APPENDIX A

Denbighshire County Council

Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15

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Appendices

Treasury Management Strategy Statement
and Investment Strategy 2012/13 to 2014/15

1. Background

1.1 The Council is responsible for its Treasury Management decisions and activity which involves looking after the Council's cash. This is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.

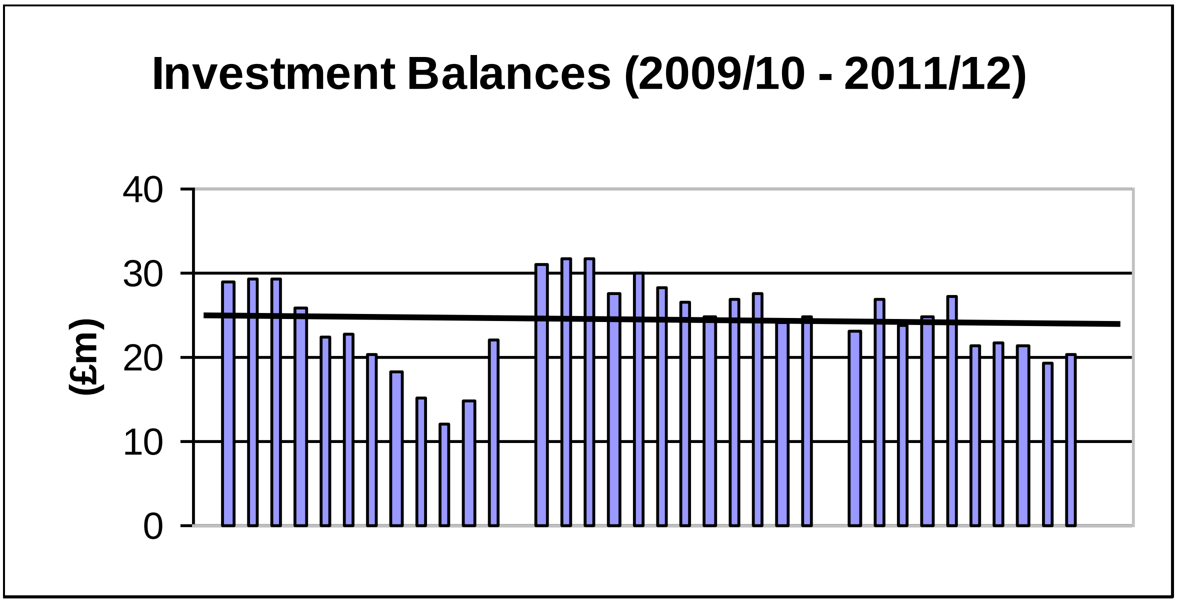
1.2 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to produce the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Welsh Government's (WG) Investment Guidance.

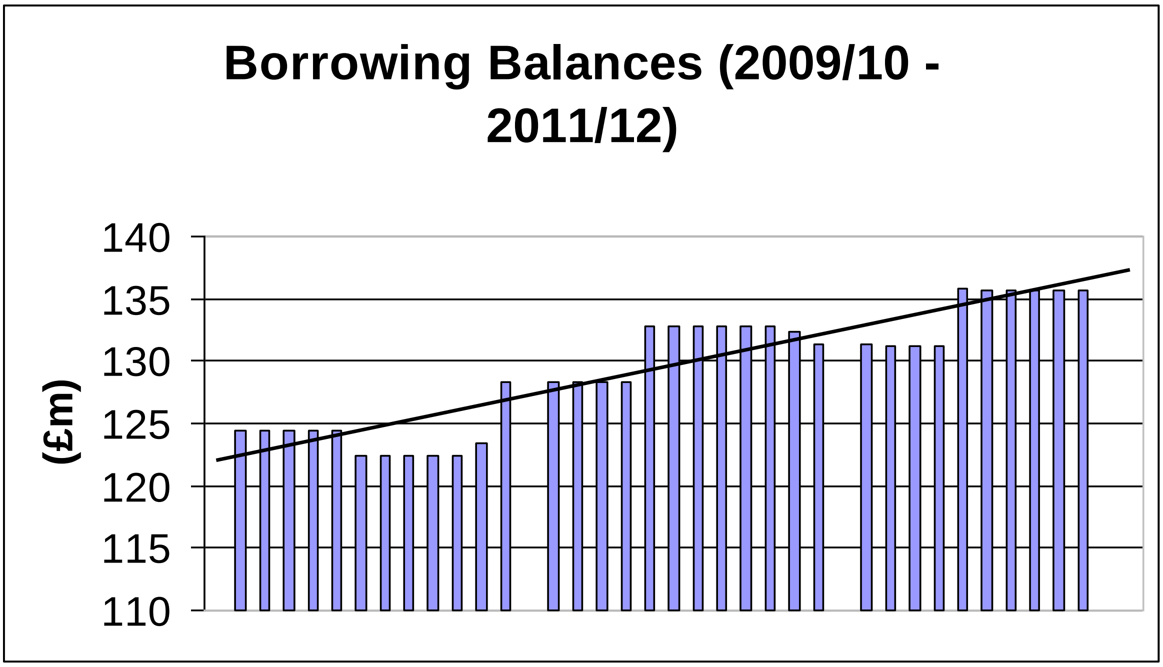
1.3 The strategy takes into account the current and projected Treasury position, the Prudential Indicators (**Appendix B**) and the outlook for interest rates (**Appendix C**).

1.4 The Council approved the adoption of the revised CIPFA Treasury Management Code (Nov 2009) at its meeting on 23 February 2010. CIPFA revised the Code again in Nov 2011. The Council has incorporated the changes from the revised Code into its treasury management policies, procedures and practices.

2. Treasury Position

2.1 The levels of the Council's investment and borrowing balances over the last three years are shown in the graphs below. It shows that the amount of money we have to invest has remained fairly constant over the last three years. The Council's borrowing has increased slightly over the course of the last three years as we have built up our borrowing levels by taking advantage of low interest rates.





3. <u>Investments</u>

3.1 In accordance with Investment Guidance issued by the WG and best practice the Council's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yields earned on investments are important but are secondary considerations.

3.2 Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some instances, Greece and Italy being the most notable examples, the extent and implications of the debt it has built up have lead to a sovereign debt crisis and a banking crisis with the outcome still largely unknown. It is against this backdrop of uncertainty that the Council's investment strategy is framed.

3.3 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the WG.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Council and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

3.4 The types of investments that can be used by the Council and whether they are specified or non-specified are listed in **Appendix D**.

3.5 A number of changes have been implemented to the investment strategy for 2012/13 in response to evolving conditions in financial markets.

3.6 The Council and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns) – this is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system.
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

Any institution can be suspended or removed should any of the factors identified above give rise to concern.

The countries and institutions that the Council are permitted to use for term deposits, Certificates of Deposit (CDs) and call accounts are included in **Appendix E** unless there is a temporary suspension in place at the time. For example, European banks are temporarily suspended for new investments.

3.7 The Council banks with Natwest Plc. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term. Even if the credit rating falls below the Council's minimum criteria Natwest Plc will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

3.8 With short term interest rates low for even longer, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.

3.9 In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

3.10 Money market funds (MMFs) will be utilised but good treasury management practice prevails and whilst MMFs provide good diversification the Council will also seek to diversify any exposure by utilising more than one MMF. The Council will also restrict its exposure to MMFs by not exceeding 0.5% of the net asset value of the MMF.

4. Borrowing

4.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between investment and borrowing rates. The interest rate forecast provided in **Appendix C** indicates that an acute difference between investment and borrowing rates is expected to continue. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. Whilst the cost of carry can be assumed to be a reasonably short-term issue since borrowing is often for longer dated periods (anything up to 50 years) it cannot be ignored against a backdrop of uncertainty and affordability constraints in the Council's wider financial position.

4.2 The Council intends to reduce its investment balances and to rely on internal borrowing as much as possible instead of undertaking external borrowing from the Public Works Loan Board (PWLB). This is sustainable while the Council has sufficient balances and reserves to avoid the need for external borrowing. By essentially lending its own surplus funds to itself the Council is able to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances. If cash is required for short term cash flow purposes, the Council intends to access temporary loans through the market which are readily available at very attractive rates.

4.3 However, the level of internal borrowing in relation to the level of the Council's reserves and balances will be monitored throughout the year with a view to externalising borrowing if required. Capital expenditure levels, market conditions and interest rate levels will also be monitored throughout the year to ensure that external borrowing is undertaken at the right time if required.

4.4 While the Council can borrow from a number of banks, it normally only borrows from the Public Works Loan Board (PWLB) which is a Government body that lends to public sector organisations. In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the following borrowing sources:

- PWLB
- Local authorities
- Commercial Banks
- European Investment Bank
- Money Markets
- Capital markets (stock issues, commercial paper and bills)
- Structured finance
- Leasing

5. Debt Rescheduling

5.1 The Council is able to pay off loans earlier than we have to and to replace them with cheaper loans if we want to in order to save money or to reduce the risk to the Council. Sometimes, we will replace these loans and sometimes not, depending on market conditions and interest rates.

5.2 Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy. The Council will agree in advance with Arlingclose the strategy and framework within which debt will be repaid/rescheduled if opportunities arise.

5.3 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertaken meaningful debt rescheduling although occasional opportunities arise.

5.4 Borrowing and debt rescheduling activity undertaken during the year will be reported as part of the Capital Plan Monitoring Report.

6. Minimum Revenue Provision (MRP) Statement

6.1 The Council sets aside money each year to repay debt and this is known as the Minimum Revenue Provision (MRP). In 2012/13, this will be £8.2m.

6.2 There are four different methods of calculating MRP and the Council needs to say each year which methods it will use. This is known as the MRP Statement.

6.3 The MRP Statement will be submitted to Council before the start of the 2012/13 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

6.4 **MRP Statement**

The Council will apply the Regulatory Method for supported capital expenditure which means that MRP is charged at 4% of the Council's Capital Financing Requirement.

The Council will apply the Asset Life Method for unsupported capital expenditure which means that MRP is determined by the life of the asset for which the borrowing is undertaken.

The different methods of calculation will affect how much money the Council sets aside for debt repayment. The above statement means that where the Welsh Government gives us the money to repay debt we will repay it at 4% of whatever is outstanding. Where we borrow through Prudential Borrowing we will charge an amount that lets us repay the debt over the expected life of the asset.

6.5 Adopting International Financial Reporting Standards (IFRS) has resulted in leases and Private Finance Initiative (PFI) schemes coming on the balance sheet. This affects how much it appears the Council has borrowed but this is effectively covered by grant payments. MRP in respect of leases and PFI schemes brought on the balance sheet under IFRS will match the annual principal repayment for the associated deferred liability. This is a technical accounting adjustment which is cost neutral for the Council.

6.6 MRP on Housing assets is made in accordance with statutory requirements (the General Determination of the Item 8 Credit and Item 8 Debit).

7. Reporting Treasury Management Activity

The Section 151 Officer (Head of Finance & Assets) will report to the Corporate Governance Committee on treasury management activity / performance as follows:

(a) The Treasury Management Strategy Statement and Prudential Indicators will be submitted to the committee in February each year prior to approval by Council.
(b) Two treasury management updates will be submitted to the committee in July and December each year.

(c) An annual report on treasury activity will be submitted to the committee in September each year for the preceding year prior to approval by Cabinet.

A treasury update will also be included in the monthly Revenue Monitoring report and borrowing will be reported on in the Capital Plan to Council.

8. Other items

8.1 Member Training

The revised CIPFA Code of Practice on Treasury Management requires the Section 151 Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

The Council has nominated the Corporate Governance Committee as the committee which will have responsibility for scrutiny of the treasury management function, and this committee has been receiving appropriate training on a regular basis.

8.2 Treasury Management Consultants

The contract for Treasury Management advisers is tendered every five years but the Council has the option to replace its advisers at the end of the third year. Following a review at the end of the third year of the current contract with Arlingclose Ltd, it was decided to extend the contract for a further two years until 31 December 2013.

Treasury Management Strategy Statement
and Investment Strategy 2012/13 to 2014/15

APPENDIX B

PRUDENTIAL INDICATORS 2012/13 TO 2014/15

1 Background

The indicators are calculated to demonstrate that the Council's borrowing is affordable and are underpinned by the following regulations. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2 Net Borrowing and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Section 151 Officer reports that the Council had no difficulty meeting this requirement in 2011/12 to date nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3 Estimates of Capital Expenditure

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	**2011/12 Approved £000**	**2011/12 Revised £000**	**2012/13 Estimate £000**	**2013/14 Estimate £000**	**2014/15 Estimate £000**
Council Fund	40,827	30,708	34,779	7,745	5,774
HRA	5,969	5,413	7,452	4,998	5,148
Total	**46,796**	**36,121**	**42,231**	**12,743**	**10,922**

NB The figures have been taken from the 2012/13 Capital Plan which will be presented to Council for approval on 28 February 2012. The 2012/13 figures include estimated grants as we have not yet received formal notification from the Welsh Government. Any changes will be reported in the outturn report in September.

3.2 Capital expenditure will be financed as follows:

Capital Financing	**2011/12 Approved £000**	**2011/12 Revised £000**	**2012/13 Estimate £000**	**2013/14 Estimate £000**	**2014/15 Estimate £000**
Council Fund					
Capital Receipts	1,049	2,802	1,147	0	0
Grants & Contributions	20,561	15,911	13,174	4,590	2,480
Revenue Contributions					
Supported Borrowing	8,151	3,090	9,721	3,152	2,994
Prudential Borrowing	11,066	8,905	10,737	3	300
Total	**40,827**	**30,708**	**34,779**	**7,745**	**5,774**
HRA					
Capital Receipts	16	65	17	17	18
Grants & Contributions	2,400	2,400	2,400	2,400	2,400
Revenue Contributions	1,341	1,341	565	1,054	606
Supported Borrowing					
Prudential Borrowing	2,212	1,607	4,470	1,527	2,124
Total	**5,969**	**5,413**	**7,452**	**4,998**	**5,148**

4 Ratio of Financing Costs to Net Revenue Stream

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It shows how much of its budget the Council uses to repay debt and interest.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2011/12 Approved %**	**2011/12 Revised %**	**2012/13 Estimate %**	**2013/14 Estimate %**	**2014/15 Estimate %**
Council Fund	6.67	6.61	6.91	7.48	7.35
HRA	24.32	22.90	22.31	23.46	23.58
Total	**7.78**	**7.60**	**7.87**	**8.53**	**8.44**

5 Capital Financing Requirement & Actual External Debt

5.1 The Capital Plan relies on various sources of finance i.e. grants, contributions and capital receipts. Once these are used up, we need to rely on borrowing and the Capital Financing Requirement (CFR) is the amount we need to borrow. Our borrowing shouldn't therefore go above the CFR. The Council's CFR and borrowing levels are compared in the table below for the current and future years.

Capital Financing Requirement	**31/03/11 Actual £000**	**31/03/12 Estimate £000**	**31/03/13 Estimate £000**	**31/03/14 Estimate £000**	**31/03/15 Estimate £000**
Council Fund	131,684	137,346	151,245	147,285	143,623
HRA	25,451	25,607	28,696	28,619	29,063
Total CFR	**157,135**	**162,953**	**179,941**	**175,904**	**172,686**

Total Debt	**131,280**	**134,890**	**158,197**	**161,258**	**160,585**

5.2 The move to International Financial Reporting Standards (IFRS) has resulted in the Council's Private Finance Initiative (PFI) being brought onto the Balance Sheet and this has resulted in an increase in the CFR as illustrated in the table below:

Capital Financing Requirement	**31/03/11 Actual £000**	**31/03/12 Estimate £000**	**31/03/13 Estimate £000**	**31/03/14 Estimate £000**	**31/03/15 Estimate £000**
Council Fund	131,684	137,346	151,245	147,285	143,623
HRA	25,451	25,607	28,696	28,619	29,063
PFI	11,264	10,993	10,676	10,564	10,475
Total CFR	**168,399**	**173,946**	**190,617**	**186,468**	**183,161**

6 Incremental Impact of Capital Investment Decisions

6.1 This indicator shows how much of the Council Tax income is spent on paying debt interest.

Incremental Impact of Capital Investment Decisions	**2011-12 Approved £**	**2012-13 Estimate £**	**2013-14 Estimate £**	**2014-15 Estimate £**
Increase in Band D Council Tax due to:				
Prudential Borrowing	22.33	10.12	0.00	0.00
Capital Receipts	0.40	0.46	0.00	0.00
Reserves	0.00	0.00	0.00	0.00
Total	**22.73**	**10.58**	**0.00**	**0.00**
Average Weekly Housing Rents	1.76	1.69	1.67	1.01

Between 2007/08 and 2012/13, the Council has budgeted to undertake a total of £32.0m prudential borrowing. The cumulative impact of this has been an increase in Council Tax of £70.08.

This indicator shows the equivalent impact on Council Tax of the decision to undertake Prudential Borrowing as well as the investment interest lost by using capital receipts and reserves to part fund the Capital Plan. The impact of supported borrowing has not been included because it is assumed that the Council would always spend its supported borrowing to fund its Capital Plan.

The increases in council house rents reflect the additional costs of financing the borrowing to be undertaken each year as part of the Housing Stock Business

Plan with the aim to attain the Welsh Housing Quality Standard by 2012. The indicator illustrates the impact of each year's capital expenditure and new borrowing on weekly rents.

7 Authorised Limit and Operational Boundary for External Debt

7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

7.2 The **Authorised Limit** sets the maximum level of external borrowing. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices. This is reported as a part of the Capital Monitoring Report.

7.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit) and if it is breached, this will be reported to the next Council meeting.

Authorised Limit for External Debt	**2011/12 Approved £000**	**2012/13 Estimate £000**	**2013/14 Estimate £000**	**2014/15 Estimate £000**
Borrowing	175,000	180,000	180,000	180,000

7.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt	**2011/12 Approved £000**	**2012/13 Estimate £000**	**2013/14 Estimate £000**	**2014/15 Estimate £000**
Borrowing	170,000	175,000	175,000	175,000

8 Adoption of the CIPFA Treasury Management Code

8.1 This indicator demonstrates that the Council has adopted the principles of best practice. The Council adopted the original Code in March 2002. A revised Code was issued in November 2009 and another in November 2011. One of the recommendations is that the Code is adopted by Council.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council is due to approve the adoption of the revised CIPFA Treasury Management Code (Nov 2011) at its meeting on 28 February 2012.

9 Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need.

Gross and Net Debt	**2011/12 Estimate £000**	**2012/13 Estimate £000**	**2013/14 Estimate £000**	**2014/15 Estimate £000**
Outstanding Borrowing (at nominal value)	134,890	158,197	161,258	160,585
Other Long-term Liabilities (at nominal value)	0	0	0	0
Gross Debt	**134,890**	**158,197**	**161,258**	**160,585**
Less: Investments	20,000	20,000	20,000	20,000
Net Debt	**114,890**	**138,197**	**141,258**	**140,585**

10 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on a net interest paid basis (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments).

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	2011/12 Approved %	**2012/13 Estimate %**	**2013/14 Estimate %**	**2014/15 Estimate %**
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100
Upper Limit for Variable Rate Exposure	40	40	40	40

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

11 Maturity Structure of Fixed Rate borrowing

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Actual %	Lower Limit %	Upper Limit %
under 12 months	1.20	0	5
12 months and within 24 months	1.20	0	5
24 months and within 5 years	9.04	0	20
5 years and within 10 years	9.42	0	25
10 years and above	79.14	50	100

12 Credit Risk

12.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

12.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

12.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

12.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

13 Upper Limit for total principal sums invested over 364 days

13.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2011/12 Approved £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
	6.00	6.00	6.00	6.00

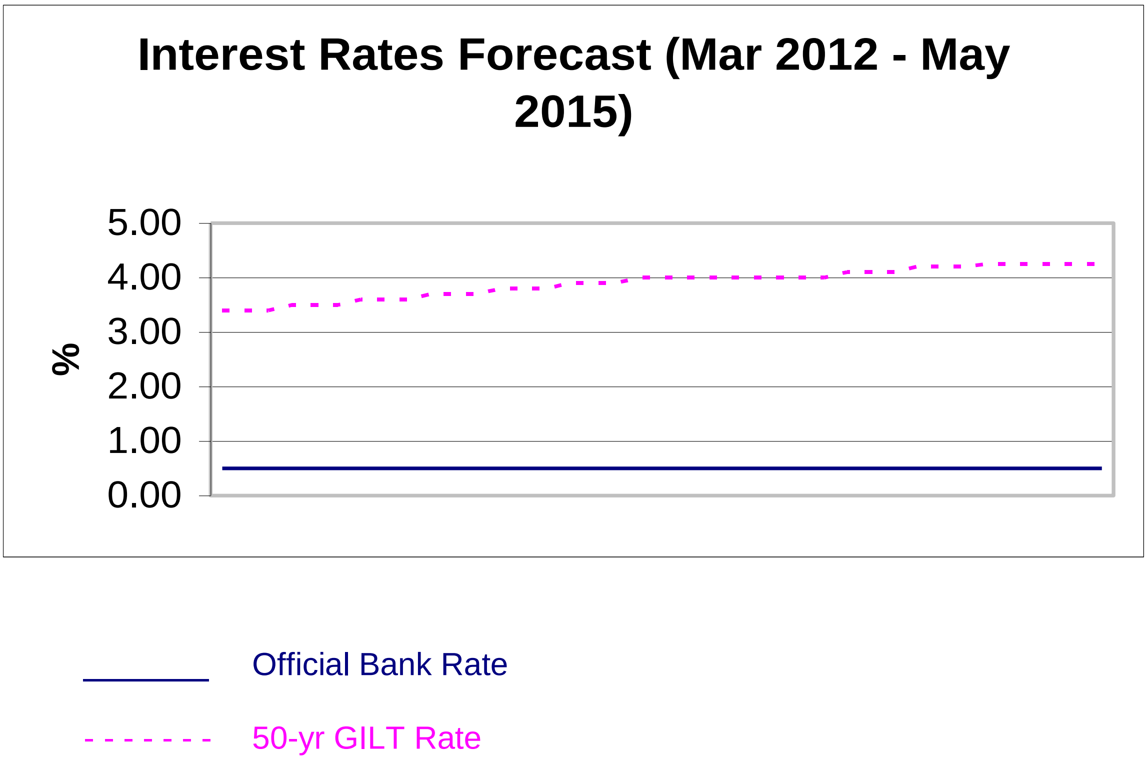
Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15

APPENDIX C

INTEREST RATES FORECAST

The graph below shows the interest rate forecast for the Official UK Bank Rate and the 50 year GILT rate from March 2012 to May 2015. The Official Bank Rate influences the rate at which the Council can invest. The GILT rate is the rate at which the Government borrows money and therefore this affects the rate at which we can borrow from the PWLB which is approximately 1% above GILT rates.

As the graph shows, it's much more expensive to borrow than to invest at the moment with the Official UK Bank Rate expected to remain at 0.5% for some time. The graph illustrates that the difference between investment and borrowing rates is approximately 3%. This means that the cost of carry referred to in paragraph 4.1 in **Appendix A** is approximately £30,000 for every £1m borrowed because the Council could borrow for 50 years at a rate of approximately 4% but could only invest at a rate of approximately 1%.



Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15

APPENDIX D

Specified and Non-Specified Investments

Investment	Specified	Non-Specified	Maximum Specified Counterparty Limit (£m)
Term deposits with UK banks and building societies	✓	✓	8
Term deposits with non UK banks and building societies	✓	✓	5
Term deposits with other UK local authorities	✓	✓	No limit
Certificates of deposit with UK banks and building societies	✓	✓	8
Certificates of deposit with non UK banks and building societies	✓	✓	5
Gilts	✓	✓	No limit
Treasury Bills (T-Bills)	✓	×	No limit
Bonds issued by Multilateral Development Banks	✓	✓	5
Local Council Bills	✓	×	No limit
Commercial Paper	✓	×	5
Corporate Bonds	✓	✓	5
AAA rated Money Market Funds	✓	×	*
Other Money Market and Collective Investment Schemes	✓	✓	5
Debt Management Account Deposit Facility	✓	×	No limit

***** Investments in each Money Market Fund should be limited to 10% of the Council's total investments rounded up to the next £million e.g. if the total investments are £25m, then the limit in each fund would be £2.5m rounded up to £3m.

Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15

APPENDIX E

Recommended Sovereign and Counterparty List

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit (£m)
Term Deposits / CDs / Call Accounts	UK	Santander UK Plc (Banco Santander Group)	8
Term Deposits / CDs / Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	8
Term Deposits / CDs / Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	8
Term Deposits / CDs / Call Accounts	UK	Barclays Bank Plc	8
Term Deposits / CDs / Call Accounts	UK	Clydesdale Bank (National Australia Bank Group)	8
Term Deposits / CDs / Call Accounts	UK	HSBC Bank Plc	8
Term Deposits / CDs / Call Accounts	UK	Nationwide Building Society	8
Term Deposits / CDs / Call Accounts	UK	NatWest (RBS Group)	8
Term Deposits / CDs / Call Accounts	UK	Royal Bank of Scotland (RBS Group)	8
Term Deposits / CDs / Call Accounts	UK	Standard Chartered Bank	8
Term Deposits / CDs / Call Accounts	Australia	Australia and NZ Banking Group	5
Term Deposits / CDs / Call Accounts	Australia	Commonwealth Bank of Australia	5
Term Deposits / CDs / Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank Group)	5
Term Deposits / CDs / Call Accounts	Australia	Westpac Banking Corp	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Montreal	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Nova Scotia	5
Term Deposits / CDs / Call Accounts	Canada	Canadian Imperial Bank of Commerce	5

Term Deposits / CDs / Call Accounts	Canada	Royal Bank of Canada	5
Term Deposits / CDs / Call Accounts	Canada	Toronto-Dominion Bank	5
Term Deposits / CDs / Call Accounts	Finland	Nordea Bank Finland	5
Term Deposits / CDs / Call Accounts	France	BNP Paribas	5
Term Deposits / CDs / Call Accounts	France	Credit Agricole CIB (Credit Agricole Group)	5
Term Deposits / CDs / Call Accounts	France	Credit Agricole SA (Credit Agricole Group)	5
Term Deposits / CDs / Call Accounts	France	Société Générale	5
Term Deposits / CDs / Call Accounts	Germany	Deutsche Bank AG	5
Term Deposits / CDs / Call Accounts	Netherlands	ING Bank NV	5
Term Deposits / CDs / Call Accounts	Netherlands	Rabobank	5
Term Deposits / CDs / Call Accounts	Netherlands	Bank Nederlandse Gemeenten	5
Term Deposits / CDs / Call Accounts	Sweden	Svenska Handelsbanken	5
Term Deposits / CDs / Call Accounts	Switzerland	Credit Suisse	5
Term Deposits / CDs / Call Accounts	US	JP Morgan	5

NB Non-UK Banks - Investments with non-UK banks should be limited to £10m in total.

NB Group Limits - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group will apply.

Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15

GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

Bank of England	UK's Central Bank
Bank Rate	Bank of England Interest Rate (also known as Base Rate)
CPI	Consumer Price Index – a measure of the increase in prices
RPI	Retail Price Index – a measure of the increase in prices
DMO	Debt Management Office – issuer of gilts on behalf of HM Treasury
FSA	Financial Services Authority - the UK financial watchdog
GDP	Gross Domestic Product – a measure of financial output of the UK
GILTS	Investments issued by UK Government which pay a fixed cash payment to the holder
LIBID	London Interbank Bid Rate - International rate that banks lend to other banks
LIBOR	London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)
PWLB	Public Works Loan Board – a Government department that lends money to Public Sector Organisations
MPC	Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate
Long term rates	More than 12 months duration
Short term rates	Less than 12 months duration