

URGENT BUSINESS AND SUPPLEMENTARY INFORMATION

Executive

7 March 2011

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
11.	(Pages 1 - 72)	2011/12 Treasury Management Strategy and Treasury Management Practices – Appendices 1 and 2	Head of Finance	Information not available at time of agenda dispatch

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APPENDIX 1

CHERWELL DISTRICT COUNCIL

Treasury Management Strategy

Annual Investment Statement

2011/12

1. Introduction

1.1 Background

Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

1.2 Statutory requirements

The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

1.3 CIPFA requirements

The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 1st March 2002.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated bodies are the Executive Committee and Accounts, Audit and Risk Committee

1.4 Treasury Management Strategy for 2011/12

The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Sector Treasury Services.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the investment strategy
- creditworthiness policy
- policy on use of external service providers

1.5 Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. Any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2. The Borrowing Requirement

The Council is debt free and has no plans to enter into any long term debt arrangements. As such this section is irrelevant for the 2011/12 Treasury Management Strategy. This would be reviewed in subsequent years if there was a decision to go back into debt.

3. Prudential and Treasury Indicators for 2011/12 – 2013/14

Prudential and Treasury Indicators (Appendix 1 to this report) are relevant for the purposes of setting an integrated treasury management strategy. These indicators were approved by the Council as part of the 2011/12 Budget process on 21st February 2011.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The Code was adopted on 1st March 2002 by the full Council

4. Prospects for Interest Rates

The Council has appointed Sector Treasury Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix 2 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

Sector Bank Rate forecast for financial year ends (March)

- 2010/ 2011 0.50%
- 2011/ 2012 1.00%
- 2012/ 2013 2.25%
- 2013/ 2014 3.25%

There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected. A detailed view of the current economic background is contained within Appendix 3 to this report.

5. Annual Investment Strategy

5.1 Investment Policy

The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -

- (a) the security of capital
- (b) the liquidity of its investments.
- (c) the yield on the investments

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed in Appendix 4 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Appendix 6.

5.2 Creditworthiness policy

This Council uses the creditworthiness service provided by Sector Treasury Services. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide

potential counterparties. The Council will therefore use counterparties within the following durational bands

- Yellow 5 years for UK Government backed securities and Local Authorities
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does though, use ratings from all three agencies, but by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

All credit ratings will be monitored weekly. The latest counterparty list can be seen in Appendix 1G. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings, Sector will advise the Council of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

5.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in appendix 5. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

In the current economic climate, officers have not placed deposits with overseas banks or Money Market Funds and have only dealt with UK institutions, although the authority to use overseas banks and Money Market Funds would be granted by approving the annual investment strategy. This approach is under constant review, and could change should officers feel that in doing so it would not comprise the security or liquidity of the Council's investment portfolio.

5.4 Investment Strategy

In-house funds: The Council has in-house managed funds which are mainly cash-flow derived and there is a core balance available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

External fund managers

Currently £42.5m (63%) of the Council's funds are externally managed on a discretionary basis by Investec and Tradition UK. The Council has used external fund managers since 1997. These fund managers and amounts held are currently under review as we look to rebalance funds as expenditure in our capital programme continues. Treasury was subject to a value for money review in December 2010 so we are also looking to reduce the costs in this area.

The Council's external fund managers will comply with the Annual Investment Strategy. The agreement between the Council and Investec additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The minimum credit criteria to be used by Investec is as follows: -

	Fitch	Moody's	Standard and Poors
Long Term	A	A2	A
Short Term	F1	P-1	A-1
Individual/Financial Strength	B or C	C	N/A
Support	3 or 2	N/A	N/A

(The combination of Fitch ratings above is either B3 or C2)

All investments held with Investec can be liquidated immediately if required and do not have to be held to maturity. Obviously there may be a cost implication which would impact on the total returns.

The Council currently has investments which span the financial year

	Category	Amount	Maturity	Rate
Nationwide BS	External	£3,000,000	06/06/2011	1.15%
Bank of Scotland	External	£5,000,000	26/07/2011	2.05%
Ulster Bank	In-house	£3,000,000	11/08/2011	1.48%
Clydesdale Bank	In-house	£5,000,000	25/08/2011	1.70%
Lloyds Bank	External	£1,500,000	02/09/2011	1.90%
Barclays Bank	External	£5,000,000	28/10/2011	6.35%
Lloyds Bank	In-house	£4,000,000	02/03/2012	1.74%
Barclays	External	£3,000,000	01/05/2012	2.50%
Bank of Scotland	External	£2,500,000	16/11/2012	2.45%

Local Authority Mortgage Guarantee Scheme

An opportunity has arisen for the Council to participate in the Local Authority Mortgage Guarantee Scheme (LAMGS) and may be used to assist the Housing Service meet its strategy. The Council would be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee i.e. 5 years (with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) - and may have conditions/structures attached. The mortgage provider will not hold a legal charge over the deposit. Each application would be considered on a case by case basis and would need to be authorised by Portfolio Holder for Planning and Housing, Portfolio Holder for Resources, Head of Housing and Chief Financial Officer.

Interest rate outlook: Bank Rate has been unchanged at 0.50% since March 2009. Bank Rate is forecast to commence rising in quarter 3 of 2011 and then to rise gently from thereon. Bank Rate forecasts for financial year ends (March) are as follows: -

- 2010/ 2011 0.50%
- 2011/ 2012 1.00%
- 2012/ 2013 2.25%
- 2013/ 2014 3.25%

There is downside risk to these forecasts if economic growth is weaker and slower than expected. There is also a risk that the MPC could decide to start raising Bank Rate in quarter 2 of 2011 if it feels it needs to defend its credibility in containing inflation and the inflation expectations of the public.

The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this council.

The suggested budget for investment returns on investments placed for periods less than three months during each financial year is as follows: -

2011/12	1.10%
2012/13	2.10%
2013/14	3.30%
2014/15	4.10%
2015/16	4.50%

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 15 day accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Notwithstanding any of the above, should the Council be presented with an investment opportunity throughout the year which, while breaches the terms of this strategy, is considered by the Portfolio Holder of Resources and Chief Financial Officer to be too much of an attractive offer for the Council not to take advantage of, we will enter in to that deal. This would only be done with the express prior confirmation from the Portfolio Holder of Resources and Chief Financial Officer and would not in anyway compromised the Councils beliefs of Security, Liquidity, and Yield. This decision would be presented to the Finance Scrutiny Committee at the earliest opportunity.

5.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5.6 Policy on the use of external service providers

The Council uses Sector Treasury Services as its external treasury management advisers.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

5.7 Scheme of delegation

5.7.1 Full council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

5.7.2 Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- approving the selection of external service providers and agreeing terms of appointment.

5.7.3 Accounts Audit & Risk Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations

5.8 Role of the Chief Financial Officer (Section 151 officer)

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

Appendices

- 1A Prudential and Treasury indicators
 - 1B Interest rate forecasts
 - 1C Economic background
 - 1D Specified and non specified investments
 - 1E Approved countries for investments
 - 1F Glossary
 - 1G Counterparty List (latest)
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- 2 Treasury Management Practices (TMP`s)

APPENDIX 1A Prudential and Treasury Indicators

The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This total expenditure can be paid for immediately by resources such as capital receipts, capital grants etc. However, where these resources are insufficient any residual expenditure will form a borrowing need.

The summary capital expenditure projections are shown below and this forms the first prudential indicator:

	2009/10 Actual £000s	2010/11 Estimated £000s	2011/12 Estimated £000s	2012/13 Estimated £000s	2013/14 Estimated £000s
Capital Expenditure 11/12 approved	17,676	5,582	13,923	5,704	599
Financed by:					
Capital receipts	(16,897)	(4,907)	(11,926)	(5,306)	(599)
Capital grants	(455)	(375)	(375)	-	-
Revenue funded reserves	(60)	(300)	(1,622)	(398)	-
Direct Revenue Financing	(264)	-	-	-	-
Net financing need for the year	-	-	-	-	-

The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

The Council is debt free and has no plans to enter into any long term debt arrangements. As such this section is largely irrelevant but is included for completeness if there was a decision to go back into debt. Therefore, the Council has a nil Minimum Revenue Provision for 2011/12.

The Council is asked to approve a NIL CFR projection as in the following table:

Capital Financing Requirement	2009/10 Actual £000s	2010/11 Estimated £000s	2011/12 Estimated £000s	2012/13 Estimated £000s	2013/14 Estimated £000s
Capital Financing Requirement:					
Total CFR	-	-	-	-	-
Movement in CFR	-	-	-	-	-
Movement in CFR represented by:					
Net financing need for the year (above)	-	-	-	-	-
MRP/VRP and other financing movements	-	-	-	-	-
Movement in CFR	-	-	-	-	-

The Use of the Council's resources and the Investment Position

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2009/10 Actual £000s	2010/11 Estimated £000s	2011/12 Estimated £000s	2012/13 Estimated £000s	2013/14 Estimated £000s
Fund balances	(1,777)	(1,200)	(1,200)	(1,200)	(1,200)
Capital receipts	(46,290)	(37,728)	(23,805)	(18,101)	(17,502)
Earmarked reserves	(7,070)	(6,820)	(6,820)	(6,820)	(6,820)
Total Core Funds	(55,137)	(45,748)	(31,825)	(26,121)	(25,522)
Working Capital*	(9,382)	(9,382)	(9,382)	(9,382)	(9,382)
Expected Investments	(64,519)	(55,130)	(41,207)	(35,503)	(34,904)

* Working capital balances are estimated year end; mid year may be higher

Limits to Borrowing Activity

Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2010/11 and the following two financial years.

Borrowing	2009/10 Actual £000's	2010/11 Estimated £000's	2011/12 Estimated £000's	2012/13 Estimated £000's	2013/14 Estimated £000's
Gross Borrowing	-	-	-	-	-
Investments	(64,519)	(55,130)	(41,207)	(35,503)	(34,904)

Net Borrowing	(64,519)	(55,130)	(41,207)	(35,503)	(34,904)
CFR	-	-	-	-	-

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

A further two prudential indicators control or anticipate the overall level of borrowing. These are:

- The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council.
- The Operational Boundary for External Debt – This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

The Council operates under the following Authorised Limit and Operational Boundary:

Authorised limit	2009/10 Actual £000s	2010/11 Estimated £000s	2011/12 Estimated £000s	2012/13 Estimated £000s	2013/14 Estimated £000s
Borrowing	10,000	10,000	10,000	10,000	10,000
Other long term liabilities	500	500	500	500	500
Total	10,500	10,500	10,500	10,500	10,500
Operational Boundary	2009/10 Actual £000s	2010/11 Estimated £000s	2011/12 Estimated £000s	2012/13 Estimated £000s	2013/14 Estimated £000s
Borrowing	-	-	-	-	-
Other long term liabilities	-	-	-	-	-
Total	-	-	-	-	-

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. The Council is asked to approve the following indicators:

Actual and Estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of interest against the net revenue stream. Since becoming debt free the indicator is negative because the Council has no borrowing but carries substantial investments.

	2009/10 Actual %	2010/11 Estimated %	2011/12 Estimated %	2012/13 Estimated %	2013/14 Estimated %
Non-HRA	-	-	-	-	-

Estimates of the incremental impact of capital investment decisions on the Council Tax – This indicator identifies the revenue costs associated with **new schemes** introduced to the three year capital programme recommended in the budget report compared to the Council's existing approved commitments and current plans.

Incremental impact of capital investment decisions on the Band D Council Tax

	2011/12	2012/13	2013/14
Council Tax - Band D	£0.36	(£0.25)	(£0.50)

Treasury Management Prudential Indicators and Limits on Activity

The Council then has three further treasury prudential indicators:

	2011/12	2012/13	2013/14
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%
Maturity Structure of fixed interest rate borrowing 2011/12			
	Lower	Upper	
Under 12 months	0%	100%	
12 months to 2 years	0%	0%	
2 years to 5 years	0%	0%	
5 years to 10 years	0%	0%	
10 years and above	0%	0%	
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£m 0	£m 0	£m 0

APPENDIX 1B Interest Rate Forecasts

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. Individual Forecasts

Sector

Interest rate forecast – 21.2.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Bank rate	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%	3.00%	3.25%	3.25%
3 month LIBID	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	3.00%	3.25%	3.50%	3.50%
6 month LIBID	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.60%	2.80%	3.20%	3.50%	3.80%	4.00%
12 month LIBID	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.10%	3.20%	3.40%	3.70%	4.00%	4.20%
5yr PWLB rate	3.70%	3.70%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.50%	4.60%	4.70%	4.80%
10yr PWLB rate	4.90%	4.90%	4.90%	4.90%	4.90%	5.00%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%
25yr PWLB rate	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%
50yr PWLB rate	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%

Capital Economics

Interest rate forecast – 12/1/11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%
5yr PWLB rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%
10yr PWLB rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%
25yr PWLB rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%
50yr PWLB rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%

UBS

Interest rate forecast (for quarter ends) – 6/1/11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Bank rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
10yr PWLB rate	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
25yr PWLB rate	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
50yr PWLB rate	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

2. Survey of Economic Forecasts

HM Treasury February 2011

The current Q4 2011 and Q4 2012 forecasts are based on the February 2011 report. Forecasts for 2011 – 2015 are based on 32 forecasts in the quarterly forecast for February 2011.

BANK RATE FORECASTS	quarter ended			annual average Bank Rate				
	actual	Q4 2011	Q4 2012	ave. 2011	ave. 2012	ave. 2013	ave. 2014	ave. 2015
Median	0.50%	1.00%	2.00%	0.80%	1.50%	2.40%	3.20%	3.70%
Highest	0.50%	2.00%	3.50%	2.10%	2.80%	3.10%	4.30%	5.00%
Lowest	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	1.20%	2.00%

APPENDIX 1C Economic Background

3.1 Global economy

The Eurozone sovereign debt crisis peaked in May 2010 prompted, in the first place, by major concerns over the size of the Greek government's total debt and annual deficit. However, any default or write down of Greek debt would have substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the EU and IMF putting together a €750bn support package in mid May. A second crisis, this time over Ireland in November, culminated in Ireland also having to take a bail out. There was another crisis in early January 2011 when Portugal narrowly avoided having to resort to taking a similar bail out package. However, this looks as if Portugal has only delayed what appears to be inevitable so there are widespread expectations that there will be another sovereign debt crisis in 2011.

The unexpectedly high rate of growth in quarters 2 and 3 of 2010 in the UK and the Euro zone in Q2 were driven by strong growth in the construction sector catching up from inclement weather earlier in the year and by other short term factors not expected to be enduring; general expectations

are for anaemic (but not negative) growth in 2011 in the UK and EU, though growth in the US looks as if it could be about twice as strong on the back of fiscal cuts increasing consumer disposable income and confidence.

3.2 UK economy

Following the general election in May 2010, the coalition government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The inevitable result of fiscal contraction will be major job losses during this period, in particular in public sector services. This will have a knock on effect on consumer and business confidence and appears to have also hit the housing market as house prices have started on a negative trend from 2010. Mortgage approvals are also at very weak levels and declining, all of which indicates that the housing market is likely to remain weak in 2011.

Economic Growth – GDP growth has peaked in the current period of recovery at 1.2% in quarter 2 of 2010. Growth in quarter 3 @ +0.7% was also unexpectedly high but the first estimate for Q4 was a huge shock at -0.5% and reflected the effect of snow in December. Overall, the outlook is for anaemic growth in 2011/12 and the Bank of England has downgraded its estimate for growth in 2011 from 2.6% to 2.0% in the February 2011 Inflation Report.

Unemployment – the trend for 2011 is likely to be one of steadily increasing unemployment.

Inflation and Bank Rate – CPI has remained high during 2010. It peaked at 3.7% in April and then gradually declined to 3.1% in September (RPI 4.6%) before returning to a rising path and hitting 4.0% in January 2011. The outlook is for further upward pressure with CPI to reach as much as 5% in early 2011 before starting to subside again. Although inflation has remained stubbornly above the MPC's 2% target, the MPC is confident that inflation will fall back over the next two years and should then be near to the target level.

The Bank of England finished its programme of quantitative easing (QE) with total purchases of £200bn by November 2009. However, major expectation that there could be a second round of quantitative easing in late 2010 or early 2011, to help support economic growth, evaporated after the surprises of the Q3 GDP figure of +0.7% and the November Inflation Report revising the forecast for short term inflation sharply upwards.

Sector's central view is that Bank Rate will start to increase in Q3 2011 (August) but there are risks both ways on this timing

AAA rating – prior to the general election, credit rating agencies had been issuing repeated warnings that unless there was a major fiscal contraction, the UK's AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's budget on 22 June 2010, Sterling strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating. In

addition, international investors viewed UK government gilts as being a safe haven from EU government debt during mid 2010. The consequent increase in demand for gilts helped to add downward pressure on gilt yields and PWLB rates during the first half of 2010/11.

3.3 Sector's forward view

It is currently difficult to have confidence as to exactly how strong UK economic growth is likely to be during 2011/12, and there are a range of views in the market. Sector has adopted a moderate view. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the strength / weakness of economic growth in our major trading partners - the US and EU
- the danger of currency war and resort to protectionism and tariff barriers if China does not adequately address the issue of its huge trade surplus due to its undervalued currency
- the degree to which government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential, in the US, for more quantitative easing, and the timing of this, and its subsequent reversal in both the US and UK
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy
- political risks in the Arab world, Middle East and Korea and the knock on potential effects on oil production in the first two areas

The overall balance of risks is weighted to the downside. However, concerns around some residual risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, have now been replaced with concerns around the inflationary effects of increases in world commodity prices stoking the fires of inflation.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. However, most of this increase has already occurred in the second half of 2010/11 as a result of a major change in market sentiment.

APPENDIX 1D Specified and Non-Specified Investments

SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	n/a	In-house
Term deposits – local authorities	n/a--	In-house
Term deposits – banks and building societies **	Green	In-house/Tradition
Term deposits – banks and building societies **	* Short-term F1 __, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec

Since the credit crunch crisis there have been a number of developments which require separate consideration and approval for use: -

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.2.10. The banks which have used this explicit guarantee are as follows: -

- . Bank of Scotland
- . Barclays
- . Clydesdale
- . Coventry Building Society
- . Investec bank
- . Nationwide Building Society
- . Rothschild Continuation Finance plc
- . Standard Life Bank
- . Tesco Personal Finance plc
- . Royal Bank of Scotland
- . West Bromwich Building Society
- . Yorkshire Building Society

LIMITS:

	* Minimum Credit Criteria	Use	*** Max £	Max. maturity period
Term Deposits – Local Authorities	--	In-house	£10m	364 days
UK nationalised banks	green	In-house /Tradition	£15m	364 days
UK nationalised banks	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	green	In-house/Tradition	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£5m	364 days
Money Market Funds	AAA	In-house	£10m	

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

N.B. buy and hold may also include sale at a financial year end and repurchase the following day in order to accommodate the requirements of SORP.

Accounting treatment of investments

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: A maximum of 30% will be held in aggregate in non-specified investment

1. Maturities of ANY period

	* Minimum Credit Criteria	Use	Max Amount £m	Max. maturity period
Term deposits – local authorities	--	In-house	£5m	5 years
Term deposits – banks and building societies	Purple	In-house	£5m	2 years
Collateralised deposit	N/A	In-house	£10m	5 years
Commercial paper issuance covered by a specific UK Government (explicit) guarantee and issued by banks covered by the UK bank support package	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	1 years
Corporate Bonds issuance covered by UK Government (implicit) guarantee and issued by banks covered by the UK bank support package : the use of these investments would constitute capital expenditure	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	1 years
Corporate Bonds other : the use of these investments would constitute capital expenditure	Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	1 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	1 years
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	* Short-term F1__, Long-term __A_, Individual __B_ or C_, Support __3 OR 2_	Investec	£1m	1 years
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	Short-term F1__, Long-term __A_, Individual __B_ or C_, Support __3 OR 2_	Investec	£1m	1 years

Certificates of deposit issued by banks and building societies NOT covered by UK Government guarantee support package (implicit guarantee)	Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	£1m	1 years
UK Government Gilts	UK rating sovereign	Investec	£1m	1 years
Local authority mortgage guarantee scheme	N/A	In-house	£5m	5 years

Local Authority Collateralised Deposit - Term deposits with UK institutions where such deposits are secured on loans made to other UK local authorities. These deposits will not form part of the limits determined by the individual institution's credit rating criteria. Investment is permitted subject to a maximum exposure of £10m, for a maximum term of 3 year(s).

Collateralised deposit can be structured or not – structured.

APPENDIX 1E Approved countries for investments

AAA

- Canada
- Denmark
- Finland
- France
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.
- U.S.A.

AA+

- Australia
- Belgium
- Spain *

AA

- Hong Kong
- Japan
- Kuwait
- Qatar (AA S&P rating)
- UAE

AA-

- Italy
- Portugal *
- Saudi Arabia

* Sector has suggested that clients exercise care and caution when considering placing deposits with Portuguese and Spanish banks as their economies are currently under severe pressure.

Ireland no longer appears on this list as it has been downgraded to A+.

For the purpose of the 2011/12 Strategy Cherwell District Council has decided not to place deposits with Spanish & Portuguese banks including Santander UK.

APPENDIX 1F - 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.
Collateralised Deposit	Term deposits with UK institutions where such deposits are secured against a collateral pool comprised of loans made to UK local authorities.
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

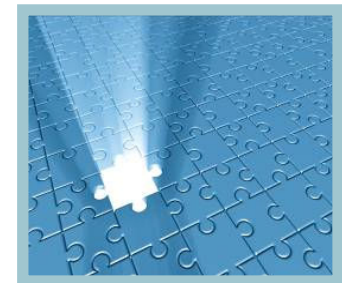
	future date at a specified interest rate. It automatically expires if not exercised by the potential borrower.
Gilts	Also known as Gilt-edged Securities. UK central Government debt. It may be dated (redeemable) or undated. Undated gilts are perpetual debt, paying a fixed periodic coupon but having no 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.

SECTOR

Sector Treasury Services - Credit List

Friday 18th February 2011



Institution Benchmark

iTraxx Senior Financials Index 161.84 (161.28)






Upper Boundary (iTraxx + 50bps) 211.84









Sovereign Benchmark





iTraxx SOVX Western Europe Index 173.66 (173.98)

Upper Boundary (SOVX + 20bps) 193.66

Counterparty	Credit Ratings													Subjective Overlay													
	Fitch Rating						Moody's Ratings					S&P Ratings		CDS Data													
	Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indeb Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)
Australia	SB	AA+						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	52.1	-3.1%	-4.8%	10.6%	9.9%	In Range	Not Applicable
(I) Australia and New Zealand Banking Group Ltd	PO	AA-		F1+	B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	O - 12mths	102.5	-4.4%	-8.1%	-3.8%	-2.5%	In Range	O - 12mths
(I) Commonwealth Bank of Australia	SB	AA		F1+	A/B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	P - 24 mths	102.1	-4.6%	-8.4%	-4.0%	-2.2%	In Range	P - 24 mths
(I) Macquarie Bank Limited	SB	A+		F1	B		3	NO	A1		P-1	NO	C+	SB	A		A-1		G - 3 mths	G - 3 mths	174.1	-5.9%	-9.5%	-9.9%	-10.1%	Monitoring	N/C - 0 mths
(I) National Australia Bank Ltd	SB	AA		F1+	B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	O - 12mths	102.5	-4.4%	-8.1%	-4.0%	-3.6%	In Range	O - 12mths
(I) Westpac Banking Corporation	SB	AA		F1+	A/B		1	RD	Aa1		P-1	RD	B	SB	AA		A-1+		P - 24 mths	P - 24 mths	102.5	-4.4%	-8.1%	-3.6%	-2.3%	In Range	P - 24 mths
Belgium	SB	AA+						SB	Aa1					NO	AA+				Not Applicable	Not Applicable	167.8	0.1%	-18.0%	24.8%	47.7%	In Range	Not Applicable
(I) Fortis Bank	SB	A+		F1+	C/D		1	SB	A1		P-1	NO	C-	NO	AA		A-1+		R - 6 mths	G - 3 mths	100.0	-4.6%	-18.4%	-10.8%	0.9%	In Range	G - 3 mths
(I) KBC Bank NV	SB	A		F1	D		1	NO	Aa3		P-1	NO	C+	SB	A		A-1		G - 3 mths	G - 3 mths	226.9	-2.1%	-9.9%	59.8%	86.0%	Out Of Range	N/C - 0 mths
Canada	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable							Not Applicable
(I) Bank of Montreal	SB	AA-		F1+	B		1	RD	Aa2		P-1	RD	B-	SB	A+		A-1		O - 12mths	R - 6 mths							No Data Available
Bank of Nova Scotia	SB	AA-		F1+	B		1	SB	Aa1		P-1	SB	B	SB	AA-		A-1+		O - 12mths	O - 12mths							No Data Available
(I) Canadian Imperial Bank of Commerce	SB	AA-		F1+	B		1	NO	Aa2		P-1	NO	B-	SB	A+		A-1		O - 12mths	O - 12mths							No Data Available
National Bank of Canada	SB	A+		F1	B		2	SB	Aa2		P-1	SB	B-	SB	A		A-1		R - 6 mths	R - 6 mths							No Data Available
(I) Royal Bank of Canada	SB	AA		F1+	A/B		1	SB	Aa1		P-1	SB	B	PO	AA-		A-1+		P - 24 mths	P - 24 mths							No Data Available
(I) Toronto Dominion Bank	SB	AA-		F1+	B		1	NO	Aaa		P-1	NO	B+	PO	AA-		A-1+		P - 24 mths	P - 24 mths							No Data Available
Denmark	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	46.6	-2.1%	-3.4%	47.8%	22.9%	In Range	Not Applicable
(I) Danske Bank As	SB	A+		F1	B/C		1	RD	A1		P-1	NO	C	NO	A		A-1		G - 3 mths	G - 3 mths	122.2	0.1%	-2.0%	20.2%	95.5%	In Range	G - 3 mths
Finland	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	37.3	-2.6%	-2.0%	38.3%	33.4%	In Range	Not Applicable
1 Nordea Bank Finland plc	SB	AA-		F1+	B		1	SB	Aa2		P-1	SB	B-	SB	AA-		A-1+		O - 12mths	O - 12mths							No Data Available
France	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	90.0	-0.3%	-13.6%	11.1%	26.8%	In Range	Not Applicable
(I) BNP Paribas	SB	AA-		F1+	B		1	SB	Aa2		P-1	SB	B-	NO	AA		A-1+		O - 12mths	O - 12mths	94.4	-8.0%	-18.6%	-0.2%	3.3%	In Range	O - 12mths
(I) 2 CALYON Corporate and Investment Bank	SB	AA-		F1+	C		1	SB	Aa3		P-1	SB	D	NO	AA-		A-1+		R - 6 mths	G - 3 mths	126.2	-5.8%	-19.2%	-6.3%	1.0%	In Range	G - 3 mths

	Counterparty	Credit Ratings														Subjective Overlay									
		Fitch Rating							Moody's Ratings					S&P Ratings		CDS Data									
		Fitch Term Status	L Term	S Term	Fitch Indiv Status	Indiv	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status
3	Credit Industriel et Commercial	SB	AA-	F1+	B/C	1	SB	Aa3	P-1	SB	C-	SB	A+	A-1	R - 6 mths	R - 6 mths									No Data Available
(I)	Credit Agricole SA	SB	AA-	F1+		1	SB	Aa1	P-1	SB	C+	NO	AA-	A-1+	O - 12mths	O - 12mths	125.6	-9.8%	-24.7%	-7.0%	-0.3%	In Range	O - 12mths		
(I)	Societe Generale	SB	A+	F1+	B/C	1	NO	Aa2	P-1	NO	C+	SB	A+	A-1	R - 6 mths	R - 6 mths	124.8	-8.9%	-20.8%	-5.7%	5.1%	In Range	R - 6 mths		
Germany			SB	AAA			SB	Aaa				SB	AAA		Not Applicable	Not Applicable	53.0	-0.3%	-12.6%	41.9%	20.6%	In Range	Not Applicable		
(I)	Commerzbank AG	SB	A+	F1+	D	1	RD	Aa3	P-1	NO	C-	NO	A	A-1	G - 3 mths	N/C - 0 mths	189.2	2.9%	-0.4%	91.6%	101.5%	Monitoring	N/C - 0 mths		
(I)	Deutsche Bank AG	NO	AA-	F1+	B/C	1	SB	Aa3	P-1	SB	C+	SB	A+	A-1	R - 6 mths	R - 6 mths	100.1	-0.1%	4.2%	6.5%	-4.1%	In Range	R - 6 mths		
	DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	SB	A+	F1+	B/C	1	SB	Aa3	P-1	SB	C-	SB	A+	A-1	R - 6 mths	R - 6 mths								No Data Available	
(I) ♦	Landesbank Baden Wuerttemberg	SB	A+	F1+	C/D	1	NO	Aa2	P-1	NO	C-				R - 6 mths	G - 3 mths	193.3	-0.4%	-13.7%	35.1%	77.8%	Monitoring	N/C - 0 mths		
	Landesbank Berlin AG	SB	AA-	F1+	C/D	1	SB	A1	P-1	SB	D+				G - 3 mths	G - 3 mths								No Data Available	
	Landesbank Hessen-Thueringen Girozentrale (Helaba)	SB	A+	F1+		1	SB	Aa2	P-1		C-	SB	A	A-1	G - 3 mths	G - 3 mths								No Data Available	
	Landwirtschaftliche Rentenbank	SB	AAA	F1+		1	SB	Aaa	P-1			SB	AAA	A-1+	O - 12mths	O - 12mths								No Data Available	
(I)	Norddeutsche Landesbank Girozentrale	SB	A	F1	C/D	1	NO	Aa2	P-1	NO	C-	NO	A-	A-2	G - 3 mths	N/C - 0 mths	159.7	-4.5%	-13.9%	29.3%	33.5%	In Range	N/C - 0 mths		
21	UniCredit Bank AG	SB	A+	F1+	C	1	SB	A1	P-1		C-	SB	A	A-1	G - 3 mths	G - 3 mths	98.6	1.5%	-20.0%	13.5%	11.5%	In Range	G - 3 mths		
Hong Kong			SB	AA+			PO	Aa1				SB	AAA		Not Applicable	Not Applicable	45.8	1.8%	0.5%	3.7%	-7.8%	In Range	Not Applicable		
	Hong Kong and Shanghai Banking Corporation Ltd	SB	AA	F1+	A/B	1	SB	Aa1	P-1		B+	SB	AA	A-1+	P - 24 mths	P - 24 mths								No Data Available	
Italy			SB	AA-			SB	Aa2				SB	A+		Not Applicable	Not Applicable	175.0	-1.0%	-14.6%	-3.0%	-4.0%	Monitoring	Not Applicable		
	Banca IMI SpA	SB	AA-	F1+		1	SB	Aa3	P-1	SB	C-	SB	A+	A-1	G - 3 mths	G - 3 mths								No Data Available	
(I) ♦4	Intesa Sanpaolo	SB	AA-	F1+	B	1	SB	Aa2	P-1	NO	B-	SB	A+	A-1	O - 12mths	O - 12mths	170.8	-3.7%	-12.5%	38.2%	45.4%	Monitoring	R - 6 mths		
(I) ♦5	UniCredit SpA	SB	A	F1	B/C	1	SB	Aa3	P-1	NO	C	SB	A	A-1	G - 3 mths	G - 3 mths	195.7	-2.1%	-11.7%	45.0%	42.8%	Monitoring	N/C - 0 mths		
Japan			SB	AA			SB	Aa2				SB	AA-		Not Applicable	Not Applicable	79.5	-0.5%	-8.3%	38.4%	16.5%	In Range	Not Applicable		
	Bank of Tokyo Mitsubishi UFJ	SB	A	F1	B/C	1	SB	Aa2	P-1	SB	C	SB	A+	A-1	R - 6 mths	R - 6 mths	77.1	0.9%	-6.6%	42.4%	12.4%	In Range	R - 6 mths		
	Chiba Bank, Ltd.	SB	A	F1	B/C	2	SB	A1	P-1	SB	C	SB	A	A-1	G - 3 mths	G - 3 mths								No Data Available	
	Mitsubishi UFJ Trust and Banking Corporation	SB	A	F1	B/C	1	SB	Aa2	P-1	SB	C	SB	A+	A-1	R - 6 mths	R - 6 mths								No Data Available	
	Mizuho Corporate Bank Ltd	SB	A	F1	C/D	1	SB	Aa3	P-1	SB	D+	SB	A+	A-1	G - 3 mths	G - 3 mths	95.8	3.2%	-3.4%	44.7%	15.3%	In Range	G - 3 mths		
	Norinchukin Bank				C/D	1	SB	Aa3	P-1	SB	C-	SB	A+	A-1	G - 3 mths	G - 3 mths								No Data Available	
	Sumitomo Trust & Banking Co Ltd	SB	A	F1	B/C	1	SB	Aa3	P-1	SB	C	SB	A+	A-1	G - 3 mths	G - 3 mths								No Data Available	
Kuwait			SB	AA			SB	Aa2				SB	AA-		Not Applicable	Not Applicable								Not Applicable	

	Counterparty	Credit Ratings																Subjective Overlay										
		Fitch Rating					Moody's Ratings					S&P Ratings						CDS Data										
		Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indeb Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)
	National Bank of Kuwait	SB	AA-		F1+		B		1	SB	Aa2		P-1	SB	C+	SB	A+		A-1	O - 12mths	O - 12mths							No Data Available
	Luxembourg	 SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable							Not Applicable
	Banque et Caisse d'Epargne de l'Etat									SB	Aaa		P-1	SB	C+	SB	AA+		A-1+	O - 12mths	O - 12mths							No Data Available
	Clearstream Banking	SB	AA		F1+				1							SB	AA		A-1+	O - 12mths	O - 12mths							No Data Available
	Netherlands	 SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable	52.9	-4.9%	-10.9%	12.2%	8.2%	In Range	Not Applicable
	Bank Nederlandse Gemeenten	SB	AAA		F1+				1	SB	Aaa		P-1	SB	A	SB	AAA		A-1+	P - 24 mths	P - 24 mths							No Data Available
(f) 6	Cooperatieve Centrale Raiffeisen Boerenleenbank BA	SB	AA+		F1+		A/B		1	NO	Aaa		P-1	NO	B+	NO	AAA		A-1+	P - 24 mths	P - 24 mths	67.0	-9.2%	-12.1%	-3.5%	-8.1%	In Range	P - 24 mths
(f)	ING Bank NV	SB	A+		F1+		C		1	SB	Aa3		P-1	NO	C+	SB	A+		A-1	R - 6 mths	R - 6 mths	114.6	-2.8%	-19.0%	-5.2%	10.0%	In Range	R - 6 mths
	Norway	 SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable	21.6	0.0%	-2.3%	-0.8%	-6.4%	In Range	Not Applicable
(f) 7	DnB NOR Bank	SB	A+		F1		B		1	SB	Aa3		P-1	RD	C	SB	A+		A-1	R - 6 mths	R - 6 mths							No Data Available
(f)	Portugal	 NO	A+							RD	A1					NW	A-			Not Applicable	Not Applicable	459.2	4.2%	-4.3%	12.9%	75.7%	Out Of Range	Not Applicable
(f)	Banco BPI SA	NO	A-		F2		B/C		2	RD	A2	RD	P-1	RD	C-	NW	A-	NW	A-2	N/C - 0 mths	N/C - 0 mths	586.8	1.8%	-10.4%	12.4%	64.2%	Out Of Range	N/C - 0 mths
(f)	Banco Santander Totta SA	SB	AA		F1+		B		1	RD	A1	RD	P-1	RD	C	NW	A	NW	A-1	N/C - 0 mths	N/C - 0 mths							No Data Available
(f)	Caixa Geral de Depositos SA	NO	A		F1		C		1	RD	A1	RD	P-1	RD	D+	NW	A-	NW	A-2	N/C - 0 mths	N/C - 0 mths	464.6	2.9%	-14.6%	9.2%	44.1%	Out Of Range	N/C - 0 mths
	Qatar	 SB								SB	Aa2					SB	AA			Not Applicable	Not Applicable	105.5	5.9%	23.3%	19.9%	18.2%	In Range	Not Applicable
	Qatar National Bank	SB	A+		F1		B/C		1	SB	Aa3		P-1		C-	SB	A+		A-1	R - 6 mths	R - 6 mths							No Data Available
	Saudi Arabia	 SB	AA-							SB	Aa3					SB	AA-			Not Applicable	Not Applicable	138.3	10.6%	86.9%	77.1%	93.5%	In Range	Not Applicable
	Arab National Bank	SB	A		F1		B/C		1	SB	A1		P-1	SB	C	SB	A		A-1	G - 3 mths	G - 3 mths							No Data Available
◆	Riyad Bank	SB	A+		F1		B/C		1	SB	A1		P-1	SB	C	SB	A+		A-1	G - 3 mths	G - 3 mths	213.9	0.0%	0.0%	0.0%	0.0%	Out Of Range	N/C - 0 mths
◆	Samba Financial Group	SB	A+		F1		B/C		1	SB	Aa3		P-1	SB	C+	SB	A+		A-1	R - 6 mths	R - 6 mths	205.0	0.6%	12.0%	15.1%	15.0%	Monitoring	G - 3 mths
	Singapore	 SB	AAA							SB	Aaa					SB	AAA			Not Applicable	Not Applicable							Not Applicable
8	DBS Bank Ltd	SB	AA-		F1+		B		1	SB	Aa1		P-1	SB	B	SB	AA-		A-1+	O - 12mths	O - 12mths	48.3	0.0%	-6.8%	10.3%	10.3%	In Range	O - 12mths
	Oversea Chinese Banking Corporation Ltd	SB	AA-		F1+		B		1	SB	Aa1		P-1	SB	B	SB	A+		A-1	O - 12mths	O - 12mths	48.8	0.0%	-6.7%	11.4%	11.4%	In Range	O - 12mths
	United Overseas Bank Ltd	SB	AA-		F1+		B		1	SB	Aa1		P-1	SB	B	SB	A+		A-1	O - 12mths	O - 12mths	48.8	0.0%	-6.7%	11.4%	11.4%	In Range	O - 12mths
(f)	Spain	 SB	AA+							RD	Aa1					NO	AA			Not Applicable	Not Applicable	248.3	1.9%	-17.1%	-3.0%	19.3%	Out Of Range	Not Applicable

	Counterparty	Credit Ratings													Subjective Overlay												
		Fitch Rating					Moody's Ratings					S&P Ratings			CDS Data												
		Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indiv Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status
(I)	Banco Bilbao Vizcaya Argentaria	SB	AA-		F1+	B		1	RD	Aa2		P-1	NO	B-	NO	AA		A-1+	N/C - 0 mths	N/C - 0 mths	254.7	2.7%	-13.0%	31.9%	39.7%	Out Of Range	N/C - 0 mths
(I)	Banco Popular Espanol	SB	A		F1	B/C		2	RD	Aa3		P-1	NO	C-	NO	A		A-1	N/C - 0 mths	N/C - 0 mths	367.9	0.8%	-30.3%	18.7%	35.0%	Out Of Range	N/C - 0 mths
(I) ⚡	Banco Santander	SB	AA		F1+	A/B		1	RD	Aa2		P-1	NO	B-	NO	AA		A-1+	P - 24 mths	O - 12mths	242.1	3.0%	-15.7%	37.4%	59.7%	Out Of Range	N/C - 0 mths
(I)	Confederacion Espanola de Cajas de Ahorros	NO	A+		F1	B/C		2	RD	Aa3		P-1	NO	C	NO	AA-		A-1+	N/C - 0 mths	N/C - 0 mths							No Data Available
	Sweden 	SB	AAA						SB	Aaa					SB	AAA			Not Applicable	Not Applicable	32.2	-1.3%	-8.2%	14.2%	-13.4%	In Range	Not Applicable
(I) 9	Nordea Bank AB	SB	AA-		F1+	B		1	SB	Aa2		P-1	NO	C+	SB	AA-		A-1+	O - 12mths	O - 12mths							No Data Available
10	Skandinaviska Enskilda Banken AB	SB	A+		F1	B		1	SB	A1		P-1	SB	C-	SB	A		A-1	G - 3 mths	G - 3 mths	83.4	1.2%	-4.7%	7.3%	2.5%	In Range	G - 3 mths
(I) 11	Swedbank AB	SB	A		F1	B/C		1	RU	A2		P-1	RU	D+	SB	A		A-1	G - 3 mths	G - 3 mths	90.0	0.0%	-8.8%	5.9%	7.0%	In Range	G - 3 mths
	Svenska Handelsbanken AB	SB	AA-		F1+	B		1	SB	Aa2		P-1	SB	C+	SB	AA-		A-1+	O - 12mths	O - 12mths	58.6	-0.3%	-7.5%	22.7%	13.4%	In Range	O - 12mths
	Switzerland 	SB	AAA						SB	Aaa					SB	AAA			Not Applicable	Not Applicable							Not Applicable
(I) 12	Credit Suisse	SB	AA-		F1+	B		1	NO	Aa1		P-1	NO	B	SB	A+		A-1	O - 12mths	O - 12mths	87.3	-4.2%	-10.7%	1.7%	-5.8%	In Range	O - 12mths
(I)	UBS AG	SB	A+		F1+	C		1	NO	Aa3		P-1	NO	C	SB	A+		A-1	R - 6 mths	G - 3 mths	87.4	-3.7%	-10.4%	2.0%	-13.0%	In Range	G - 3 mths
	U.A.E 								SB	Aa2					SB	AA			Not Applicable	Not Applicable							Not Applicable
	National Bank of Abu Dhabi	SB	AA-		F1+	B/C		1	SB	Aa3		P-1	SB	C	SB	A+		A-1	R - 6 mths	R - 6 mths	160.0	3.0%	8.3%	8.8%	-0.9%	In Range	R - 6 mths
	U.K 	SB	AAA						SB	Aaa					SB	AAA			Not Applicable	Not Applicable	61.0	0.8%	-8.5%	-0.4%	-5.7%	In Range	Not Applicable
13	Bank of New York Mellon (International) Ltd	SB	AA-		F1+			1											O - 12mths	O - 12mths							No Data Available
(I)	Barclays Bank plc	SB	AA-		F1+	B		1	SB	Aa3		P-1	SB	C	NO	AA-		A-1+	O - 12mths	R - 6 mths	121.4	-6.6%	-4.3%	25.1%	4.4%	In Range	R - 6 mths
14 ⚡	Cater Allen																		O - 12mths	R - 6 mths							G - 3 mths
(I)	Citibank International Plc	NW	A+	NW	F1+			1	NO	A2		P-1	SB	C-	NO	A+		A-1	G - 3 mths	N/C - 0 mths							No Data Available
(I) 15	Clydesdale Bank	SB	AA-		F1+	C		1	RD	A1		P-1	SB	C-	NO	A+		A-1	G - 3 mths	G - 3 mths							No Data Available
	Co-operative Bank Plc	SB	A-		F2	B/C		3	SB	A2		P-1	SB	D+					N/C - 0 mths	N/C - 0 mths							No Data Available
(I) 16	Credit Suisse International	SB	AA-		F1+			1	NO	Aa1		P-1			SB	A+		A-1	O - 12mths	O - 12mths							No Data Available
	Crown Agents Bank Ltd	SB	A		F1	B/C		2											G - 3 mths	G - 3 mths							No Data Available
17	DB UK Bank Limited								SB	A2		P-1	SB	C+					G - 3 mths	G - 3 mths							No Data Available
	HFC Bank Ltd	SB	AA-		F1+			1		A3		P-1							O - 12mths	O - 12mths							No Data Available
(I)	HSBC Bank plc	SB	AA		F1+	B		1	NO	Aa2		P-1	NO	C+	SB	AA		A-1+	O - 12mths	O - 12mths	78.4	6.5%	-1.8%	15.9%	8.8%	In Range	O - 12mths
(I)	MBNA Europe Bank	NW	A+	NW	F1+			1											O - 12mths	R - 6 mths							No Data Available

Counterparty	Credit Ratings																Subjective Overlay											
	Fitch Rating							Moody's Ratings					S&P Ratings				CDS Data											
	Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indiv Status	Indiv	Fitch Support Status	Support	Moody's L Term Status	L Term	Moody's S Term Status	S Term	Moody's FSR Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/ Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)	
Northern Rock plc	SB	BBB+		F2		C	2							SB	A-		A-2	N/C	N/C								No Data Available	
(1) 20 Santander UK plc	SB	AA-		F1+		B	1	NO	Aa3		P-1	NO	C-	NO	AA		A-1+	O - 12mths	R - 6 mths	184.3	0.6%	0.3%	34.0%	62.5%	Monitoring	G - 3 mths		
Standard Chartered Bank	SB	AA-		F1+		B	1	SB	A1		P-1	SB	B-	SB	A+		A-1	R - 6 mths	R - 6 mths	80.0	-1.7%	-4.4%	2.2%	-7.7%	In Range	R - 6 mths		
Sumitomo Mitsui Banking Corporation Europe Ltd	SB	A		F1		C	1	SB	Aa2		P-1	SB	C	SB	A+		A-1	G - 3 mths	G - 3 mths	80.5	5.7%	-10.4%	40.1%	-9.3%	In Range	G - 3 mths		
(1) UBS Ltd	SB	A+		F1+			1	NO	Aa3		P-1			SB	A+		A-1	O - 12mths	O - 12mths								No Data Available	
U.S.A	SB	AAA						SB	Aaa					SB	AAA			Not Applicable	Not Applicable	46.7	1.1%	-10.8%	13.8%	2.2%	In Range	Not Applicable		
(1) Bank of America, N.A.	NW	A+	NW	F1+		B/C	1	NO	Aa3		P-1	SB	C-	NO	A+		A-1	R - 6 mths	G - 3 mths								No Data Available	
(1) 18 Bank of New York Mellon, The	SB	AA-		F1+		A/B	1		Aaa		P-1		B+	SB	AA		A-1+	P - 24 mths	P - 24 mths								No Data Available	
(1) Citibank, N.A.	NW	A+	NW	F1+		B/C	1	NO	A1		P-1	SB	C-	NO	A+		A-1	R - 6 mths	G - 3 mths								No Data Available	
(1) 19 Deutsche Bank Trust Company Americas	NO	AA-		F1+			1	RD	Aa3		P-1	RD	C	SB	A		A-1	R - 6 mths	G - 3 mths								No Data Available	
(1) HSBC Bank USA, N.A.	SB	AA		F1+		B/C	1	NO	Aa3		P-1	NO	C	SB	AA		A-1+	O - 12mths	R - 6 mths								No Data Available	
(1) JP Morgan Chase Bank NA	SB	AA-		F1+		B	1	NO	Aa1		P-1	NO	B	NO	AA-		A-1+	O - 12mths	O - 12mths	65.2	-0.7%	-18.3%	-25.6%	-33.2%	In Range	O - 12mths		
(1) Northern Trust Company	SB	AA-		F1+		B	3	SB	Aa3		P-1	SB	B	SB	AA		A-1+	R - 6 mths	R - 6 mths								No Data Available	
(1) State Street Bank and Trust Company	SB	A+		F1+		B	1	NO	Aa2		P-1	NO	B	NO	AA-		A-1+	O - 12mths	R - 6 mths								No Data Available	
(1) Wells Fargo Bank NA	SB	AA-		F1+		B	1	NO	Aa2		P-1	SB	C+	NO	AA		A-1+	O - 12mths	R - 6 mths	84.5	-3.1%	-18.8%	-21.8%	-14.5%	In Range	R - 6 mths		
UK BUILDING SOCIETIES																												
Coventry BS	SB	A		F1		B	5	SB	A3		P-2	SB	C-					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) Leeds BS	SB	A		F1		B/C	5	SB	A2		P-1	NO	C+					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) Nationwide BS	NO	AA-		F1+		B	1	SB	Aa3		P-1	SB	C-	NO	A+		A-1	R - 6 mths	R - 6 mths	154.6	-0.1%	-6.7%	17.2%	13.3%	In Range	R - 6 mths		
(1) Newcastle BS	NO	BBB-		F3		C/D	5	NO	Baa2		P-2	NO	D-					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) Norwich and Peterborough BS	NO	BBB+		F2		C	5	NO	Baa2		P-2	NO	D					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) Nottingham BS								NO	A3		P-2	NO	C-					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) Principality BS	SB	BBB+		F2		C	5	SB	Baa2		P-2	PO	D-					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) Skipton BS	SB	A-		F2		B/C	5	NO	Baa1		P-2	NO	D+					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) West Bromwich BS	NO	BBB-		F3		C/D	5	SB	Baa3		P-3	SB	E+					N/C - 0 mths	N/C - 0 mths								No Data Available	
(1) Yorkshire BS	SB	A-		F2		B/C	5	NO	Baa1		P-2	NO	D+	SB	A-		A-2	N/C - 0 mths	N/C - 0 mths	167.2	0.0%	0.7%	14.0%	2.0%	Monitoring	N/C - 0 mths		
AAA Rated																												
Collateralised LA Deposit*		AAA							Aaa					AAA				Y - 60 mths	Y - 60 mths								No Data Available	

Counterparty	Credit Ratings													Subjective Overlay													
	Fitch Rating					Moody's Ratings					S&P Ratings			CDS Data													
	Fitch L Term Status	L Term	Fitch S Term Status	S Term	Fitch Indiv Status	Indiv	Fitch Support Status	Support	Moody's LT Term Status	L Term	Moody's ST Term Status	S Term	Moody's FSB Status	FSR	S&P L Term Status	L Term	S&P S Term Status	S Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	18/02/11	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted)
Multilateral Development Banks		AAA							Aaa						AAA				Y - 60 mths	Y - 60 mths							No Data Available
Supranationals		AAA							Aaa						AAA				Y - 60 mths	Y - 60 mths							No Data Available
UK Gilts		AAA							Aaa						AAA				Y - 60 mths	Y - 60 mths							No Data Available
* This is an assumed rating on the basis that all collateral is LA LOBOs which is government risk																											
NATIONALISED AND PART NATIONALISED BANKS																											
Lloyds Banking Group plc	SB	AA-		F1+			1	SB	A1					SB	A		A-1										Not Applicable
Bank of Scotland Plc	SB	AA-		F1+			1	SB	Aa3		P-1	SB	D+	SB	A+		A-1	B - 12 mths	B - 12 mths								Not Applicable
Lloyds TSB Bank Plc	SB	AA-		F1+			1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	B - 12 mths	B - 12 mths	184.1	-6.5%	-8.5%	15.7%	4.9%			Not Applicable
Royal Bank of Scotland Group plc	SB	AA-		F1+		C/D	1	SB	A1		P-1			SB	A		A-1										Not Applicable
National Westminster Bank Plc	SB	AA-		F1+			1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	B - 12 mths	B - 12 mths								Not Applicable
The Royal Bank of Scotland Plc	SB	AA-		F1+		C/D	1	SB	Aa3		P-1	SB	C-	SB	A+		A-1	B - 12 mths	B - 12 mths	206.9	-0.2%	-8.2%	28.6%	12.0%			Not Applicable
(I) Ulster Bank Ltd	SB	A+		F1+		E	1	NO	A2		P-1	NO	D-	NW	A-	NW	A-2	B - 12 mths	B - 12 mths								Not Applicable

Key

- Newly included on, or deleted from, the list OR Changes to ratings which have a significant effect
- Change to ratings
- (!) Ratings on Rating Watch / Rating Alert / Rating Outlook
- New rating/ affirmation of rating
- × Ratings withdrawn
- ↕ Change of duration based on CDS overlay

60 Months	Y
24 Months	P
12 Months	B
12 Months	O
6 Months	R
3 Months	G
0 Months	N/C

NO	Negative Outlook	DG NO	Downgrade & Negative Outlook
NW	Negative Watch	DG NW	Downgrade & Negative Watch
DG	Downgrade	DG RD	Downgrade & Under Review For Possible Downgrade
RD	Under Review for Possible Downgrade	DG SB	Downgrade & Stable Outlook
PO	Positive Outlook	DG EW	Downgrade & Evolving Watch
PW	Positive Watch	DG EO	Downgrade & Evolving Outlook
UP	Upgrade	DG DO	Downgrade & Developing Outlook
RU	Under Review for Possible Upgrade	DG UN	Downgrade & Direction Uncertain
SB	Stable Outlook	UP PO	Upgrade & Positive Outlook
EW	Evolving Watch	UP PW	Upgrade & Positive Watch
EO	Evolving Outlook	UP RU	Upgrade & Under Review For Possible Upgrade
WD	Rating Withdrawn	UP SB	Upgrade & Stable Outlook
DO	Developing Outlook	UP EW	Upgrade & Evolving Watch
UN	Direction Uncertain	UP EO	Upgrade & Evolving Outlook
		UP DO	Upgrade & Developing Outlook
		UP UN	Upgrade & Direction Uncertain

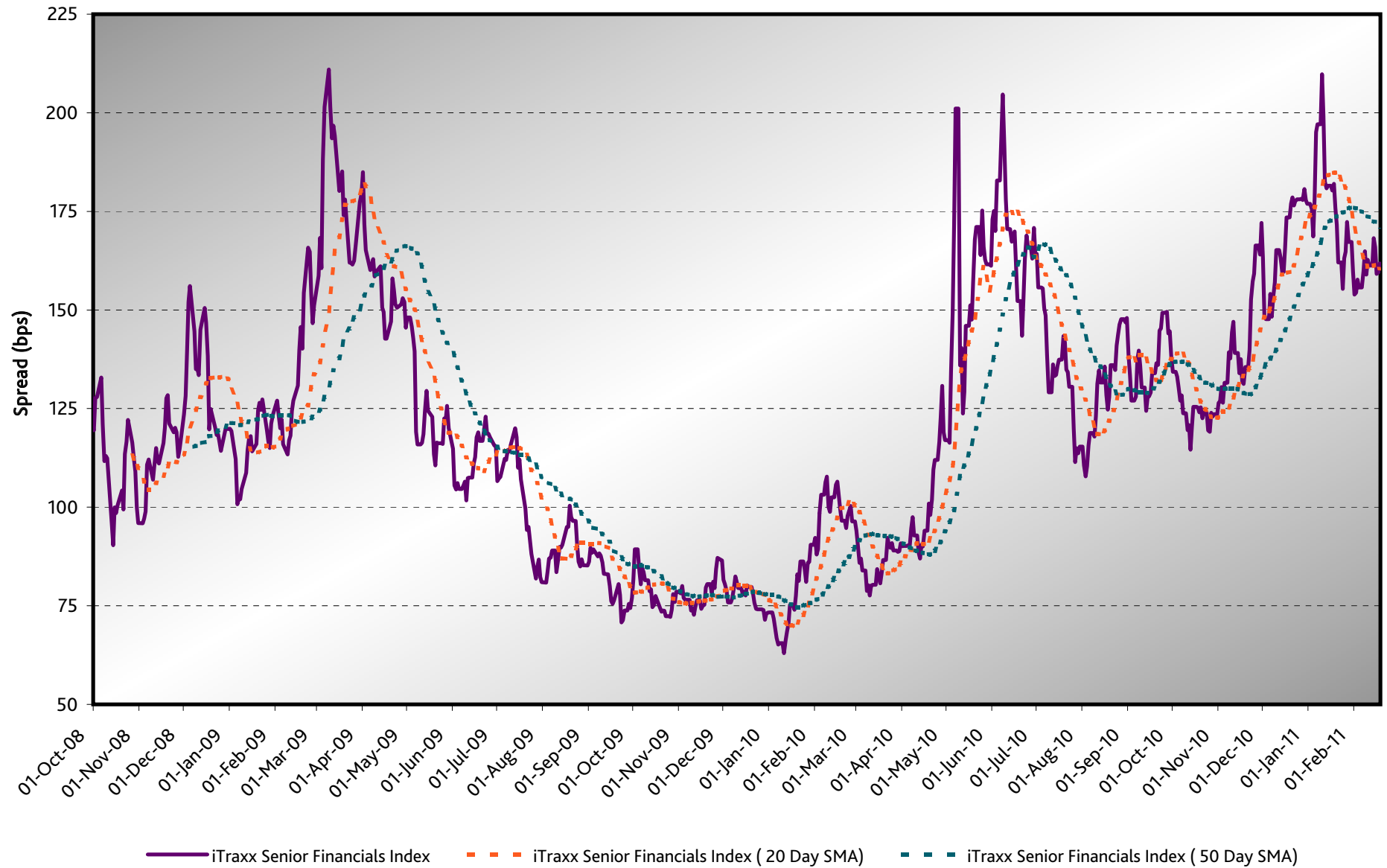
DISCLAIMER: Sector Treasury Services Ltd would like to inform clients that we supply the credit ratings of financial institutions from the rating agencies. We do not advise on the groupings of such financial institutions as we believe that knowledge can only be obtained from credit rating agencies. Whilst Sector Treasury Services Ltd makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the accuracy, completeness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Sector Treasury Services Ltd should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the information as a substitute for the exercise by the Client of its own judgement. This document has been produced solely for the use of clients of Sector Treasury Services Ltd. The documentation itself, or any of the information contained therein, should not be disclosed to any third party without the prior written approval of Sector Treasury Services Ltd. Strictly private and confidential.

Additional Notes

Reference	Institution	Notes
1	Nordea Bank Finland Plc	Name changed from Mertia Bank Ltd.
2	CALYON Corporate and Investment Bank	Name changed from Credit Agricole Indosuez and Credit Lyonnais transferred its investment banking activities to Credit Agricole Indosuez
3	Credit Industriel et Commercial	Name changed from Compagnie Financiere de CIC et de l'Union Europeenne to CIC Group and then changed to Credit Industriel et Commercial (CIC)
4	Intesa Sanpaolo	Merger between Unicredit Banca di Roma Spa and Unicredit SpA
5	UniCredit SpA	Merger between Unicredit Banca di Roma Spa and Unicredit SpA
6	Cooperatieve Centrale Raiffeisen - Boerenleenbank BA	Also trades as Rabobank/Rabobank International/Rabobank Netherland
7	DnB NOR Bank	Merger between the former Den Norske Bank and Union Bank of Norway Jan04
8	DBS Bank Ltd	Name changed from Development Bank of Singapore Ltd
9	Nordea Bank AB	(publ) Name changed from Nordea Bank Sweden (previously Nordbanken AB)
10	Skandinaviska Enskilda Banken AB	(publ) (SEB AB)
11	Swedbank AB	Name changed from ForeningsSparbanken AB
12	Credit Suisse	Merger between Credit Suisse and Credit Suisse First Boston
13	Bank of New York Mellon (International) Ltd	Formerly, The Bank of New York Europe Ltd
14	Cater Allen	Unconditionally guaranteed by Santander UK
15	Clydesdale Bank	Yorkshire Bank is the trading entity of Clydesdale Bank
16	Credit Suisse International	Name changed from Credit Suisse First Boston International
17	DB UK Bank Limited	Name changed from Morgan Grenfell and Co Ltd
18	Bank of New York Mellon, The	Formerly Bank of New York, The
19	Deutsche Bank Trust Company Americas	Name changed from Bankers Trust Company
20	Santander UK plc	Name changed from Abbey National plc
21	UniCredit Bank AG	Name changed from Bayerische Hypo und Vereinsbank

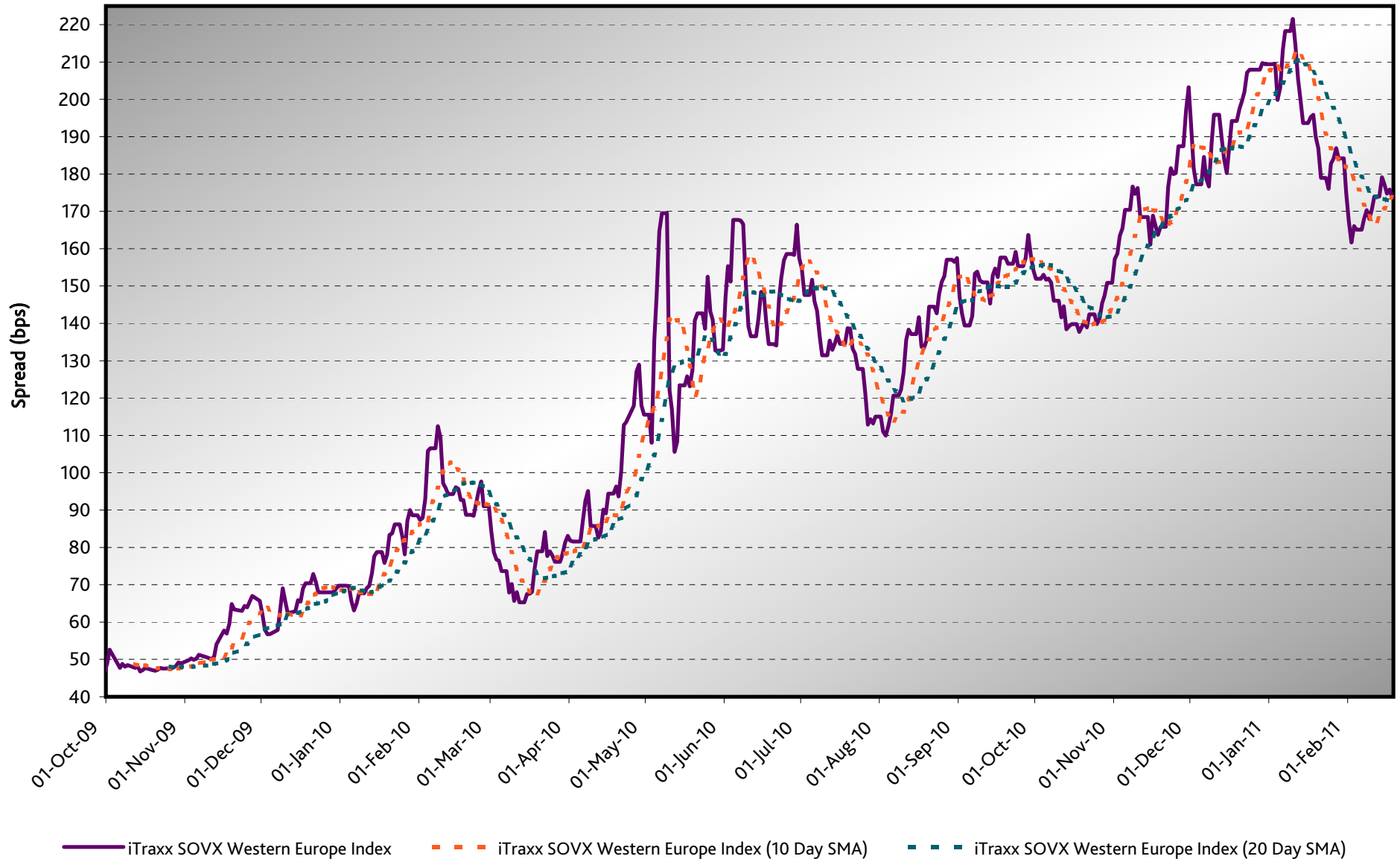
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Page 36



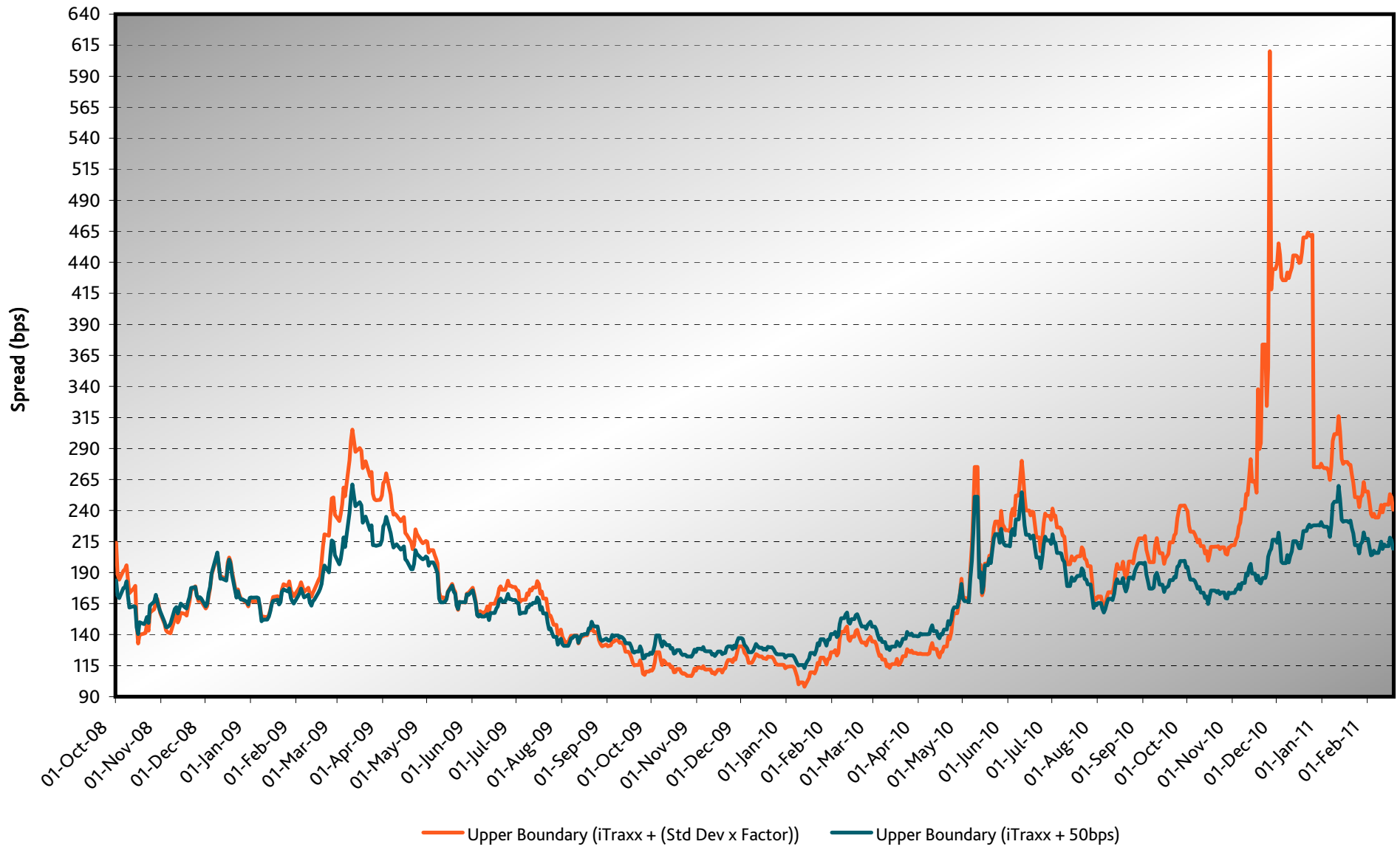
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Page 37



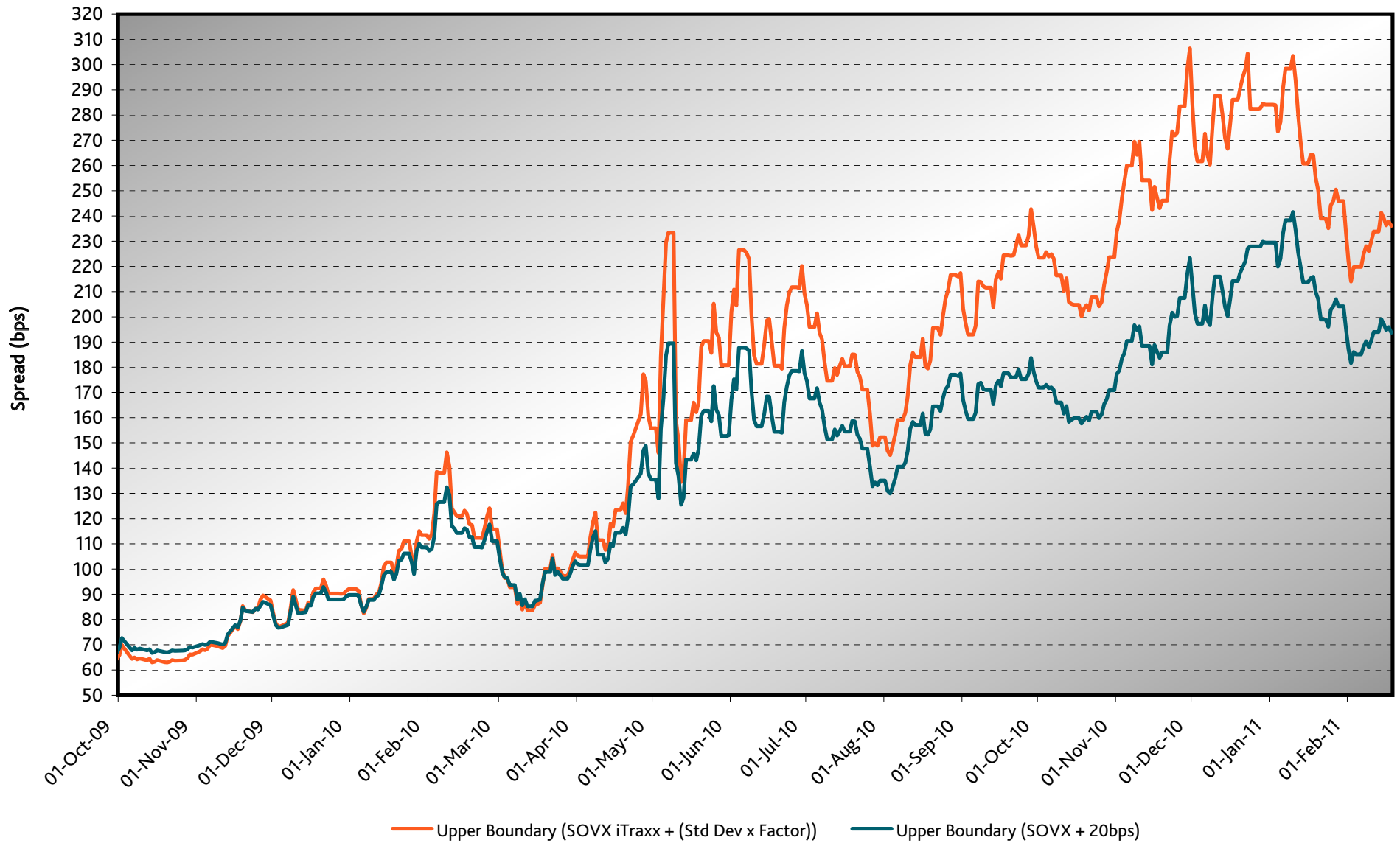
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Page 38



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Page 39



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APPENDIX 2

CHERWELL DISTRICT COUNCIL Treasury Management Practices 2011-12

Contents

	Page
TMP 1 Treasury risk management	3
TMP 2 Performance measurement	16
TMP 3 Decision-making and analysis	17
TMP 4 Approved instruments, methods and techniques	18
TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements	19
TMP 6 Reporting requirements and management information arrangements	23
TMP 7 Budgeting, accounting and audit arrangements	25
TMP 8 Cash and cash flow management	26
TMP 9 Money laundering	26
TMP 10 Training and qualifications	28
TMP 11 Use of external service providers	29
TMP 12 Corporate governance	31

TMP1 Risk Management

The Head of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
3. Sector - the Councils Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
4. We will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

The Council uses the Sector creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows: -

- Green – 3 months
- Red – 6 months
- Orange – 1 year
- Purple – 2 year
- Yellow for UK Government backed securities – 5 years

In addition a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document produced by Sector "Guide to Establishing Credit Policies April 2009" for a full explanation.

5. Credit ratings for individual counterparties can change at any time. The Head of Finance is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
6. The Council will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
- The quality financial press
 - Market data
 - Information on government support for banks and
 - The credit ratings of that government support
7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows: -

	* Minimum Credit Criteria	Use	*** Max £	Max. maturity period
Term Deposits – Local Authorities	--	In-house	£10m	364 days
UK nationalised banks	green	In-house /Tradition	£15m	364 days
UK nationalised banks	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	green	In-house/Tradition	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3 OR 2_	Investec	£5m	364 days
Money Market Funds	AAA	In-house	£10m	

8. Diversification: the Council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
- Maximum amount to be placed with any one institution - £15m
 - Group limits where a number of institutions are under one ownership – maximum of £15m
 - Country limits – a minimum sovereign rating of _AA-__ is required for an institution to be placed on our approved lending list. The list of countries which currently meet this criteria is: -

AAA

- Canada
- Denmark

- Finland
 - France
 - Germany
 - Luxembourg
 - Netherlands
 - Norway
 - Singapore
 - Sweden
 - Switzerland
 - U.K.
 - U.S.A.
- AA+
- Australia
 - Belgium
 - Spain *
- AA
- Hong Kong
 - Japan
 - Kuwait
 - Qatar (AA S&P rating)
 - UAE
- AA-
- Italy
 - Portugal *
 - Saudi Arabia

* Sector has suggested that clients exercise care and caution when considering placing deposits with Portuguese and Spanish banks as their economies are currently under severe pressure.

Ireland no longer appears on this list as it has been downgraded to A+.

For the purpose of the 2011/12 Strategy Cherwell District Council has decided not to place deposits with Spanish & Portuguese banks including Santander UK

9. Investments will not be made with counterparties that do not have a credit rating in their own right
10. The definition of '**high credit quality**' in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1. This schedule also sets out the categories of investment instruments which fall into the specified investments category as they entail **minimum procedural formalities** in terms of the placing of those investments by the treasury management team. Minimal procedural formalities mean that the team is well experienced and knowledgeable in using these types of instruments and they pose minimal risk in their use.
11. The Council's external fund managers Investec & TUK, will adhere to the counterparty credit criteria and maximum individual limits set by the Council;

however it is understood that Investec may use a subset of the counterparty list so derived.

12. A full individual listing of Counterparties and Counterparty Limits as at 28 February 2011 is attached at Appendix 2a.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business /service objectives will be thereby compromised.

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. We will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

1.2.2. Details of:

a) Standby facilities

At the end of each financial day any unexpected surplus funds are transferred to the RBS Money Market account. The balance on this account is instantly accessible if the group bank account becomes overdrawn.

b) Bank overdraft arrangements

A £250,000 overdraft at 1% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.

c) Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

1.4 Exchange Rate Risk Management

As the Council only trades in Sterling, this section is not relevant.

1.5 Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

1.6 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.6.1. References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- Guidance on Housing Capital Receipts Pooling ODPM 23.3.2004
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2009,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2009
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- Financial Services Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations

1.6.2 The Council's Scheme of Delegated Functions Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

England and Wales

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- a. the scheme of delegation of treasury management activities which is contained in the Treasury Management Strategy 2011/12 which states which officers carry out these duties
- b. the document which sets which officers are the authorised signatories.

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.6.3 Statement on the Council's Political Risks and Management of Same

The Head of Finance shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.6.4 Monitoring Officer

The monitoring officer is the Head of Legal & Democratic Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.6.5. Chief Financial Officer

The Chief Financial Officer is the Head of Finance; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to

make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, Error and Corruption, and Contingency Management

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

- a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.1. Details of Systems (including Internet Services)

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans/deposits and investments are negotiated by the responsible officer or authorised persons.
- Loan/deposit procedures are defined in the Council's Financial Regulations.

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the LOMAS system.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Technical Accountant for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Technical Accountant for resolution.
- Contract notes for transactions carried out by the external fund managers will be received and maintained.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The LOMAS system prompts the Officers that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution (see 1.5.1.6.) that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorization of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The LOMAS system can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.
- Capital and interest withdrawals and capital injections in respect of monies managed by external fund managers can only be carried out in writing by the authorised signatories to the fund management agreement and notified to the fund managers.

Checks

- The bank reconciliation is carried out daily from the bank statement to the financial ledger.
- The LOMAS system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- An investment income listing is produced every month when a review is undertaken against the budget for interest earnings.
- The valuations and investment income statements received monthly from the Council's fund managers will be checked and retained for audit inspection. The authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices
- We have complied with the requirements of SORP and IFRS Code and will account for the fund as Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Income and Expenditure Account

Calculations

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated.

Emergency and Contingency Planning Arrangements Disaster Recovery Plan

In the event of Bodicote House being rendered unusable key staff will relocate to Thorpe Lane to ensure business continuity. If the electronic banking systems are unavailable information can be accessed by telephone and payments made manually by the bank.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

1.7.2. Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £1m for all staff, £6m for Accountants and £10m for the Head of Finance and S151 Officer.

Professional Indemnity Insurance

The Council also has a 'Professional Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to those staff who work in Human Resources, Legal and Regeneration & Estates only.

Business Interruption

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal. This is limited to £8.3m.

1.8 Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	n/a	In-house
Term deposits – local authorities	n/a--	In-house
Term deposits – banks and building societies **	Green	In-house/Tradition
Term deposits – banks and building societies **	* Short-term F1__, Long-term _A_, Individual _B_ or C_, Support _3_ OR 2_	Investec

Since the credit crunch crisis there have been a number of developments which require separate consideration and approval for use: -

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.2.10. The banks which have used this explicit guarantee are as follows: -

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec bank
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

LIMITS:

	* Minimum Credit Criteria	Use	*** Max £	Max. maturity period
	* Minimum Credit Criteria	Use	*** Max £	Max. maturity period
Term Deposits – Local Authorities	--	In-house	£10m	364 days
UK nationalised banks	green	In-house /Tradition	£15m	364 days
UK nationalised banks	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	green	In-house/Tradition	£5m	364 days
Banks nationalised by high credit rated (sovereign rating) countries – non UK	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£5m	364 days
Money Market Funds	AAA	In-house	£10m	

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

N.B. buy and hold may also include sale at a financial year end and repurchase the following day in order to accommodate the requirements of SORP.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: A maximum of 30% will be held in aggregate in non-specified investment

1. Maturities of ANY period

	* Minimum Credit Criteria	Use	Max Amount £m	Max. maturity period
Term deposits – local authorities	--	In-house	£5m	5 years
Term deposits – banks and building societies	Purple	In-house	£5m	2 years
Collateralised deposit	N/A	In-house	£10m	5 years
Commercial paper issuance covered by a specific UK Government (explicit) guarantee and issued by banks covered by the UK bank support package	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	1 years
Corporate Bonds issuance covered by UK Government (implicit) guarantee and issued by banks covered by the UK bank support package : the use of these investments would constitute capital expenditure	UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2	Investec	£1m	1 years
Corporate Bonds other : the use of these investments would constitute capital expenditure	Short-term F1, Long-term A_, Individual B/C, Support 3/ 2	Investec	£1m	1 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	- UK sovereign rating or * Short-term F1, Long-term A_, Individual B/C, Support 3/2__	Investec	£1m	1 years
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£1m	1 years
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	* Short-term F1__, Long-term _A_, Individual _B or C_, Support _3 OR 2_	Investec	£1m	1 years

Certificates of deposit issued by banks and building societies NOT covered by UK Government guarantee support package (implicit guarantee)	Short-term F1 __, Long-term _A_, Individual _B_ or C_, Support _3_ OR 2_	Investec	£1m	1 years
UK Government Gilts	UK sovereign rating	Investec	£1m	1 years
Local authority mortgage guarantee scheme	N/A	In-house	£5m	5 years

Local Authority Collateralised Deposit - Term deposits with UK institutions where such deposits are secured on loans made to other UK local authorities. These deposits will not form part of the limits determined by the individual institution's credit rating criteria. Investment is permitted subject to a maximum exposure of £10m, for a maximum term of 3 year(s).

Collateralised deposit can be structured or not – structured.

TMP 2 Performance Measurement

2.1 Evaluation and Review of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions: -

- a. quarterly reviews carried out by the Executive Committee
- b. reviews with our treasury management consultants Sector
- c. annual review after the end of the year as reported to Full Council
- d. comparative reviews
- e. strategic, scrutiny and efficiency value for money reviews

2.1.1 Periodic reviews during the financial year

The Head of Finance holds a treasury management review meeting with the treasury management team every quarter to review actual activity against the Treasury Management Strategy and cash flow forecasts. This includes total investments including average rate and maturity profile and changes to the above from the previous review and against the Treasury Management Strategy.

2.1.2 Reviews with our treasury management consultants

The treasury management team also holds reviews with Sector and our Fund Managers every quarter to review the performance of the investment portfolio.

2.1.3 Annual Review after the end of the financial year

An Annual Treasury Report is submitted to Full Council each year after the close of the financial year which reviews the performance of the investment portfolio. This report contains the following: -

- a. total investments at the beginning and close of the financial year and average interest rates
- b. investment strategy for the year compared to actual strategy
- c. explanations for variance between original strategies and actual
- d. actual investment rates available through the year
- e. comparison of return on investments to the investment benchmark
- f. compliance with Prudential and Treasury Indicators
- g. other

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the Councils investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- other

2.2 Policy Concerning Methods for Testing Value for money in Treasury Management

2.2.1 Frequency and processes for tendering

Tenders are normally awarded on a 3 year basis with the option to extend for 3 years, if approved by the Finance Scrutiny Committee. The process for advertising and awarding contracts will be in line with the Council's Procurement Strategy.

2.2.2 Banking services

The Council's banking arrangements are to be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate. If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

The tender with the Council's current bankers NatWest is due for review in 2011/12.

2.2.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

2.3.4 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's policy is to appoint full-time professional cash/external investment fund managers to manage a proportion of its cash and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883].

The delegation of investment management to external managers will entail the following:

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;
- Frequency of meetings with investment managers;

The Code of Practice places an obligation on the Council to monitor the performance of the fund managers. This Council has appointed Sector Treasury Services Limited to assist in this respect.

TMP 3 Decision-making and Analysis

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The Treasury section has a computerised database system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained: -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment transactions
- Confirmations from borrowing institutions where deals are done directly
- Certificates for market loans, local bonds and other loans
- Contract notes received from fund managers
- Fund managers valuation statements

3.1.2 Processes to be pursued

- Cash flow analysis.
- Investment maturity analysis
- Ledger reconciliation
- Performance information (e.g. monitoring of actual against budget for interest earned, also monitoring of average pool rate, investment returns, etc).

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the Council will:

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of investment decisions, the Council will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;

TMP 4 Approved Instruments, Methods and Techniques

4.1 Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

4.2 Approved Techniques

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

4.3 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised if necessary and in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EC Capital Grants
 Lottery monies
 PFI/PPP
 Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.4 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.5 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) Executive Committees

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities

- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Accounts, Audit and Risk Committee

- receiving and reviewing regular monitoring reports and acting on recommendations

(iv) Chief Finance Officer with responsibility for scrutiny

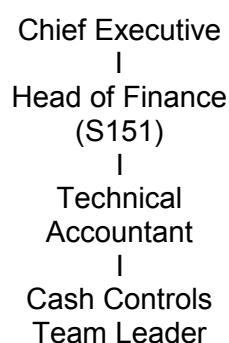
- reviewing the treasury management policy and procedures and making recommendations to the Head of Finance.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of broker's confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

5.3 Treasury Management Organisation Chart



5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Head of Finance. This person will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Technical Accountant or the Cash Controls Team Leader must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least one of the named officers above.
- k) The responsible officer will ensure that the Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2. Technical Accountant / Cash Controls Team Leader

The responsibilities of this post will be: -

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers

- d) supervising treasury management staff
- e) monitoring performance on a day-to-day basis
- f) submitting management information reports to the responsible officer
- g) identifying and recommending
- h) opportunities for improved practices

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly to the Full Council on treasury policy, activity and performance.

5.4.4. The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

5.5 List of Approved Brokers

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

5.6 Policy on Taping of Conversations

It is not this Council's policy to tape broker's conversations

5.7 Direct Dealing Practices

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.8 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
 - a. review of the organisation's approved clauses, treasury management policy statement and practices
 - b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy and the Annual Investment Strategy
- b) Quarterly review
- c) Annual review report after the end of the year

6.2 Annual Treasury Management Strategy

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive and then to Full Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone investing if fixed interest rates are expected to rise, or invest early if fixed interest rates are expected to fall.
3. The Treasury Management Strategy Statement is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) current Treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) investment strategy
 - g) creditworthiness policy
 - h) policy on the use of external service providers
 - i) any extraordinary treasury issue
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non specified investments
- c) Which specified and non specified instruments the Council will use
- d) Whether they will be used by the in house team, external managers or both (if applicable)
- e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies the Council will use

- g) How the Council will deal with changes in ratings, rating watches and rating outlooks
- h) Limits for individual counterparties and group limits
- i) Country limits
- j) Levels of cash balances
- k) Interest rate outlook
- l) Budget for investment earnings
- m) Use of a cash fund manager
- n) Policy on the use of external service providers

6.5 Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the Full Council

6.6 Mid year review

The Council will review its treasury management activities and strategy on a quarterly basis. This review will consider the following: -

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Executive and then to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a) transactions executed and their revenue (current) effects
- b) report on risk implications of decisions taken and transactions executed
- c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
- d) performance report
- e) report on compliance with CIPFA Code recommendations
- f) monitoring of treasury management indicators

6.8 Management Information Reports

Management information reports will be prepared every quarter by the Technical Accountant and will be presented to the Executive Committee.

These reports will contain the following information: -

- a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);
- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and explanation of variances.
- d) any non compliance with Prudential limits or other treasury management limits.

TMP 7 Budgeting, Accounting and Audit Arrangements

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Accounting Practices and Standards

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

7.3 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Technical Accountant will prepare a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Head of Finance will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from LOMAS
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- External fund manager's valuations including investment income schedules and movement in capital values.

7.5 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Heads of Service, whilst a quarterly budget monitoring report goes to Executive. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a daily basis by the Controls Assistant.

8.3 Payment Scheduling and Agreed Terms of Trade With Creditors

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments. (We have an additional agreement to pay local suppliers within 14 days of invoice receipt.) .

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Technical Accountant is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a daily basis to assist in updating the cash flow models.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the Controls Officers to deposit in the Council's banking accounts. They will tell the Cash Controls Team Leader each morning of cash and cheques banked the previous day so that the figures can be taken into account in the daily cash flow.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2007

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following: -

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place
- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions.
- f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Head of Legal and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk.

All transactions will be carried out by CHAPS for making deposits or repaying loans.

TMP 10 Training and Qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Technical Accountant to ensure that all staff under his / her authority receives the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The Learning & Development Team maintain records on all staff and the training they receive.

10.3 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of a CCAB body there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CCAB must also comply with the Code.

10.4 Member training records

Records will be kept of all training in treasury management provided to members.

10.5 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

11.1.1 Banking Services

- a) Name of supplier of service is the NatWest Bank.
- b) Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c) The branch address is:
- d) 1 Town Hall Buildings, Bridge Street, Banbury OX16 5JS
- e) Contract commenced 1991
- f) Cost of service is variable depending on schedule of tariffs and volumes

11.1.2 Money-Broking Services

The Council will use money brokers for investment and temporary borrowing. It will seek to give an even spread of business amongst the approved brokers.

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc. The performance of consultants will be reviewed by the Head of Finance every quarter to check whether performance has met expectations.

- a) Name of supplier of service is Sector Treasury Services Limited. Their address is 17 Rochester Row, London SW1P 1QT Tel: 0871 664 6800
- b) Regulatory status: investment adviser authorised by the FSA
- c) Contract commenced 1st April 2010 and runs for 3 years.
- d) Cost of service is £7,500 per year.

External Fund Managers

- Investec Asset Management Ltd, 2 Gresham Street, London EC2V 7QP
- Gresham Street, London EC2V 7QP. 020 7597 2000

- Contract commenced 20TH June 2001.
Fee is 0.15% of fund and minimum fee of £9,750 – Fees are deducted quarterly from the income received.
- The fund guidelines, limits, benchmarks and targets agreed with the manager are contained in the investment management agreement.
- Valuations and performance data versus the benchmark are provided by the manager monthly. Fund performance review meetings are held semi-annually

External Fund Managers

- Tradition (UK) Ltd , Beaufort House, 15 St Botolph Street, London EC3A 7QX
- Contract commenced 6th February 1997.
- Fee is performance based & linked to average 7 day LIBID.
- The fund guidelines, limits, benchmarks and targets agreed with the manager are contained in the investment management agreement.
- Valuations and performance data versus the benchmark are provided by the manager monthly. Fund performance review meetings are held semi-annually

Other Consultancy services may be employed on short term contracts as and when required.

11.1.4 Credit Rating Agency

The Council receives a credit rating service through its treasury management Consultants, the costs of which are included in the consultant's annual fee.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1.1 List of Documents to be Made Available for Public Inspection

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -

- Treasury Management Policy Statement
- Treasury Management Strategy
- Annual Investment Strategy
- Annual Treasury Review Report
- Treasury Management monitoring reports
- Annual accounts and financial instruments disclosure notes
- Annual budget
- 3 Year Capital Plan

Minutes of Council committee meetings

Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.

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