

URGENT BUSINESS AND SUPPLEMENTARY INFORMATION

Executive

6 July 2009

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
8.	(Pages 1 - 6)	<p>Update on the Government's Ecotown Programme</p> <p>Report of Head of Planning and Affordable Housing</p> <p>Summary</p> <p>To update the Executive on the Government's ecotown programme</p> <p>Recommendation</p> <p>That Executive note the report and consider any decision issues that arise (further information may be available by the time of the meeting).</p>	Head of Planning and Affordable Housing	Information not available at time of agenda despatch
9.	(Pages 7 - 26)	<p>Investment Strategy</p> <p>Appendix – Investment Strategy</p>	Head of Finance	Information not available at time of agenda despatch

If you need any further information about the meeting please contact James Doble, Legal and Democratic Services james.doble@cherwell-dc.gov.uk (01295) 221587

Executive

UPDATE ON THE GOVERNMENT'S ECOTOWN PROGRAMME

6 July 2009

Report of the Head of Planning and Affordable Housing Policy

PURPOSE OF REPORT

To update the Executive on the Government's ecotown programme.

This report is public

Recommendations

That Executive note the report and consider any decision issues that arise (further information may be available by the time of the meeting).

Report

1. Planning Policy Statement (PPS) and List of Eco Town Locations

- 1.1 A Government decision is expected in mid July. There has been a clear statement from Department of Communities and Local Government (CLG) that there will only be one eco town location for Cherwell. It is hoped that the Council's hard work in promoting an alternative to Weston Otmoor will be reflected in selection of NW Bicester as an eco town location listed in the PPS. With the decision imminent it is important to be able to move quickly in response. Thus some preparation thinking is in hand. This is explained below.
- 1.2 If the Government decision is to select Weston Otmoor the Council remains prepared to continue local opposition. The only remaining route would be legal challenge to the PPS.
- 1.3 The decision on the PPS may create a national policy designation opening the way to early progress on an outline planning application. It is expected that the PPS will be accompanied by a full statement of the Government's decision rationale. This will be important in respect of possible future pressures to develop in locations that have been rejected. The Council has written to CLG requesting clarification on some of the practical planning procedure issues that will arise from a PPS decision to designate specific eco

towns locations (in particular the Government approach to development plan call in procedures).

- 1.4 There is now some emerging private sector landowner / developer interest in the NW Bicester eco development concept (see below). Should NW Bicester be selected, plans are in hand to hold a CLG supported local “launch” seminar with private development interests and public sector bodies. The aim will be to consider what needs to be done to promote the development opportunity and deploy all available eco - expertise. At an appropriate stage, and depending on progress in discussions with potential development partners, this work could be linked to wider public consultation within the Bicester area and creation of opportunities to incorporate the views of local residents on the form of the development. A particular idea will be to explore the idea of starting off with a small scale demonstrator. This could be in the form of a “show neighbourhood”.

2. South East Plan and Eco Towns

- 2.1 The Government’s final SE Plan (Regional Spatial Strategy) was published in May. The Council had previously objected to the policy and related wording inserted in the draft modifications to deal with Eco Towns. The final Plan includes a continued reference to eco towns and specifically to Weston Otmoor. The wording has changed from an instruction that future review should “test” eco town proposals to “facilitate” (which appears more prescriptive). However, immediately after publication Government Office wrote to affected planning authorities saying that the change was an administrative error! The policy wording and confusion over the error is leading to a consideration of legal challenge in some quarters. From Cherwell’s point of view, given our support for a PPS that includes NW Bicester, such action on the SE Plan would not be appropriate. Our attention should be focused on the final PPS, where there will be ample opportunity for challenge if the content does not support local planning objectives.

3. The NW Bicester Concept Study (Halcrow)

- 3.1 The Study was published and submitted to government as a draft. This was because the work had been undertaken to a short timetable and areas of refinement and further work were still to be addressed. Additional work has now been completed on:
 - Transport modelling and conclusions
 - Public transport corridor (fast link from the new eco development to Bicester North station)
 - Development economics and viability
- 3.2 This work is being incorporated in a Final Report. Publication will be timed to co-incide with the Government announcement of its PPS decision.

4. Government Response to Ten Point Plan for Bicester

- 4.1 CLG has responded positively to the Council’s ten point plan by facilitating a series of high level meetings with Government departments, agencies and partners. The agenda is to improve support for future sustainable growth of Bicester. Meetings held or planned are:

- Housing focus (Homes and Communities Agency – HCA - and RSLs)
- Transport focus (Department of Transport / Highways Agency / rail interests)
- Delivery agency support and mechanisms
- Specialist eco development partners

5. Private Sector Development Interest

5.1 There is now an emerging private sector development consortium with significant funding and a strong consultancy team (with impressive eco-credentials). Initially land assembly (options) are being explored for the area north of the railway. There is a long way to go to consolidate this interest, but the speed with which the initiative has developed is very encouraging. CLG are aware of this interest and further information is being provided by the developers to aid the Government decision process. More public information will become available shortly and this will be cross referenced to the expected Government announcement.

6. Public Sector Delivery – Partnership Arrangements

6.1 To successfully implement an urban extension of this scale and to achieve the eco town standards is a major challenge for the public and private sectors – in terms of partnership, investment and regulation. Two essential delivery mechanisms are needed:

- A dedicated and effective public sector organisational partnership between all the key bodies. The partnership must hold appropriate powers and resources
- A form of legal agreement with the private sector development partner or partners. This will be based on a planning agreement, but could involve elements of land ownership and control

6.2 This issue is currently under consideration with CLG and HCA. Some form of dedicated technical unit will be needed to give capacity for the task. Strong, long running political ownership and leadership will also be necessary. The County Council will need to be directly involved as Highway Authority and as a major service provider. There will also be a role for the Town Council and Bicester Vision. The position of landowners and developers will also be crucial to the final arrangements. There is be a need for further detailed Council consideration of, and reports on, this, as there are important constitutional and budget issues arising. It may be possible to provide some further introductory information in time for the meeting.

7. Background Information

7.1 The Council's website has been developed with a front page eco towns banner giving easy access to all the background reports on the eco town process as it has evolved. Any additional information on the updates above will be posted there as soon as possible. ([www.cherwell.gov.uk/ecotowns.](http://www.cherwell.gov.uk/ecotowns))

8. Key Issues for Consideration/Reasons for Decision and Options

- 8.1 This report is not presented for decision, though, if further information becomes available before the meeting, Executive may wish to make decisions on some matters arising.

9. Consultations

- 9.1 The issues raised in this report have not been subject to consultation, but they give rise to a number of matters the council will need to consult locally on in due course.

Implications

Financial:

The Council's response to the Eco-Towns process is currently being accommodated within existing staff and financial resources.

Specifically in relation to the North West Bicester proposal, the Council agreed at the Executive on 1st December 2008 to commission consultancy work to inform its submission to the draft PPS consultation. This is the "Halcrow report" which is referred to in this report. CLG has reimbursed for the costs of commissioning this work.

Future resource/cost implications arising from decisions on this report are potentially very significant for the Council and would need to be the subject of further reports as the eco towns process develops. Significant Government support will be required to create the planning and implementation capacity required to achieve a successful outcome on eco towns. Note also the comments below on risk.

Comments checked by Eric Meadows, Service Accountant 01295 221552.

Legal:

There are no significant legal issues associated with the Council's ongoing involvement in the Eco-Towns appraisal process. However, there would be significant legal costs associated with the pursuit of a legal challenge to the Government's emerging policy if a decision is taken to challenge this process.

Some potentially complex constitutional issues arise from any new partnership delivery arrangement.

Comments checked by Pam Wilkinson, Principal Solicitor 01295 221688.

Risk Management:

The eco-town programme poses a significant risk to the council's commitment to prepare its Local Development Framework and in particular the Core Strategy. The reasons for this are that:-

1. Currently significant officer resources are being diverted from LDF preparation to the eco-town programme. This has been to ensure that the Council is adequately represented in all key discussions and technical groups relating to eco-towns. The commissioning and subsequent management of the Halcrow report have also involved significant officer time.
2. The possibility of an eco-town in the district has made it impossible to know with certainty what will be the final level of house building in the district over the period to 2026. The Government has at no time properly clarified how eco-towns will sit alongside other housing requirements made through the "normal" planning process (in our case through the South East Plan). Until this is resolved, it would be difficult for the Council to consult meaningfully with the public on likely locations for growth across the district and build upon the work undertaken last Autumn in the "Options for Growth" public consultation.

The Council is responding to these risks as follows:-

1. It is ensuring that it engages fully with Government at all times, and continues to ask for clarity over the relationship between the LDF and eco-town programme.
2. It has reached agreement in principle with Government that CLG will make a financial contribution to offset the officer time and other resources which the Council has had to divert to the eco-town programme since the proposal at Weston Otmoor was first proposed. This would provide additional funding to support the LDF to help offset the necessary reductions in 2009/10 budgets for consultancy support on this type of work.

It should be noted that if an eco town development is to proceed in Cherwell there will be many future implementation and resource risks for the Council. Issues arising would need to be considered in depth as part of future decisions on implementation arrangements.

Comments checked by Rosemary Watts, Risk Management & Insurance Officer 01295 221566.

Efficiency Savings

None arising from this report.

Comments checked by Eric Meadows, Service Accountant 01295 221552.

Wards Affected

Ambrosden and Chesterton, Caversfield, Bicester West and Bicester North directly, but impact on whole District and sub region.

Corporate Plan Themes

Cherwell: A District of Opportunity, A Cleaner, Greener Cherwell and A Safe and Healthy Cherwell.

Executive Portfolio

**Councillor Michael Gibbard
Portfolio Holder for Planning and Housing**

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Cherwell District Council Investment Strategy 2009/10

Introduction

The highest standard of stewardship of public funds remains of the upmost importance to the Council.

This document sets out the Council's priorities and policies for making, and managing, investments made by the Council in the course of undertaking treasury management activities during the 2009/10 financial year and fulfils the Council's requirement under the Local Government Act 2003, and guidance subsequently issued by the Office of the Deputy Prime Minister (now CLG) in March 2004, to prepare an annual investment strategy.

Relevant guidance

In preparing this document, in addition to the requirements noted above, the Council has also had regard to:

- The guidance issued by CIPFA entitled 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes';
- The findings contained in the report issued by the Audit Commission in March 2009 entitled 'Risk and return, English local authorities and the Icelandic banks';
- The findings contained in the June 2009 report on local authority investments by the Parliamentary Select Committee for Communities and Local Government; and
- The Council's own Medium Term Financial Strategy (MTFS).

Scope of this document

The scope of this document does not extend to other investment activities undertaken by the Council, including investments made in local properties/community projects. Such investments are governed by the Council's Asset Management Strategy.

Transitional arrangements

Where investment policies are being introduced by this document for the first time, or amendments have been made to policies already in place, a transitional approach will be adopted in complying with these policies such that any new investment entered into after the effective date of this document must adhere fully to the policies set out below. Otherwise, it is not intended that pre-existing investments should be liquidated/terminated in advance of the anticipated maturity dates, or otherwise restructured, purely as a result of annual revisions to this document.

Ownership, roles and responsibilities

Ownership of the Council's investment strategy, and accountability for all investments made by the Council, resides fully with the members of the Council.

Responsibility for ensuring compliance with the regulatory framework rests with the Council's Chief Financial Officer ("Statutory 151 Officer"). The investment strategy,

and any changes to it, must receive approval of the Statutory 151 Officer. In relation to the element of the Council's investments managed by the in-house Finance team, the Head of Finance is responsible for compliance with the parameters set out in this strategy.

To assist in executing the approved investment strategy, the Council relies on the professional input from the in-house Finance team and from external Treasury Advisors and Investment Managers. The Council's policies governing the basis of selection of these external organisations, their contractual arrangements, and the monitoring of the quality of service they provide are set out in the Council's procurement rules.

In-house Finance team

The Finance team will be responsible for:

- Managing the Council's overall cashflow requirements,
- Coordinating and monitoring the structure and performance of the aggregate portfolio of investments, including adherence to the strategy, and liaising with the external Treasury Advisors and investment managers, and
- Directly managing a small proportion of the Council's investments

Treasury Advisor

This role is currently fulfilled by Butlers who are contracted to provide accurate information and informed, up-to-date, guidance to the Council, specifically including:

- Interest rate forecasting and economic information;
- Counterparty credit ratings information;
- Guidance on Local Government Finance (Capital) legislation, the CIPFA Code of Practice and the Prudential Code; and
- Information on investment performance

Notwithstanding the above, it is fully recognised that the Council is required to apply judgement in determining the use of information and guidance received from the Treasury Advisor. The Council remains accountable for all investment decisions made.

External investment managers

It is envisaged that the responsibility for managing the Council's portfolio of investments will be split between the Council's in-house Finance team and the external investment managers. Direct management of the majority of the investment portfolio will be performed by the external professional investment managers. Currently, the external managers engaged by the Council are Investec and TUK.

The use of a combination of internal and external resources recognises that, whilst the Council's own Finance personnel are competent in and best placed to understand the cash-flow and working capital requirements of the Council, they do not have the expertise to manage the full range of investment instruments in which the Council is permitted to invest. Additionally, this blend of internal and external resources provides an element of diversification and "resilience" because the Council is not completely dependent on one organisation, or one or two key individuals, for the performance of investment management activities.

The external investment managers will be contractually obliged to adhere to the overall parameters of the Council's investment strategy, which are set out below. As such, the approved investment strategy document will be communicated annually to the external managers by the Council's Chief Financial Officer. Any changes to the strategy in-between the formal annual review dates will also be communicated to the investment managers by the Chief Financial Officer.

Monitoring of Investment Strategy

Monitoring and evaluation of the application and performance of the investment strategy will take place at 3 levels:

1. The Accounts Audit and Risk Committee (AARC) will receive a quarterly report from the Chief Financial Officer on compliance of the Council's investments with the objectives and parameters set out in this document. This report will be at an aggregate portfolio level and so will summarise the position relating to both in-house and externally-managed investments.

In recognition of the dynamic nature of the financial markets and the impact of change in the economic environment, the Chief Financial Officer, in consultation with the Portfolio Holder for Resources and Organisational Development, may take emergency actions outside of the framework of the investment strategy where necessary to enhance the security of amounts invested. Any action taken under this provision will be reported by the Chief Financial Officer to the next quarterly AARC meeting.

2. Performance against financial targets, including actual investment income versus budget, will be reported to the Executive on a quarterly basis and to full Council on an annual basis as an integral element of the Council's financial statements.
3. The performance of the Treasury Advisors against the specification agreed in the contractual documentation with those parties will be reported annually to the Resource and Performance Scrutiny Board, as part of the Council's contract management framework. In addition, the Board will receive reports that allow comparison of the respective investment performance of the in-house team and each of the external investment managers, as well as the performance of each group against relevant benchmarks.

Investment objectives and priorities

The Council's priorities in executing its investment strategy are security, yield (interest receivable) and liquidity. These priorities are further articulated below.

- **Security** - in considering the suitability of investments, the Council's overriding objective is to ensure the security of amounts invested and to minimise the risk of loss of investment principal, though it is accepted that the total elimination of risk is not achievable or desirable. This reflects the expressed views of the Members on their appetite for investment risk.
- **Yield** – Whilst security of principal is the primary priority, the Members have expressed the view that the Council's investments should, to some extent, be "put to work" to generate a return to support the Council's ability to undertake capital expenditure on projects that benefit the community.

Subject to adhering to the restrictions and parameters set out in this document governing the security of investments, and the requirement described below for a small element of the portfolio to be retained as “on-call cash”, investments can be made by the Council with the objective of generating an income stream in support of the Council’s MTFS. A target investment yield will be specified as part of the Council’s annual budget.

The current MTFS, approved on 6 April 2009 by the Executive, directed a change in the use of investment income. In previous years, a key objective of the Council’s investment strategy has been to provide an income stream from investment returns to support annual revenue expenditure. The current MTFS provides that this reliance on investment returns to fund expenditure will reduce over the next three years, such that by 2012/13 there will be no reliance on investment returns to support the revenue account. From 2010/11, an increasing proportion of the investment income will be available to fund growth and one-off projects, such that from 2012/13 100% of investment income will be available for such projects.

- **Liquidity** – investment decisions will be made in the context of known future cash flows to ensure sufficient funds are available as and when they are required. Cash flows are monitored on a daily basis by Finance with detailed forecasts prepared by time periods. In order to provide the necessary flexibility, and as a contingency for unexpected events, an element of the Council’s funds (£1m) will be maintained on-call, with no notice requirement.

Permitted Investments

The Council’s investment portfolio will be comprised of ‘Specified’ investments and ‘Non-specified’ investments.

Specified Investments

A Specified Investment is defined as an investment that:

- that is denominated in Sterling, and any payments or repayments in respect of the investment are payable only in Sterling;
- is not a *long term investment*;
- is not *capital expenditure*; and
- is made with a body, *which is described as having a strong or superior ability to meet its short term financial commitments by a range of credit rating agencies*, or is made with the UK Government.

For the purpose of applying the above criteria, the following definitions will be applied:

- *Long Term Investment* - any investment other than one that is due to be repaid within 12 months from the date of transaction, or one that may be required by the Council to be paid within 12 months from the date of transaction. The date of transaction refers to the date the investment principal is actually invested. For clarity, any commitments given to a counterparty to make investments on a forward basis are “Non-Specified” investments.
- *Capital Expenditure* - capital expenditure will have the definition as set out in regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended]

- *A body that has been described as having a strong or superior ability to meet its short term financial commitments* – these are investment counterparties that meet the selection requirements set out below
- *Credit Rating Agency* - a body that assesses the financial strength of companies and governments, both domestic and foreign, particularly their ability to meet the interest and principal payments on their bonds and other debt. Rating information will be obtained from 3 agencies: Fitch, Moody's and Standard and Poor's.

In addition to the above definitions, Specified Investments will be restricted to the following list of permitted instruments:

- Cash deposits
- Certificates of deposit
- UK Government investments – Debt Management Office (DMO) deposits and bonds (gilts) for which maturity date at time of purchase is less than 365 days away

Non-specified Investments

Non-specified Investments are defined as any investments that do not meet the criteria set out above for Specified Investments. The Council's investment objectives and priorities, as set out above, have been used to determine the selection of the types of investments that are permitted.

Non-specified Investments will be restricted to the following list of permitted instruments:

- Cash deposits
- Callable deposits
- Certificates of deposits
- Money market funds
- UK Government investments, sovereign and supranational bonds
- Investments with UK building societies that do not meet the criteria for Specified Investments
- Loans to other public sector bodies – local authorities, parish/community councils, Registered social landlords ("RSLs") and Primary Care Trusts ("PCTs")

For clarity, the Council's in-house Finance team will not be permitted to make any investments other than those designated as "Specified Investments", with the exception of:

- Building society investments – for which further specific credit risk criteria are set out below.
- Loans to other public sector bodies. The initiation of such loans will require Council approval on a case-by-case basis, in accordance with separately-documented procedures.

Investment Parameters and Restrictions

In managing the Council's investment portfolio (both Specified and Non-specified investments), certain overarching restrictions and parameters will apply. These are set out in the remainder of this section. Adherence to the restrictions and parameters will be monitored on an ongoing basis by Finance, and before new investments are undertaken, with assistance and information from the Treasury Advisors.

Portfolio Diversification

It is expected that, at any point in time:

- A minimum of 50% of the total value of the Council's investment portfolio will be comprised of Specified Investments, as defined above
- In aggregate, across all categories of investments and taking in-house and externally-managed investments together, a maximum of £8m will be invested with any individual UK-domiciled investment counterparty (or group of related counterparties). A maximum of £5m will apply in respect of investment with counterparties (or groups of related counterparties) domiciled outside the UK.

Duration – maturity profile

Available on-call, no notice	Minimum £1m
Maturing in more than 6 months but less than 1 year	Minimum 30%
Maturing in more than 1 year but less than 3 years	Maximum 30%
Maturing in more than 3 years but less than 5 years	Maximum 15%
Maturing in more than 5 years	Maximum 5%

Geography:

It is expected that, at any point in time:

- in aggregate, a maximum of 30% of the portfolio will be exposed to non-UK countries
- a maximum of 15% of the portfolio will be exposed to any single country, other than the UK

Investment Type

It is expected that, at any point in time, the amount invested in the following types of investment instrument will not exceed the following limits:

	Maximum
Callable Deposit	£5m
Certificates of deposit	£30m
Money market funds	£10m
Government/supranational bonds	£20m
Loans to public sector bodies	£5m
“Forward” commitments	£5m

Credit risk – criteria for selection of investment counterparties

A list of approved investment counterparties will be maintained by Finance. Approval of investment counterparties will be subject to the potential counterparties satisfying the minimum credit rating criteria set out below.

The credit ratings of individual counterparties will be monitored daily by Finance using information received from Butlers. Any counterparty that no longer meets the minimum criteria for approval will be removed from the list immediately and no further investments will be made with that counterparty until such time that the criteria are again met.

Where investments are currently held with a counterparty that has been “downgraded”, consideration will be given to whether it is prudent to immediately liquidate that investment – this may include breaking a term deposit before maturity. Such considerations and decisions will be documented.

It is fully recognised by the Council that credit ratings and comments from Butlers are only one source of information that can be used to build an understanding of risks in the financial markets and with counterparties. Credit rating information should be viewed within the context of wider financial and economic information and advice. This information will be supplemented by information gathered through active research by Finance staff of counterparties and the markets, for example through reading of newspapers, internet research, and networking with staff from other Public Sector bodies. It is expected that the approved counterparty list will be managed proactively - and not merely in response to rating changes.

In order for an investment opportunity to be eligible to be a Specified Investment, the investment counterparty must have been awarded a minimum of the following credit ratings.

	Fitch	Moody’s	Standard & Poor’s
Short term rating (Note - only short term ratings are used since the duration of all investments in this category will be less than 12 months).	F1	P-1	A-1

Non-specified Investments may only be placed with counterparties that have been awarded a minimum credit rating, as set out below. A lowest common denominator approach will be applied to consideration of the three credit ratings referred to below i.e. the lowest agency rating will be applied to determine whether the counterparty meets the criteria to be on the Council's lending list.

Criteria	Fitch	Moody's	Standard & Poor's
Short Term Rating	F1+	P-1	A-1+
Long Term Rating	AA-	Aa3	AA-
Individual Rating/FSR	B	B	n/a
Support Rating	3	n/a	n/a

In addition, investments may only be placed with non-UK domiciled counterparties where the sovereign rating of the counterparty's country of incorporation is at least "AA".

Investments with building societies not meeting the criteria for "Specified Investments" are only permitted if the society has a minimum asset size of £1,000m; the duration of the investment is no more than 12 months and the maximum amount invested is £1m. These investments will fall into the category of non specified instruments for the purposes of monitoring the Council's exposure.

Supporting Information

Appendix 1 details the Counterparties that currently meet the above requirements.

Appendix 2 contains a glossary of terms that may help the reader to understand financial terms used in this report.

**Current Counterparty Report for
Cherwell DC (LCD) 09-10 (Council 02/03/09)**

Report run on: 29/06/2009 11:54:12

BUTLERS

List of Approved Counterparties for Lending

	Fitch Ratings				Moody's Ratings			S&P Ratings		Limits	
	S. Term	L. Term	Indiv.	Support	S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	Money
UK BANKS											
United Kingdom											
BANCO SANTANDER CENTRAL HISPANO GROUP											
Abbey National Plc	F1+	AA-	B	1	P-1	Aa3 (N)	C-	A-1+	AA	1 YEARS	8
Alliance & Leicester	F1+	AA-	B/C	1	P-1	Aa3 (N)	E+	A-1+	AA	1 YEARS	8
CITIGROUP											
Citibank International Bank	F1+	A+	NR	1	P-1	A2	C-	A-1	A+	1 YEARS	8
HSBC GROUP											
HSBC Bank plc	F1+	AA	A/B	1	P-1	Aa2	C+	A-1+	AA	1 YEARS	8
LLOYDS BANKING GROUP											
Bank of Scotland Plc	F1+	AA-	E	1	P-1	Aa3	C-	A-1	A+	1 YEARS	8
Lloyds TSB Bank	F1+	AA-	E	1	P-1	Aa3	C (D)	A-1	A+	1 YEARS	8
NATIONAL AUSTRALIA BANK GROUP											
Clydesdale Bank	F1+	AA-	B/C (N)	1	P-1	A1	C-	A-1+	AA-	1 YEARS	8
ROYAL BANK OF SCOTLAND GROUP											
National Westminster Bank	F1+	AA-		1	P-1	Aa3	C-	A-1	A+		Council's Bank
Royal Bank of Scotland	F1+	AA-	E	1	P-1	Aa3	C-	A-1	A+	1 YEARS	8
Ulster Bank Ltd	F1+	A+	C/D	1	P-1 (N)	A2 (N)	D (N)	A-1	A+	1 YEARS	8
Allied Irish Bank (GB)	F1+	A-	D (N)	1				A-1	A (N)	1 YEARS	8
Barclays Bank	F1+	AA-	B (N)	1	P-1	Aa3	C	A-1+	AA-	1 YEARS	8
Bradford & Bingley	F1+	A-	F	1	P-1 (U)	A2 (U.P)		A-1		1 YEARS	8
Close Brothers	F1	A	B	5	P-1	A2	C+			1 YEARS	8
Co-operative Bank plc	F1 (N)	A (N)	B/C (N)	3	P-1 (N)	A2 (N)	C- (N)			1 YEARS	8
Credit Suisse First Boston International	F1+	AA-		1	P-1	Aa1		A-1	A+	1 YEARS	8
N M Rothschild & Sons	F1	A	B/C	5						1 YEARS	8

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**Current Counterparty Report for
Cherwell DC (LCD) 09-10 (Council 02/03/09)**

Report run on: 29/06/2009 11:54:12

BUTLERS

List of Approved Counterparties for Lending

		Fitch Ratings				Moody's Ratings			S&P Ratings		Limits	
		S. Term	L. Term	Indiv.	Support	S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	Money
UK BANKS												
United Kingdom												
	Northern Rock PLC	F1+	A-	F	1 (N)	P-1	A2	E	A-1 (N)	A (N)	1 YEARS	8
	Schroders Plc	F1	A+	B	5				A-1	A	1 YEARS	8
UK BUILDING SOCIETIES												
United Kingdom												
1	Nationwide Building Society	F1+	AA-	B	1	P-1	Aa3	C-	A-1	A+	1 YEARS	8
3	Berkshire Building Society	F2	A-	B/C	3	P-2	Baa1	D+	A-1	A	1 YEARS	1
4	Coventry Building Society	F1	A	B	3	P-2	A3	C-			1 YEARS	1
5	Chelsea Building Society	F2	BBB+	C	3	P-3	Baa3	E+			1 YEARS	1
6	Kipton Building Society	F2 (D)	A- (D)	B/C	3	P-2	Baa1	D+ (N)			1 YEARS	1
7	Leeds Building Society	F1	A	B/C (D)	3	P-1	A2	C+			1 YEARS	8
10	Norwich & Peterborough Building Society	F2	A-	B/C	3	P-2	Baa2	D			1 YEARS	1
12	Stroud & Swindon Building Society										1 YEARS	1
13	Nottingham Building Society										1 YEARS	1
14	Kent Reliance Building Society										1 YEARS	1
15	Progressive Building Society										1 YEARS	1
16	Cumberland Building Society										1 YEARS	1
17	National Counties Building Society										1 YEARS	1

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**Current Counterparty Report for
Cherwell DC (LCD) 09-10 (Council 02/03/09)**

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BUTLERS

List of Approved Counterparties for Lending

	Fitch Ratings				Moody's Ratings			S&P Ratings		Limits	
	S. Term	L. Term	Indiv.	Support	S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	Money
OVERSEAS BANKS											
Australia											
NATIONAL AUSTRALIA BANK GROUP											
National Australia Bank	F1+	AA	B	1	P-1	Aa1	B	A-1+	AA	3 YEARS	5
Australia & New Zealand Banking Group	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA	3 YEARS	5
Commonwealth Bank of Australia	F1+	AA	A/B	1	P-1	Aa1	B	A-1+	AA	3 YEARS	5
Westpac Banking Corporation	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA	3 YEARS	5
Belgium											
RBC BANK GROUP											
RBC Bank	F1	A	C/D	1	P-1	Aa3	C+	A-1	A	1 YEARS	5
Dexia Bank	F1+	A+	C/D (N)	1	P-1	A1	D+	A-1	A	1 YEARS	5
Fortis Bank	F1+	AA-	D	1	P-1	A1	C-	A-1+	AA-	1 YEARS	5
Canada											
CANADIAN IMPERIAL BANK OF COMMERCE GROUP											
Canadian Imperial Bank of Commerce	F1+	AA-	B	1	P-1	Aa2	B-	A-1	A+	1 YEARS	5
Bank of Montreal	F1+	AA-	B	1	P-1	Aa1	B	A-1	A+	1 YEARS	5
Bank of Nova Scotia	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	3 YEARS	5
National Bank of Canada	F1	A+	B	2	P-1	Aa2	B-	A-1	A	1 YEARS	5
Royal Bank of Canada	F1+	AA	A/B	1	P-1	Aaa	B+	A-1+	AA-	3 YEARS	5
Toronto-Dominion Bank	F1+	AA-	B	1	P-1	Aaa	B+	A-1+	AA-	3 YEARS	5
Denmark											
Danske Bank											
Danske Bank	F1+	A+	B/C	1	P-1	Aa3	C	A-1	A+	1 YEARS	5

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OVERSEAS BANKS											
Finland	F1+	AAA				Aaa		A-1+	AAA		
NORDEA GROUP											
Nordea Bank Finland	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	3 YEARS	5
France	F1+	AAA				Aaa		A-1+	AAA		
CREDIT AGRICOLE GROUP											
Calyon	F1+	AA-	C	1	P-1	Aa3	D	A-1+	AA-	1 YEARS	5
Credit Agricole	F1+	AA-	B	1	P-1	Aa1	B-	A-1+	AA-	1 YEARS	5
BNP Paribas	F1+	AA	B	1	P-1	Aa1	B	A-1+	AA	3 YEARS	5
Credit Industriel et Commercial	F1+	AA-	B/C	1	P-1	Aa3	C-	A-1	A+	1 YEARS	5
Credit Lyonnais	F1+	AA-	B/C	1	P-1	Aa1	C+	A-1+	AA-	1 YEARS	5
Cexia Credit Local	F1+	A+	C/D (N)	1	P-1	A1	D+	A-1	A	1 YEARS	5
Societe Generale (SG)	F1+	A+	B/C	1	P-1	Aa2	C+	A-1	A+	1 YEARS	5
Germany	F1+	AAA				Aaa		A-1+	AAA		
BANKGESELLSCHAFT GROUP											
Landesbank Berlin	F1+	AA-	D	1	P-1	A1	D+			1 YEARS	5
COMMERZBANK GROUP											
Commerzbank	F1+	A+	D/E	1	P-1	Aa3	C-	A-1	A	1 YEARS	5
Dresdner Bank, AG					P-1	Aa3				3 YEARS	5
BHF-Bank	F1 (N)	A (N)	B/C (N)	1 (N)						1 YEARS	5
Bayerische Hypo- und Vereinsbank AG	F1+	A+	C (N)	1	P-1	A1	C-	A-1	A	1 YEARS	5
Deutsche Bank AG	F1+	AA- (N)	B/C	1	P-1	Aa1	B	A-1	A+	1 YEARS	5
Landesbank Hessen-Thuringen Girozentrale	F1+	A+		1	P-1	Aa2	C-	A-1	A	1 YEARS	5

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	S. Term	L. Term	Indiv.	Support	S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	Money
OVERSEAS BANKS											
Germany											
BANKGESELLSCHAFT GROUP											
Landesbank Berlin	F1+	AA-	D	1	P-1	A1	D+			1 YEARS	5
COMMERZBANK GROUP											
Commerzbank	F1+	A+	D/E	1	P-1	Aa3	C-	A-1	A	1 YEARS	5
Dresdner Bank, AG					P-1	Aa3				3 YEARS	5
BHF-Bank	F1 (N)	A (N)	B/C (N)	1 (N)						1 YEARS	5
Pfizerische Hypo- und Vereinsbank AG	F1+	A+	C (N)	1	P-1	A1	C-	A-1	A	1 YEARS	5
Deutsche Bank AG	F1+	AA- (N)	B/C	1	P-1	Aa1	B	A-1	A+	1 YEARS	5
Landesbank Hessen-Thuringen Girozentrale	F1+	A+		1	P-1	Aa2	C-	A-1	A	1 YEARS	5
Ireland											
LLOYDS BANKING GROUP											
Bank of Scotland (Ireland)					P-1 (N)	A2 (N)	D (N)			1 YEARS	5
ROYAL BANK OF SCOTLAND GROUP											
Ulster Bank Ireland Limited	F1+	A+	C/D	1	P-1 (N)	A2 (N)	D (N)	A-1	A+	1 YEARS	5
Allied Irish Banks, p.l.c.	F1+	A-	D (N)	1	P-1	Aa3 (N)	D	A-1	A (N)	1 YEARS	5
Bank of Ireland	F1+	A-	C/D (N)	1	P-1	Aa3 (N)	D	A-1	A (N)	1 YEARS	5
Merrill Lynch International Bank Ltd	F1+	A+	D	1						1 YEARS	5
Italy											
Banca Monte dei Paschi di Siena											
Banca Monte dei Paschi di Siena	F1	A	B/C	2	P-1	Aa3 (N)	C (N)	A-1	A	1 YEARS	5
Intesa Sanpaolo	F1+	AA-	B	1	P-1	Aa2	B-	A-1+	AA-	1 YEARS	5
Unicredito Italiano	F1	A	C	1	P-1	Aa3	C+ (N)	A-1	A	1 YEARS	5
Japan											
MIZUHO CORPORATE BANK LTD											
MIZUHO CORPORATE BANK LTD	F1+	AA	C (N)	1	P-1	Aa3 (N)	D+ (N)	A-1	A+	1 YEARS	5

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	S. Term	L. Term	Indiv.	Support	S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	Money
OVERSEAS BANKS											
Netherlands											
ING BANK GROUP											
Internationale Nederlanden Bank/ING Bank	F1+	AAA									
	F1+	AA-	B	1	P-1	Aa3	C+	A-1+	AA-	1 YEARS	5
ABN AMRO Bank	F1+	AA-		1	P-1	Aa2 (N)	B- (N)	A-1	A+	1 YEARS	5
Rabobank	F1+	AA+	A	1	P-1	Aaa	B+	A-1+	AAA	3 YEARS	5
Portugal											
BANCO COMERCIAL PORTUGUES GROUP											
Banco Comercial Portugues	F1	AA									
	F1	A+	B	2	P-1	Aa3	C+	A-1	A	1 YEARS	5
Banco Espirito Santo	F1	A+	B/C	2	P-1	Aa3	C+	A-1	A	1 YEARS	5
Saudi Arabia											
RIYAD BANK											
	F1+	AA-									
	F1	A+	B/C	1	P-1	A1	C	A-1+	AA-	1 YEARS	5
Singapore											
Development Bank of Singapore											
	F1+	AAA									
	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	3 YEARS	5
OVERSEA CHINESE BANKING CORP											
	F1+	AA-	B	2	P-1	Aa1	B			3 YEARS	5
UNITED OVERSEAS BANK											
	F1+	AA-	B	1	P-1	Aa1	B	A-1	A	1 YEARS	5
Spain											
BANCO SANTANDER CENTRAL HISPANO GROUP											
Banco Santander Central Hispano	F1+	AAA									
	F1+	AA	A/B	1	P-1	Aa1 (N)	B (N)	A-1+	AA	3 YEARS	5
Banco Bilbao Vizcaya Argentaria	F1+	AA-	A/B	1	P-1	Aa1 (N)	B (N)	A-1+	AA	3 YEARS	5

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	S. Term	L. Term	Indiv.	Support	S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	Money
OVERSEAS BANKS											
Sweden											
ForeningsSparBanken (Swedbank)	F1+	AAA									
	F1	A	B/C	1	P-1	A1 (N)	C- (N)	A-1	A	1 YEARS	5
Skandinaviska Enskilda Banken	F1	A+	B/C	1	P-1	A1	C-	A-1	A	1 YEARS	5
Svenska Handelsbanken	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	3 YEARS	5
Switzerland											
CREDIT SUISSE GROUP											
Credit Suisse First Boston	F1+	AA- (N)			P-1	Aa3		A-1	A+	1 YEARS	5
UBS AG	F1+	A+	D	1	P-1	Aa2 (N)	B- (N)	A-1	A+	1 YEARS	5
United Arab Emirates											
Emirates Bank International PJSC											
	F1+	AA-	C	1	P-1	A1	C-	A-1 (N)	A (N)	1 YEARS	5
NATIONAL BK OF ABU DHABI	F1+	AA-	B/C	1	P-1	Aa3	C	A-1	A+	1 YEARS	5
United States											
BANK AMERICA CORPORATION											
Bank of America, N.A.	F1+	A+	D	1	P-1	Aa3	D (P)	A-1	A+	1 YEARS	5
BANK OF NEW YORK CO, INC GROUP											
Bank of New York	F1+	AA-	A/B	2	P-1	Aaa	B+	A-1+	AA	3 YEARS	5
CITIGROUP											
Citibank, N.A.	F1+	A+	E	1	P-1	A1	C-	A-1	A+	1 YEARS	5
JP Morgan Chase Bank	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	3 YEARS	5
State Street Bank & Trust Company	F1+	A+	C	1	P-1	Aa2	B	A-1+	AA-	1 YEARS	5
Wachovia Bank, N. A.	F1+	AA (N)	A/B (N)	1	P-1	Aa2	C-	A-1+	AA (D)	1 YEARS	5

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	S. Term	L. Term	Indiv.	Support	S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	Money
OTHERS											
United Kingdom	F1+	AAA			Aaa			A-1+	AAA		
DMO											
Local Authorities										5 YEARS	5 (M)
Money Market Funds											10 (M)

Key

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Upgraded (U)	Positive Rating Watch (P)	Upgraded Positive Rating Watch (U.P)	Upgraded Negative Rating Watch (U.N)
Downgraded (D)	Negative Rating Watch (N)	Downgraded Positive Rating Watch (D.P)	Downgraded Negative Rating Watch (D.N)

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GLOSSARY

Asset Class Limits	Limit on the amount of the total portfolio that can be invested an asset class for example credit rated Banks, Money Market Funds unrated Building Societies
Asset Life	The length of the useful life of an asset e.g. a school
Borrowing / Investment Portfolio	A list of loans or investments held by the Council.
Borrowing Requirement	The amount that the Council needs to borrow to finance capital expenditure and manage debt.
Callable deposit	Funds placed with a financial institution without a fixed maturity date (i.e. the money can be 'called' or withdrawn at any time).
Capitalisation direction	Government approval to use capital resources to fund revenue expenditure.
Cash deposits	Funds placed with a financial institution with a fixed maturity date and interest rate.
Certificates of deposits	(CD). CDs evidence fixed maturity time deposits with issuing banks or other deposit-taking institutions. Maturities range from less than a week to five years. They are normally negotiable and enjoy a liquid secondary market. They state the (1) amount deposited, (2) rate of interest, and (3) minimum period for which the deposit should be maintained without incurring early withdrawal penalties.
CIPFA Code of Practice on Treasury Management	A code of practice issued by CIPFA detailing best practice for managing the treasury management function.
Counterparty	Banks, Building Societies and other financial institutions that the Council transacts with for borrowing and lending.
Credit Arrangements	Methods of financing such as the use of finance leases
Credit Ratings	A scoring system used by credit rating agencies such as Fitch, Moody's and Standard and Poors to indicate the creditworthiness and other factors of a Governments, banks, building societies and other financial institutions.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office	An agency of the HM Treasury and its responsibilities include debt and cash management for the UK Government
Debt Rescheduling	Refinancing loans on different terms and

	rates to the original loan.
Financial instrument	Document (such as a bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Fitch Ratings	A credit rating agency.
Forward commitment	Written agreement by a lender to advance a loan on a future date at a specified interest rate. It automatically expires if not exercised by the potential borrower.
Gilts	Also known as Gilt-edged Securities. UK central Government debt. It may be dated (redeemable) or undated. Undated gilts are perpetual debt, paying a fixed periodic coupon but having no final redemption date. Gilt yields are conventionally quoted in the UK markets on a semi-annual basis.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
Lender Option Borrower Option (LOBO)	Loans that have a fixed rate for a specified number of years then can be varied by the lender at agreed intervals for the remaining life of the loan.
Limits for external debt	A Prudential Indicator prescribed by the Prudential Code sets limits on the total amount of debt the Council could afford.
Liquidity	Access to cash that is readily available.
Lowest Common Denominator	Whereby rating agencies provide credit ratings of institutions and the lowest rating is applied to determine whether they meet the criteria to be on the Council's lending list.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Maturity Structure of Borrowings	A profile of the Council's loan portfolio in order of the date in which they expire and require repayment.
Minimum Revenue Provision	The minimum amount, which must be charged to an authority's revenue account each year for the prudent repayment of debt.
Money Market Funds	Open ended collective investment fund that invests in highly-liquid short-term financial instruments (with maturities typically 90 days to less than one year).
Moody's	A credit rating agency.

Non Specified Investments	Investments deemed to have a greater potential of risk, such as investments for longer than one year or with institutions that do not have credit ratings, like some Building Societies. Limits must be set on the amounts that may be held in such investments at any one time during
Portfolio	A number of different assets, liabilities, or assets and liabilities together, considered as a whole. For example, a diversified investment portfolio. An investor in such a portfolio might hold a number of different investment assets within the portfolio, with the objectives of growing the total value of the portfolio and limiting the risk of losses.
Prudential Borrowing	Borrowing undertaken by the Council that does not attract government support to help meet financing costs.
Prudential Code for Capital Finance in Local Authorities	The capital finance system is based on the Prudential Code developed by CIPFA. The key feature of the system is that local authorities should determine the level of their capital investment and how much they borrow to finance that investment based on their own assessment of what they can afford.
Prudential Indicators	The key objectives of the Prudential Code are to ensure that the capital investment plans are affordable, sustainable and prudent. As part of this framework, the Prudential Code sets out several indicators that must be used to demonstrate this.
Public Works Loan Board (PWLB)	A central government agency which provides loans to local authorities and other prescribed institutions at interest rates slightly higher than those at which the Government itself can borrow.
Credit Rated	Institutions that possess a credit rating from a credit rating agency such as Fitch, Moody's or Standard and Poors.
Risk Control	Putting in place processes to control exposures to events.
Security	Placing cash in highly rated institutions.
Sovereign debt rating	Assessment of the international rating agencies of the likelihood that a particular country will default on its loans.
Specified Investments	Investments that offer high security and liquidity. They must have a maturity of no longer than 364 days.
Standard and Poors	A credit rating agency.
Supranational Institutions	Multi national structures - an amalgamation of different countries offering investment

	opportunities - for example Euro Investment Bank
UK Government Investments	Debt Management Office (DMO) deposits and bonds (gilts) for which maturity date at time of purchase is less than 365 days away
Yield	The rate of return on the current market value of an asset or liability, usually expressed as a percentage per annum. For example, today's yield to maturity of a bond measures the total return to an investor in the bond, reflecting both the interest income over the life of the bond and any capital gain (or loss) from today's market value to the redemption amount payable at maturity.