Appendix B

TREASURY MANAGEMENT STRATEGY 2012/13 – 2016/17 AND PRUDENTIAL INDICATORS

1 Background

1.1 The role of treasury management is to ensure that the cash flow is adequately planned so that cash is available when it is needed.

1.2 Surplus monies are invested in low risk counterparties in line with the Council's low risk appetite ensuring that security and liquidity of funds are achieved before considering the yield.

1.3 Another role of treasury management is to fund the Council's capital programme.

1.4 The capital programme provides a guide to the borrowing need of the Council and the planning of long term cashflow to ensure capital obligations are met. The management of long term cash may involve arranging short or long term loans or using long term cash surpluses.

2 Reporting Requirements

2.1 Guidance on treasury management recommends that the Cabinet receives a minimum of three reports each year.

2.2 The Treasury Management Strategy which covers:

- the capital programme and associated prudential indicators,
- a Minimum Revenue Provision (MRP) Statement,
- the Borrowing Strategy including treasury indicators; and
- an Investment Strategy.

The report is to be reviewed by Scrutiny Committee prior to approval by Cabinet and referral to Full Council.

2.3 A mid year Treasury Management report: updating Cabinet with progress on the capital position, amending the prudential indicators as necessary and revising the strategy if need be.

2.4 An Annual Treasury Management Outturn Report providing details of actual prudential and treasury indicators and actual treasury operations compared to the estimates included in the strategy. The report will be presented to Cabinet in September after the financial year end.

2.5 Regular updates will be included in budget monitoring reports received by the Cabinet.

3 Treasury Management Strategy for 2012/13

3.1 The strategy for 2012/13 will cover:

- Capital Programme and the Prudential Indicators
- Impact of the HRA Self Financing Payment
- Minimum Revenue Provision (MRP) Statement
- Current treasury position
- Prospects for interest rates
- Borrowing Strategy
- Debt Rescheduling
- Policy for Borrowing in advance of need
- Investment Strategy
- Creditworthiness Policy
- Governance Arrangements

4 The Capital Programme and Capital Prudential Indicators 2012/13 to 2016/17

4.1 The Council's capital programme is the key driver of treasury management activity. The output of the programme is reflected in the prudential indicators which are designed to provide an overview of the programmes affordability and financial prudence/sustainability.

4.2 Prudential Indicator 1 – Capital Expenditure – this indicator is a summary of the council's estimated capital expenditure for the forthcoming financial year and the following 4 years.

4.2.1 (a) - General Fund Capital Expenditure

	2011/12 Forecast £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	TOTAL £'000
Total General Fund Capital Expenditure	1,092	5,996	622	320	593	522	9,145

4.2.2 (b) - HRA Capital Expenditure

	2011/12 Forecast £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	TOTAL £'000
Total HRA Capital Expenditure	2,731	4,637	4,682	5,945	3,779	3,366	25,140

4.2.3 Tables 1(c) and 1(d) below identify the General Fund and HRA capital expenditure proposals and how they will be funded either from grants, contributions, capital receipts, or with contributions from revenue. The remaining balance is the 'net financing need' for the year to be sourced via borrowing (external).

4.2.41(c) – General Fund Capital Expenditure and Financing

	2011/12 Forecast £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	TOTAL £'000
Total General Fund Capital Expenditure	1,092	5,996	622	320	593	522	9,145
Financed from:							
Grants and Contributions	(439)	(2,039)	(65)	(65)	(65)	(65)	(2,738)
Capital Receipts.	-	-	-	-	-	-	-
Revenue Contributions.	(95)	(190)	(37)	(15)	(15)	(15)	(367)
Finance Lease	-	(2,348)	-	-	-	-	(2,348)
Internal Borrowing	(558)	(1,419)	(520)	(240)	(513)	(442)	(3,692)
	(1,092)	**(5,996)**	**(622)**	**(320)**	**(593)**	**(522)**	**(9,145)**
Net Financing Need (External Borrowing)	***0***	***0***	***0***	***0***	***0***	***0***	***0***

4.2.5 1(d) – HRA Capital Expenditure and Financing

	2011/12 Forecast £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	TOTAL £'000
Total HRA Capital Expenditure	2,731	4,637	4,682	5,945	3,779	3,366	25,140
Financed from:							
Grants and Contributions	(200)	(245)	(600)	(580)	-	-	(1,625)
Capital Receipts.	-	(200)	(367)	(120)	(20)	(48)	(755)
Revenue Contributions.	(2,531)	(4,192)	(3,715)	(5,245)	(3,759)	(3,318)	(22,760)
Total Financing	**(2,731)**	**(4,637)**	**(4,682)**	**(5,945)**	**(3,779)**	**(3,366)**	**(25,140)**
Net Financing Need (External Borrowing)	***0***	***0***	***0***	***0***	***0***	***0***	***0***

4.3 Prudential Indicator 2 – Capital Financing Requirement (CFR)

4.3.1 The CFR is the total historical capital expenditure which has as yet not been paid for from either revenue or capital resources. To this is added any future capital expenditure requirements which cannot be immediately paid for.

4.3.2 Long term liabilities are also included, for example finance leases and Private Finance Initiatives (PFI's). Although these arrangements increase the CFR they include a borrowing facility and do not require separate borrowing.

4.4 The table below shows the CFR estimates for the next five years and splits the total CFR into General Fund and HRA elements.

CAPITAL FINANCING REQUIRMENT								
Ref	**Prudential Indicator**	**Actual 2010/11 £'000**	**Forecast 2011/12 £'000**	**Estimate 2012/13 £'000**	**Estimate 2013/14 £'000**	**Estimate 2014/15 £'000**	**Estimate 2015/16 £'000**	**Estimate 2016/17 £'000**
(2a)	Capital Financing Requirement - General Fund	6,723	6,756	9,610	9,669	9,483	9,581	9,607
(2b)	Housing Revenue Account	-	88,713	88,713	88,713	88,713	88,713	88,713
(2c)	**TOTAL**	**6,723**	**95,469**	**98,323**	**98,382**	**98,196**	**98,294**	**98,320**

4.5 Prudential Indicator 3 – Actual and Estimate of the ratio of financing costs to net revenue budget

4.5.1 This indicator identifies the proportion of the revenue budgets (General Fund and HRA) which are take up in financing capital expenditure. That is the net interest cost and the provision for debt repayment.

ACTUAL AND ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE								
Ref	**Prudential Indicator**	**Actual 2010/11 %**	**Forecast 2011/12 %**	**Estimate 2012/13 %**	**Estimate 2013/14 %**	**Estimate 2014/15 %**	**Estimate 2015/16 %**	**Estimate 2016/17 %**
(3a)	General Fund	0.08	0.26	0.19	0.21	0.22	0.23	0.24
(3b)	Housing Revenue Account	-0.04	-0.19	0.94	0.80	0.73	0.69	0.69

4.6 Prudential Indicator 4 – Incremental Impact of Capital Investment

4.6.1 The calculation's aim is to demonstrate the incremental impact of capital investment on the Council Tax and Housing Rents.

INCREMENTAL IMPACT OF CAPITAL INVESTMENT FINANCED FROM INTERNAL BORROWING								
Ref	**Prudential Indicator**	**Actual 2010/11 £'000**	**Forecast 2011/12 £'000**	**Estimate 2012/13 £'000**	**Estimate 2013/14 £'000**	**Estimate 2014/15 £'000**	**Estimate 2015/16 £'000**	**Estimate 2016/17 £'000**
(4a)	Incremental Impact - General Fund	1	2	8	10	11	13	15
(4b)	Housing Revenue Account	-	-	-	-	-	-	-

5 HRA Self Financing Payment

5.1 Changes in the financing regime for the HRA has resulted in another key driver for treasury management activity: the HRA Self Financing Payment

5.2 Under the regulations for HRA Self Financing, the Council will be required to make an HRA Self Financing Payment of £88.7 million on 28 March 2012. The Council remains debt free up until this date.

5.3 The Housing Board to be held on 31 January 2012 will consider the HRA 30 year Business Plan which will include the following funding strategy for the payment. The strategy has been prepared taking into account advice from the Council's treasury management advisors (Arlingclose) and Member/Tenants aspirations that the repayment of the initial sum enables the HRA budgets to have flexibility within the first five years to finance capital investment and flexibility for early repayment of debt should interest rates be forecast to rise sharply. The strategy also takes into account the government's offer of a once only discount on PWLB loans ring fenced for the HRA Self Financing payment; making private funding poor value for money as a result.

HRA Self Financing Payment – Funding Summary	
Description	**Details**
Loan value	£88.713 million
Loan arrangements	• £10 million variable rate loan. Maturing in tranches of £2 million from years 6 to 10. • £77.713 million loan maturing in tranches between years 11 to 30.
Interest Rate terms	Fixed rate loan – 2.78% to 3.45%(estimated) Variable rate loan – 0.7% (estimated) Average Interest rate on Debt Portfolio 3.3%
Estimated interest payable over 30 years	£57.9 million.
Benefits of proposal	Provides financial flexibility within the first five years of the HRA Business Plan to finance development of social housing and the opportunity to use fortuitous cash balances to repay debt early if this provides Value for Money.
Risks to the proposal	• Low Risk - Shortfall of cash. • Medium Risk re Refinancing - problem of replacing low rate debt should there be a potential budgetary shortfall in the HRA. • Medium Risk re Interest Rate – Rates locked in as at date 28th March 2012 at discounted PWLB rates. • Medium Risk re Interest Rate – Initial exposure to interest rate rises in initial ten years as variable rate loans drawn down. • Medium Risk re budget management – Adverse change in PWLB lending arrangements. • Medium Risk – Substantial part of the borrowing portfolio is fixed from year 10 and not linked to inflation. Rental income is linked to inflation, if rates fall could lead to funding gap.

5.4 The ratio of financing costs to net revenues is detailed at paragraph 4.4.1.

6 Minimum Revenue Provision (MRP) Statement 2012/13

6.1 Local Authorities are not required to raise council tax to cover depreciation costs on fixed assets.

6.2 However under the relevant regulations the Council is required to make a prudent provision from the General Fund for debt repayment (including the repayment of principal for finance leases). There is no requirement to charge MRP for HRA expenditure funded from borrowing.

6.3 For the 2010/11 Statement of Accounts and 2011/12 budget process the Council chose to calculate the annual repayment provision based on a 'reducing life' method, as the council was debt free. Thus the General Fund MRP currently reflects only the annual principal repayment for the council's finance leases.

6.4 The impact of the HRA Self Financing Payment will result in the council's CFR becoming positive for the first time, as detailed at paragraph 4.3.2. Under current financing regulations this would normally result in a charge being made to the General Fund for any capital expenditure funded from borrowing and therefore have an impact on the council tax levy.

6.5 Current advice is that the CLG will issue statutory overrides, as it has done in the past, to ensure that there is no impact on the council tax levy as a result to changes in the housing finance regime.

7 Treasury Management Strategy

7.1 Introduction

7.1.1 The treasury management function ensures that the Council's cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet the council's service requirements.

7.1.2 This will involve both the management of cashflow and, where the capital programme or regulations require (for example the HRA Self Financing Payment), the arrangement of appropriate borrowing facilities (internal or external).

7.1.3 This strategy covers the relevant treasury/ prudential indicators, the current and projected debt position and the annul investment strategy.

7.2 Forecast Outturn to 31st March 2012

7.2.1 General Treasury Management Position

7.2.2 During 2011/12 the Council continued to comply with the requirements of CIPFA's Code of Treasury Management Practice in the Public Services as well as the Council's Treasury Management Policy and Strategy for 2011/12.

7.2.3 In line with governance requirements, in order to respond to increased economic risks; the Mid Year update report to Cabinet on 8th December 2011 revised the Council's Operational Counterparty listing.

7.2.4 In addition, the Council's debt boundaries and limits had to be changed to reflect the impact of borrowing to fund the HRA Self Financing Payment on 28th March 2012.

7.2.5 Treasury Management Position - Forecast to 31st March 2012 (Appendix 1).

7.2.5.1 Appendix 1 provides a summary of the Council's likely treasury management position as at 31st March 2012. In summary:

- The Council's Net Borrowing position is forecast to be £85.3 million by the end of the financial year, primarily as a result of the draw down of funding for the HRA Self Financing payment.
- Prior to the need to borrow for the HRA Self Financing payment, the Council was debt free and its capital expenditure plans for 2011/12 do not require any external borrowing for 2011/12; having been funded from internal cash balances in line with the 2011/12 treasury management policy.
- Other financial liabilities are estimated to be £5.9 million by the end of March 2012 and represent liabilities in relation to the Private Finance Initiative for Leisure services and various finance leases. These liabilities will reduce as the contracts are delivered.
- As at 1st April 2011 the Capital Receipts Reserve had a zero balance, with no receipts available to finance ongoing capital investment. There is a forecast of in year Right to Buy receipts of £0.2 million for 2011/12 and no receipts generated through the sale of General Fund assets.
- The Council's Capital Financing Requirement (the underlying need to borrow) is forecast to be £95.1 million, as reported to Cabinet on 8th December 2011 and reflects the impact of the Housing Self financing Payment.
- Total Investments as at 31st March 2012 are projected to be £7.6 million, excluding the Landsbanki investment. Almost half of the balance will be represented by monies on call or invested for less than one month. Interest income is forecast to be £80k for 2011/12. This reflects the Council's risk strategy of prioritising capital and liquidity over yield.
- Arrangements have been put in place to receive the Landsbanki distributions, with settlement progress and the associated risks being continually monitored and reported to Members.
- All counterparty arrangements under taken to date have been in line with the Council's approved Counterparty listing and associated Cabinet approvals.

7.3 Economic and Interest rate Forecast 2012/13 Onwards

7.3.1 In addition to consideration of the 'local' financial position, the Council needs to formulate its Treasury Management Strategy in the context of the current economic climate, which can be summarised as follows:

- Economic growth worldwide gives cause for concern, especially within the 'Euro Zone'.
- The use of further 'quantitative easing' and other fiscal measures by the UK Monetary Policy Committee indicates that there is concern over the UK's economic recovery in the medium term.
- Inflation, which has increased more than anticipated but which is expected to fall back in 2013, and high levels of unemployment; will further hamper economic growth.

- Although the UK's Public Finances are on track to meet the targeted constraints directed by central government; forecasts could be hampered as unemployment and inflation continues to rise, leaving limited resources to provide for measures to boost economic recovery.
- Against this backdrop interest rates are expected to remain at current low levels for 2012 and current predictions are that rates may not increase until quarter three of 2013. Interest Rate Forecasts are detailed at Appendix 2.
- The economic instability in the Euro Zone has resulted in many bank credit ratings being downgraded.

This background has resulted in restricted investment options for the Council, poor investments returns and focus on the overriding priority of protecting investment capital. This position is likely to continue in the medium term given the poor economic climate.

7.4 **Borrowing Strategy**

7.4.1 The council maintained an 'under-borrowed', position up until 28th March 2012. This means that the CFR was not funded with new debt as cash supporting the council's reserves balances and cash flow have been used. This position is expected to continue for the General Fund over the period of the forecast.

7.4.2 The Medium Term Financial Strategy (MTFS) is based on the following borrowing assumptions for the next five years:

- To finance capital expenditure by continuing to run down cash balances and forego interest income at historically low interest rates.
- To take advantage of the one off PWLB discount borrowing rates as at 28 March 2012 to finance the HRA Self Financing payment as detailed at paragraph 5.3.
- If there is a significant risk of a sharper rise in long and short term rates than forecast then the debt portfolio position will be reappraised; with consideration given to fixed rate funding whilst rates were still relatively cheap.

7.4.3 The borrowing strategy will be kept under constant review as a result of interest rate changes and borrowing opportunities. Apart from the HRA Self Financing payment no external borrowing will be required over the next five years.

7.4.4 This strategy will be administered through the review of the following key Prudential Indicators:

- Prudential Indicator 6 – Operational Boundary
- Prudential Indicator 7 – Authorised Limit for External Borrowing
- Prudential Indicator 8 – Upper Limit on Variable Rate Exposure
- Prudential Indicator 9 – Upper Limit on Fixed Rate Exposure
- Prudential Indicator 10 – Maturity Structure of borrowing

Borrowing limits								
Ref	Prudential Indicator	Actual 2010/11 £'000	Forecast 2011/12 £'000	Estimate 2012/13 £'000	Estimate 2013/14 £'000	Estimate 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000
(6)	Operational Boundary	6,464	97,652	99,087	98,626	98,200	97,784	97,371
(7)	Authorised Limit	6,464	103,700	102,000	101,000	101,000	101,000	101,000

Interest Rate Exposure Prudential Indicators								
Ref	Prudential Indicator	Actual 2010/11 £'000	Forecast 2011/12 £'000	Estimate 2012/13 £'000	Estimate 2013/14 £'000	Estimate 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000
(8)	Limits on Fixed Interest Rate based on Net Debt	-	78,713	78,713	78,713	78,713	78,713	78,713
(9)	Limits on Variable Interest Rate based on Net Debt	-	10,000	10,000	10,000	10,000	10,000	10,000

Liquidity/Refinancing Indicator		
Ref	Prudential Indicator	Forecast 2011/12 £'000
(10)	Maturity Structure - Upper Limit	
	Under 5 Years	0
	5 years to 10 years	10,000
	11 years to 20 years	32,000
	21 years and above	46,713

7.4.5 Debt Rescheduling

7.4.5.1 The Council's debt portfolio can be restructured through the premature repayment of loans and refinancing to reduce interest rate risk and make savings in the revenue budgets.

7.4.5.2 This option has however been restricted due to the current low interest rate environment and the higher costs associated with repaying PWLB. With the assistance of the council's treasury advisors, the debt portfolio will be kept under review to take advantage of any rescheduling opportunities**.**

7.5 Policy on Borrowing in Advance of Need (Future Capital Expenditure)

7.5.1 The Council will not borrow more than or in advance of its needs purely in order to profit from investment of extra sums borrowed, as the practice is unlawful.

8 Investment Strategy

8.1 As with 2011/12, the Council's primary objective for 2012/13 in relation to investment of surplus funds will be the security and liquidity of invested sums; with yield taking second place.

8.2 Specified and Non Specified

8.2.1 Central Government's updated Investment guidance is based on categorising investments into 'Specified' and 'Non Specified' investments.

8.2.2 'Specified' investments are investments in sterling having a relatively high security (relatively high credit ratings) and high liquidity rating (maturity duration of less than 365 days). These investments cannot be deemed as capital expenditure under the relevant finance regulations. Appendix 3 identifies the available 'Specified' investments under regulation which now includes corporate bonds.

8.2.3 'Non Specified' investments have more potential for risk and therefore need fuller consideration before the council makes the relevant investment. Given the Council's current risk appetite in the current economic climate the Council is not willing to consider 'Non Specified' investments.

8.3 **Counterparties Listing (Appendix 4)**

8.3.1 In consultation with the Council's treasury management advisors, the counterparty list detailed at Appendix 4 has been proposed for 2012/13. The list is in line with the changes approved by Cabinet on 8 December 2011.

8.3.2 In response to the current economic climate, the list includes only those counterparties which are UK domiciled and systemic to the UK financial sector, above a minimum credit rating of A-(across three credit rating agencies). To provide further safeguards the maximum investment duration has been reduced to 6 months and a placement value has been implemented.

8.3.3 Given the current economic climate, the Counterparty list is monitored on a daily basis in liaison with the Council's treasury management advisors; with material changes as required being reported to Cabinet for approval.

8.3.4 It should be noted that operationally the Council's placement of investments is well below its treasury management policy and central government guidance. For example, operational practice with the counterparty Santander UK is to place funds overnight only, in line with advice from Arlingclose.

8.4 **Use of Financial Instruments**

8.4.1 Although recent legislation has opened up the ability of Councils to operate in a similar manner to a corporate body (General power of Competence – Localism Bill) and use financial derivatives to manage its treasury management risks; current advice is that the position is open to legal challenge.

8.4.2 The council does not at present intend to use derivative financial instruments to manage treasury management risk.

9 Governance Arrangements

9.1 Treasury Management Scheme of Delegation

9.1.1 The following lists the main treasury management responsibilities in relation to the relevant individual/Committee:

9.1.2 Full Council:

- Approval of the Treasury Management Policy and Annual treasury Management Strategy.

9.1.3 Cabinet:

- Reviews the Treasury Management Strategy and recommends the Strategy for approval by Full Council.
- Receive reports on treasury management activities.

9.1.4 Performance and Audit Committee:

- Monitors compliance with the Council's Financial Regulations.

9.1.5 Scrutiny Committee:

- Assists in the development of budget and policy framework.
- Reviews and scrutinises policy objectives and performance targets.

9.1.6 S151 Officer – Assistant Chief Executive - Finance:

- Implements and monitors the Treasury Management Strategy.
- Reports to Cabinet no less than three times in each financial year on treasury management activities and the relevant delegated powers.

- One activity report must comprise the annual treasury management outturn report. To be reported to Cabinet by the September following the end of the financial year.

9.2 Treasury Management Procedures

9.2.1 Treasury Management Procedures (TMP's) will be reviewed on an annual basis prior to the commencement of the financial year and will be in compliance with CIPFA's guidance on Treasury Management Practices.

9.3 Role of Treasury Management Advisors

9.3.1 The Council uses Arlingclose as its treasury management advisors, which provides access to specialist skills and resources.

9.3.2 In applying the Council's agreed terms of appointment and undertaking timely reviews of the service provided; the value added from the appointment can be assessed and properly documented.

9.3.3 The Council recognises that the responsibility for treasury management decisions remains with the Council at all times and will ensure that the appropriate training and decision making process does not place undue reliance on the advisors.

APPENDIX 1

Forecast Investment and Debt Portfolio Position As at 31st March 2012	
Balance Sheet Extract	**Forecast £'000**
External Borrowing:	-
Variable Rate PWLB	10,000
Fixed Rate PWLB	78,713
Total External Borrowing	**88,713**
Other Long Term Liabilities:	
-PFI	5,297
- Finance Leases	540
-Pension Liability	102
Total Long Term Liabilities	**5,939**
Total Gross Debt	**94,652**
Investments	
Long Term Investments	1,740
Short Term Investments	3,800
Cash and Cash Equivalents	3,800
Total Investments	**9,340**
Net Borrowing	**85,312**

APPENDIX 2

Arlingclose Interest Rate Forecast	Now	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
	%	%	%	%	%	%	%	%	%	%	%	%	%
Official Bank Rate													
Upside Risk						0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside Risk													

Specified Investments under Statute permitted within Treasury Managment Strategy (Investments with low security and liquidity risk)
Instrument
Term deposits with Banks and Building Societies Term deposits with Other UK Local Authorities Certificates of Deposit with Banks and Building Societies Treasury Bills (T Bills) Local Authority Bills AAA Rated Money Market Funds - UK Domicile Debt Management Account Deposit Facility

Specified Investments under Statute not considered within Treasury Managment Strategy (Investments with low security and liquidity risk)
Instrument
Bonds Issued by Multilateral Development Banks Gilts Commercial Paper Corporate Bonds

Appendix 4

Specified Investments Counterparty List - 2012/13

(based upon revised policy as set out in the report and credit ratings as at 29 November 2011)

Instrument	Country	Maximum	Maximum Duration
Government DMO	UK	15% or if total < £10m then £2m to each counterparty	-
UK local authorities	UK	15% or if total < £10m then £2m to each counterparty	6 months
Bank of Scotland plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Barclays Bank plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Clydesdale Bank	UK	15% or if total < £10m then £2m to each counterparty	6 months
HSBC Bank plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Lloyds TSB Bank plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
National Westminster Bank	UK	15% or if total < £10m then £2m to each counterparty	6 months
Nationwide Building Society	UK	15% or if total < £10m then £2m to each counterparty	6 months
Royal Bank of Scotland plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Santander UK plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Standard Chartered Bank	UK	15% or if total < £10m then £2m to each counterparty	6 months
AAA-rated UK domiciled Money Market Funds	UK	15% or if total < £10m then £2m to each counterparty	On Call

Notes:

1. Banking counterparties to be suspended from the list if their credit rating falls below A -
2. UK Local Authorities include organisations detailed in the PWLB's Lending Arrangments
3. Group Limits: For institutions within a banking group, a maximum limit of £3 million will apply.