AGENDA ITEM NO.8

ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE ON 15 November 2018

PART A: REPORT

SUBJECT: Treasury Management - Mid-Year Review Report 2018/19

REPORT AUTHOR: Sian Southerton – Senior Accountant (Treasury)
DATE: November 2018
EXTN: 37861
PORTFOLIO: Corporate Support

EXECUTIVE SUMMARY:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the activities to 30 September 2018. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

RECOMMENDATIONS:

The Committee is requested to recommend Full Council to:

(i) approve the actual prudential and treasury indicators for 2018/19 contained in the report;
(ii) note the treasury management report for 2018/19;
(iii) note the treasury mid-year activity for the period ended 30 September 2018, which has generated interest receipts of £364,203.64(1.18%) year to date, against a budget of £480,000 (1.14%) for the full year.

1. **BACKGROUND:**

1.1 **Capital Strategy**

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

A report setting out our Capital Strategy will be taken to Full Council, before 31st March 2019.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, 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."

2. INTRODUCTION

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and covers the first 6 months of the year to 30th September 2018.

It recommends that members be updated on treasury management activities regularly (Treasury Management Strategy Statement (TMSS), annual report and mid-year report) and covers the following;

- An economic update for the first half of the 2018/19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of compliance with Treasury and Prudential Limits for 2018/19.

3. ECONOMICS AND INTEREST RATES

3.1. Economics update (provided by Link Asset Services)

UK. The first half of 2018/19 has seen UK economic growth post a modest performance, but

sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report suggested that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation is currently running at 2.5% but is expected to fall back towards the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate.

As for the **labour market,** unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

3.2 Interest rate forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.
- The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which

could then spill over into impacting bond yields around the world.

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

4. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 7th March 2018. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. Given the risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low, however the property fund enhances the returns the Council is achieving on its investments. Currently £5M has been invested in this fund achieving a return of approx. 4.35% year to date.

A full list of investments held as at 30th September, 2018 and the authorised counterparties are shown in Appendix 2 and 3 respectively.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The average level of funds available for investment purposes during the quarter was £60m. A proportion of these funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments (WSCC and Sussex Police, approximately £9.4M per month for 10 months), receipt of grants and progress on the Capital Programme. The authority holds approximately £45M core cash balances for investment purposes (i.e. funds available for more than one year).

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2018/19.

Investment performance for period ended 30.09.2018

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	0.44%	1.14%	1.18%	£364,203

The Council's budgeted investment return for 2018/19 is £480,000 (1.14).

The estimated outturn for 2018/2019 is £650,000 (1.22%), which shows that the original budget will be exceeded, which is due to many factors;

- the bank rate increase on 2nd August,
- the Council taking advantage of some deals for longer durations (earning higher than average rates),
- £5m invested in the CCLA (Churches, Charities and Local Authorities) property fund, and
- higher than anticipated core balances.

The decision to invest periodically into the CCLA property fund is proving to be beneficial as the Council is achieving these enhanced returns and the Council's investment is now valued at £5.02m.

During 2018/19, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	31 March 2018 Actual £000	2018/19 Original £000	2018/19 Current £000	**30 Sept 2018 Actual £000**
Capital Expenditure				
• Non – HRA	10.957	2,310	19,576	**8,008**
• HRA	6,226	8,047	10,100	**2,474**
• **TOTAL**	**17,183**	**10,357**	**29,676**	**10,483**
Total Debt	53,180	53,180	53,180	**53,180**
Capital Financing Requirement at 31st March:				
• Non-HRA	-3,594	-4,198	n/a	**n/a**
• HRA	55,401	56,387	n/a	**n/a**
• **Total**	**51,807**	**52,189**	**n/a**	**n/a**
Over / (under) borrowing	1,373	991	**n/a**	**n/a**

Other prudential and treasury indicators are to be found in appendix 1.

5. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The authorised limit was not breached in the first half of the year (2018/19).

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. The operational boundary was not breached.

During the financial year to date the Council has operated within the treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in appendix 1.

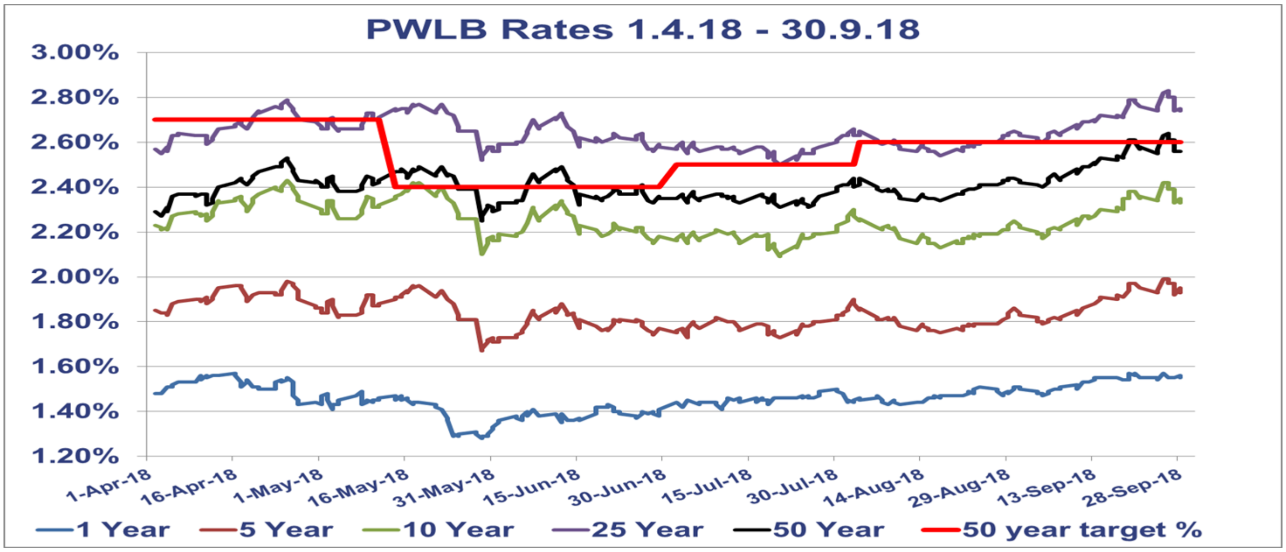
6. BORROWING

No new borrowing was undertaken during the first half of the year. All prior borrowing was for the sole purpose of funding the HRA self-financing settlement payment and all loans are fixed maturity loans, shown in Appendix 4.

As part of the HRA self-financing regime, the Government has placed a limit on the amount of housing debt which can be held by each local housing authority. Arun's limit is £81,630,000.

The Council has no immediate plans to borrow for capital expenditure in the current year although funding will need to be arranged for a programme of Council house development. This Council has therefore not borrowed in advance of need during the period ended 30th September 2018.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.48%	1.67%	2.09%	2.50%	2.25%
Date	29/05/2018	29/05/2018	20/07/2018	20/07/2018	29/05/2018
High	1.77%	1.98%	2.43%	2.79%	2.53%
Date	16/04/2018	25/04/2018	25/04/2018	25/04/2018	25/04/2018
Average	1.65%	1.83%	2.24%	2.63%	2.39%

The Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has borrowings of £53.18m (PWLB) which relates to the HRA Self-Financing settlement (originally £70.9m), and has utilised £3.42m of cash flow funds instead of borrowing externally. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring.

Prior to this borrowing being undertaken Arun had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result of this Arun's gross debt exceeds its CFR and is likely to continue to do so in the short term.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

7. OTHER

7.1. UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019.

This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

The Council invested £4m with RBS (deal 599 & 620) but that arm of the organisation has now been changed to “non-ring fenced” and these investments are now with NatWest Markets, who do not meet our investment criteria. These investments will run to maturity and no further deposits will be placed with NatWest Markets (previously RBS). The new NatWest and RBS Plc are in Category 6 and investments can be placed with these arms of the organisation.

7.2. **IFRS9 accounting standard**

This accounting standard came into effect from 1st April 2018. It means that the category of investments valued under the available for sale category will be removed and any potential fluctuations in market valuations may impact onto the Surplus or Deficit on the Provision of Services, rather than being held on the balance sheet. This change is unlikely to materially affect the commonly used types of treasury management investments but more specialist types of investments, (e.g. pooled funds, third party loans, commercial investments), are likely to be impacted. The impact on this authority is likely to be minimal in 18/19 as the £5m invested in the property fund was valued at £5.02m at 30th June 2018.

The Ministry of Housing, Communities and Local Government (MHCLG), are currently conducting a consultation for a temporary override to allow English local authorities time to adjust their portfolio of investments. Members will be updated when the result of this consultation is known.

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2. PROPOSAL(S):		
To approve all 3 recommendations.		
3. OPTIONS:		
The Treasury Management Strategy is legislative and under the Local Government act 2003 and therefore the only option is follow the proposal.		
4. CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		√
Relevant District Ward Councillors		√
Other groups/persons (please specify)	√ Treasury Advisors	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	√	
Legal		√
Human Rights/Equality Impact Assessment		√
Community Safety including Section 17 of Crime & Disorder Act		√
Sustainability		√
Asset Management/Property/Land		√
Technology		√
Other (please explain)		
6. IMPLICATIONS:		
Approval will enable the Council to comply with legislation and provide a Treasury Service		

7. REASON FOR THE DECISION:

Statutory and the limits set, safeguard the Council against financial losses.

8. BACKGROUND PAPERS:

CIPFA'S Treasury Management in the Public Services: Code of Practice (2017)

(Link not available as copyright)

The Prudential Code for Capital Finance in Local Authorities (2017) Guidance notes (2018) *(Link not available as copyright)*

The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content)

Prudential and treasury indicators

Appendix 1

1. PRUDENTIAL INDICATORS	2017/18	2018/19	2018/19
Extract from budget and rent setting report	**Actual**	**Original**	**Actual at 30th Sept**
	£'000	**£'000**	**£'000**
Capital Expenditure			
Non – HRA	10,957	2,310	8,008
HRA	6,226	8,047*	2,474
TOTAL	17,183	10,357	10,483
Ratio of financing costs to net revenue stream			
Non - HRA	-2.24%	-1.79%	n/a
HRA	32.82%	33.17%	n/a
Capital Financing Requirement as at 31 March			
Non – HRA	-3,594	-4,198	n/a
HRA	55,401	56,387	n/a
TOTAL	51,807	52,189	n/a
Annual change in Cap. Financing Requirement			
Non – HRA	173	-216	n/a
HRA	-1,203	-160	n/a
TOTAL	-1,030	-376	n/a

** Increase in HRA Capital expenditure is due to £5m per year for Stock Development (2018-2021)*

2. TREASURY MANAGEMENT INDICATORS	2017/18	2018/19	2018/19
	Actual	Original	Actual at 30th September 18
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	66,000	63,000	63,000
Other long term liabilities	372	0	0
TOTAL	**74,251**	**66,000**	**63,000**
Operational Boundary for external debt			
Borrowing	63,000	60,000	60,000
other long term liabilities	372	0	0
TOTAL	**71,251**	**60,000**	**60,000**
Actual external debt	53,180	53,180	53,180
Maximum HRA Debt limit	81,630	81,630	81,630
Upper limit expressed as a proportion of total interest earned:			
Fixed interest rate exposure	100%	100%	100%
Variable interest rate exposure	40%	40%	40%
Upper limit for total principal sums invested for over 364 days	**26,000**	**22,000**	**16,000**

Maturity structure of fixed rate borrowing - upper & Lower limits	**Actual at 30/09/18**	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	16.66%	0%	40%
24 months and within 5 years	16.66%	0%	50%
5 years and within 10 years	0%	0%	60%
10 years and above	66.68%	0%	100%

INVESTMENTS at 30th September 2018

Appendix 2

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	674	Close Brothers Ltd	20/04/2018	22/10/2018	£1,000,000.00	0.90
Fixed Term Deposit	681	Goldman Sachs International	06/06/2018	08/11/2018	£2,000,000.00	0.70
Fixed Term Deposit	682	Lloyds Bank PLC	06/06/2018	08/11/2018	£1,000,000.00	0.72
Fixed Term Deposit	679	Qatar National Bank	25/05/2018	20/11/2018	£2,000,000.00	1.12
Fixed Term Deposit	666	Skipton Building Society	31/01/2018	06/12/2018	£2,000,000.00	0.71
Fixed Term Deposit	673	Qatar National Bank	12/04/2018	06/12/2018	£1,000,000.00	1.23
Fixed Term Deposit	685	Goldman Sachs International	13/07/2018	19/12/2018	£2,000,000.00	0.84
Fixed Term Deposit	678	Goldman Sachs International	23/05/2018	21/12/2018	£1,000,000.00	0.83
Fixed Term Deposit	671	Goldman Sachs International	27/03/2018	03/01/2019	£1,000,000.00	1.175
Fixed Term Deposit	629	Close Brothers Ltd	26/01/2017	04/01/2019	£1,000,000.00	1.05
Fixed Term Deposit	663	Goldman Sachs International	11/01/2018	10/01/2019	£1,000,000.00	0.990
Fixed Term Deposit	684	Santander	06/07/2018	21/01/2019	£1,000,000.00	0.80
Fixed Term Deposit	665	Lloyds Bank PLC	31/01/2018	31/01/2019	£2,000,000.00	0.85
Fixed Term Deposit	687	Development Bank of Singapore (DBS)	09/08/2018	11/02/2019	£1,000,000.00	0.91
Fixed Term Deposit	680	Qatar National Bank	05/06/2018	14/02/2019	£2,000,000.00	1.14
Fixed Term Deposit	686	Qatar National Bank	16/07/2018	14/02/2019	£1,000,000.00	1.20
Fixed Term Deposit	599	Natwest Markets (was RBS)	31/03/2016	18/02/2019	£2,000,000.00	1.50**
Fixed Term Deposit	667	Qatar National Bank	01/03/2018	28/02/2019	£1,000,000.00	1.20
Fixed Term Deposit	668	Close Brothers Ltd	02/03/2018	04/03/2019	£1,000,000.00	1.00
Fixed Term Deposit	689	Development Bank of Singapore (DBS)	06/09/2018	06/03/2019	£3,000,000.00	0.95
Fixed Term Deposit	634	Close Brothers Ltd	17/03/2017	15/03/2019	£1,000,000.00	1.00
Fixed Term Deposit	670	Goldman Sachs International	19/03/2018	18/03/2019	£1,000,000.00	1.20
Fixed Term Deposit	672	Qatar National Bank	28/03/2018	27/03/2019	£1,000,000.00	1.32
Fixed Term Deposit	637	Close Brothers Ltd	18/04/2017	10/04/2019	£1,000,000.00	1.00
Fixed Term Deposit	675	Goldman Sachs International	08/05/2018	07/05/2019	£2,000,000.00	1.10
Fixed Term Deposit	676	Qatar National Bank	09/05/2018	09/05/2019	£1,000,000.00	1.31
Fixed Term Deposit	677	Goldman Sachs International	23/05/2018	22/05/2019	£1,000,000.00	1.10
Fixed Term Deposit	620	Natwest Markets (was RBS)	19/08/2016	19/08/2019	£2,000,000.00	1.10*
Fixed Term Deposit	688	Qatar National Bank	30/08/2018	30/08/2019	£2,000,000.00	1.35
Fixed Term Deposit	690	Close Brothers Ltd	17/09/2018	17/09/2019	£1,000,000.00	1.10
Notice Account	44445	Lloyds Bank PLC - 95DN			£4,000,000.00	0.80
Notice Account	44446	Lloyds Bank PLC - 32DN			£2,000,000.00	0.75
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	4.35
Money Market Fund	110000	Federated			£4,000,000.00	0.70
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£4,000,000.00	0.69
Money Market Fund	1300000	Deutsche Bank			£1,900,000.00	0.62
					£62,900,000.00	

* Yr 1 - 0.8%, Yr 2 - 0.95%, Yr 3 - 1.10%
**Yr 1 -1.20%, Yr 2-1.35%, Yr 3 - 1.50%

APPENDIX 3

LIST OF AUTHORISED COUNTERPARTIES

Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**AA-**	**F1+**
	Moody	**Aa3**	**P-1**
	S&P	**AA-**	**A-1+**

All Local Authorities

DBS Bank Ltd (SING)
HSBC Bank plc (UK)
Oversea-Chinese Banking Corp Ltd (SING)
Svenska Handelsbanken (SW)
United Overseas Bank Ltd (SING)
National Bank of Abu Dhabi (U.A.E)

Category 2 - Limit of £11 million for each institution - Maximum investment period - 3 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**A+**	**F1**
	Moody	**A1**	**P-2**
	S&P	**A+**	**A-1**

Bank of Nova Scotia (CAN)
Goldman Sachs International Bank (UK)
Standard Charted Bank (UK)
Qatar National Bank (Qatar)

Category 3 - Limit of £8 million for each institution - Maximum investment period - 2 Years

Long Term	Short Term

Min Criteria	**Fitch**	**A-**	**F1**
	Moody	**A3**	**P-2**
	S&P	**A-**	**A-1**

Barclays Bank plc (UK)
Deutsche Bank (GER)
Nationwide Building Society (UK)
Santander (UK)
Close Brothers (UK)

Category 4 - Limit of £4 million for each institution - Maximum Investment period - 1 year
Building Society with Assets greater than £10 billion

Coventry Building Society (UK)
Leeds Building Society (UK)
Skipton Building Society (UK)
Yorkshire Building Society (UK)

Category 5 - Council's Bank
NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Banking Group (Bank of Scotland/Lloyds)

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years
banks effectively nationalised by UK government

		Long Term	Short Term
Min Criteria	**Fitch**	**BBB-**	**F3**
	Moody	**Baa3**	**P-3**
	S&P	**BBB-**	**A-3**

Royal Bank of Scotland plc/National Westminster Bank plc (Uk)(Nationalised)

Category 7 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) MONEY MARKET FUNDS (CNAV & VNAV) and Government Liquidity Funds
Limit of £4million for each institution

CCLA Investment Management Ltd (Public sector deposit fund)	AAAmmf	Stable NAV

Deutsche Banking Group	Aaa -mf	Stable NAV
Federated Investors Ltd (Fitch Ratings)	AAAmmf	Stable NAV
Fidelity Investments International (Moody's Rating)	Aaa -mf	Stable NAV
Standard Life (Fitch Ratings)	AAAmmf	Stable NAV
Northern Trust	Aaa -mf	Stable NAV

Category 8 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) – Enhanced Money Market Funds

Limit of £4million for each institution

Category 9 - Debt Management Office

Debt management Account - NO LIMIT (UK Govt)

Category 10 - Bonds issued by multilateral development banks - 5 Years

Maximum investment £4 million

Category 11 – Property Funds - 25 Years

Maximum investment £6 million

CCLA

Appendix 4

Arun District Council - Loans at 30th September 2018

Reference	Lender	Start Date	Maturity Date	Principal	Rate
499495	Public Works Loan Board	28/03/2012	28/03/2020	8,860,000	1.99%
499488	Public Works Loan Board	28/03/2012	28/03/2022	8,860,000	2.40%
499493	Public Works Loan Board	28/03/2012	28/03/2030	8,870,000	3.21%
499494	Public Works Loan Board	28/03/2012	28/03/2035	8,870,000	3.40%
499491	Public Works Loan Board	28/03/2012	28/03/2050	8,860,000	3.53%
499490	Public Works Loan Board	28/03/2012	28/03/2062	8,860,000	3.48%
				53,180,000	