

Counterparty Policy

The counterparty policy for investments is reviewed annually and approved by both Cabinet and Council, the latest review being in February 2012. The table below identifies the banks in use at the year-end listed against the appropriate counterparty criteria as at **31st October 2012**. October's balances have been used to illustrate the impact of the revised counterparty policy discussed below.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories.

Counterparty limits are approved by the Section 151 Officer in accordance with the Council's Treasury Management Practices.

Specified investments are considered low risk and relate to funds invested for up to one year. Non-Specified investments sometimes offer the prospect of higher returns but carry a higher risk and may have a maturity beyond one year. All investments and borrowing are sterling denominated.

All credit ratings will be monitored in house with the help of Sector who alert the Council to changes in Fitch ratings through its creditworthiness service.

If a downgrade results in the counterparty no longer meeting the Council's minimum criteria, its further use as an investment will be withdrawn immediately.

Specified Investments

All such investments will have maturities up to a maximum of 1 year, meeting the minimum rating criteria where applicable. The instruments and criteria to be used are set out in the table below.

Instrument	Minimum Credit Criteria	Max. maturity period	Year -end Counterparties	31.10.2012 Balances £'m
Debt Management Agency Deposit Facility	Government backed	12 months	N/A	0.0
Term deposits – other LAs	Local Authority issue	12 months	N/A	0.0
Term deposits – banks and building societies	AA- Long Term F1+Short-term 2 Support B Individual AAA Sovereign	12 months	Svenska Handelsbanken	10.0
Money Market Funds	AAA	daily	3 funds	0.0
Total Specified Investments				10.0

Non Specified Investments

	Minimum Credit Criteria	Max. maturity	Year -end Counterparties	31.10.2012 £'m
Term deposits – banks and building societies	A Long Term F1 Short-term 1 Support B Individual UK or AAA Sovereign	3 months	Nationwide BS	5.0
UK nationalised Banks [RBS & Lloyds / HBoS]	F1 Short-term 1 Support	36 months	Lloyds/HBoS RBS	55.0 39.0
Callable Deposits	F1 Short term A Long Term 1 Support	3 months		0.0
Total Non Specified Investments				99.0
Total Investments				109.0

The counterparty limits approved by Cabinet in February 2012, were £30 million for each of Lloyds and RBS and £20 million for all others. The Lloyds and RBS limits were each increased to 50% of total investments in October 2012. As these banks offer the most attractive rates, deposits were shifted from Barclays, Svenska, Nationwide and money market funds to the two part nationalised banks.

New Investments from 1st April 2012

Listed below are the longer term investment transactions made in the year. Daily liquidity deals are not separately quantified.

Month	Bank	Value	period	Interest rate
Apr-12	Lloyds	£3m	12 months	3.00%
May-12	RBS	£10m	12 months	2.25%
May-12	RBS	£5m	6 months	1.26%
Jun-12	RBS	£5m	12 months	2.25%
Jun-12	Lloyds	£5m	12 months	3.00%
Jul-12	Nationwide	£3m	3 months	0.60%
Aug-12	Lloyds	£2m	24 months	3.20%
Sep-12	Lloyds	£5m	24 months	3.10%
Oct-12	Lloyds	£25m	12 months	2.25%
various	Svenska		35 day notice	0.87% dropping to 0.45%
daily	Money market fd		daily	average 0.45%
daily	RBS deposit a/c		daily	0.75%