Bank of Commerce	£10m	364 days
		Royal Bank of Canada	£10m	364 days
		Toronto-Dominion Bank	£10m	364 days
	Finland	Nordea Bank Finland	£10m	364 days
	France	BNP Paribas	£10m	364 days
		Credit Agricole SA	£10m	364 days
		Soc Gen	£10m	364 days
	Germany	Deutsche Bank AG	£10m	364 days
	Netherlands	Bank Nederlandse Gemeenten	£10m	364 days
		ING Bank	£10m	364 days
		Rabobank	£10m	364 days
	Sweden	Svenska Handelsbanken	£10m	364 days
	Switzerland	Credit Suisse	£10m	364 days
	USA	JP Morgan	£10m	364 days
Term deposit	UK	Government Debt Management Account Deposit Facility	-	-
	UK	Other local authorities	£20m	2 years
	UK	Government Treasury Bills	-	-
Money Market Funds	World-wide	AAA-rated funds (Constant Net Asset Value)	£10m / fund	N/A
Supranational Bonds	World-wide	E.g. European Investment Bank/Council of Europe/World Bank	£20m	2 years
Government Gilts	UK	Bonds issued by the UK Government	£20m	2 years

IMPORTANT NOTES TO TABLE:

Credit Rating Definitions

Fitch A-

High credit quality. 'A' ratings denote expectations of low credit risk. They indicate strong capacity for payment of financial commitments.

Standard & Poor's A-
An obligor rated 'A' has strong capacity to meet its financial commitments.

Moody's A3
Banks rated 'A' are considered upper-medium grade and are subject to low credit risk.

Limiting Factors

***Co-operative Bank –** the Council's own bank does not meet the applied criteria. They are included on the counterparty list, with a maximum period of investment of 5 days, for cash flow purposes.*

***Groups** - where more than one institution is included within a banking group, the individual limit will apply to the total investment in that group*

***Countries** - a maximum of 15% of the investment portfolio to be invested in any one country (excluding the UK) at the time of investment, with a maximum of 25% of the portfolio, at the time of investment, in non-UK banks in total.*

***Money Market Funds** – a limit of £80m in all MMFs is to be applied at all times.*

***Supranational Bonds and UK Government Gilts** – a maximum sum of £20m*