

EAST AYRSHIRE COUNCIL

CABINET – 18 MARCH 2009

TREASURY MANAGEMENT STRATEGY 2009/10

Report by Executive Head of Finance and Asset Management

1. PURPOSE OF REPORT

- 1.1 To seek approval of Cabinet of the proposed Treasury Management Strategy for the financial year 2009/10.

2. BACKGROUND INFORMATION

- 2.1 The Local Government in Scotland Act 2003 includes a requirement for Councils to adopt and comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (The Code). The Code operates through the setting and monitoring of prudential Indicators and requires the production annually of a treasury management strategy.
- 2.2 The Council formally approved the Prudential Indicators, including those specific to treasury management, for the financial years 2009/10 to 2011/12 at it's meeting of 12 February 2009.
- 2.3 Treasury Management activities are strictly regulated by statutory requirements and by the CIPFA Code of Practice for Treasury Management in the Public Services and the first prudential indicator in respect of Treasury Management is that the local authority has adopted this code. The Council formally adopted the code on 2 May 2002, and as a result put in place a Treasury Management Policy and Practices Statement which requires that the Executive Head of Finance and Asset Management reports on annual treasury strategy to Cabinet outlining the forecast activity for the coming year. A further report is produced after the financial year end to report on actual activity for the year.
- 2.4 A key requirement of the strategy report is to explain the risks and the management of these risks that are associated with the treasury management service. This strategy report covers: -
- The current treasury portfolio position
 - The expected movement in interest rates
 - The Council's borrowing and investment strategies
 - Treasury performance indicators

3. THE CURRENT TREASURY PORTFOLIO POSITION

3.1 The Council's forecast treasury portfolio positions at 31 March 2009 and 31 March 2010 are as follows:

Borrowing	Forecast Position at 31 March 2009		Forecast 31 March 2010	
	£M	Average Interest Rate	£M	Average Interest Rate
PWLB	135.230	6.34%	155.303	6.10%
Market Loans	66.600	4.45%	66.600	4.45%
Other	0.811	3.50%	0.811	3.50%
Total Debt	202.641	5.71%	222.714	5.60%
Investments	(25.000)	4.11%	(20.000)	1.25%
Net Debt	177.641	5.93%	202.714	6.03%

3.2 The overall level of gross debt is expected to increase from £202.641M to £222.714M due to the additional expenditure on capital assets to be financed from external borrowing.

3.3 The expected return on investments is estimated to reduce from 4.11% to 1.25% as a result of lower interest rates forecast for 2009/10 arising from the recent cuts in the base rate. The overall cost of borrowing is therefore expected to increase from 5.93% to 6.03% at 31 March 2010. The prudential code requires that the capital programme is affordable and sustainable in the longer term. As a result any significant movement in the projected cost of capital financing will be included in the annual review of the investment programme.

3.4 The aim for 2009/10 is to continue to manage the risks associated with the Council's treasury activity through:

- Balancing the risk on the portfolio whilst maximising returns available on investments, within approved investment criteria
- Maintaining the consolidated loan fund pool rate at its current or slightly lower levels through the active management of the debt portfolio.
- Minimising the level of borrowing for the Council whilst having due consideration for the approved capital investment programme and reserves strategy.

4. EXPECTED MOVEMENT IN INTEREST RATES

- 4.1 The Councils treasury management advisors – Butlers provide regular interest forecasts and commentary on economic conditions the most recent of which is as follows:-
- 4.2 The UK economy has entered a profound recession, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy setters who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in consumer confidence. At best this could deliver a short, sharp downturn, at worst a prolonged Japanese-style recession.
- 4.3 The sharp downturn in world commodity, food and oil prices, the lack of domestic wage pressures and weak retail demand promises a very steep decline in inflation in the year ahead. In the recent pre-Budget Report, the Treasury suggested RPI inflation could fall to minus 2.25% by September 2009. Inflation considerations will not be a constraint upon Bank of England policy action. Indeed, the threat of deflation strengthens the case for more aggressive policy ease.
- 4.4 The Government's November pre-Budget Report did feature some fiscal relaxation but it also highlighted the very poor health of public sector finances. The size of the package is considered insufficient to kick-start the economy. The onus for economic stimulation will fall upon monetary policy and the Bank of England.
- 4.5 The Bank will continue to ease policy and the need to drive commercial interest rates, currently underpinned by the illiquidity of the money market, to much lower levels suggests the approach will be more aggressive than might otherwise have been the case. A Bank Rate below 1% now seems a distinct possibility and short-term LIBOR rates of below 2% may result. Only when the markets return to some semblance of normality will official rates be edged higher.
- 4.6 Long-term interest rates will be the victim of conflicting forces. The threat of deep global recession ought to drive bond yields to yet lower levels. But much of this is already discounted. The prospect of exceptionally heavy gilt-edged issuance in the next three years (totalling in excess of £100bn per annum), as the Government seeks to finance its enormous deficit, together with concerns about UK inflation further into the future will maintain upward pressure on yields, in spite of the fact that negative RPI inflation in 2009 will raise the level of real yields significantly this year.

Year	End Period	Money Market Rates				Public Works Loan Board (PWLB) Rates		
		Bank Rate	3mth	6mth	12-mth	5 yr	20 yr	50 yr
2007	Dec	5.50	6.0	5.9	5.6	4.6	4.6	4.4
2008	Mar	5.25	6.0	6.0	5.8	4.1	4.7	4.4
	Jun	5.00	6.0	6.2	6.5	5.3	5.1	4.6
	Sep	5.00	6.3	6.4	6.5	4.4	4.8	4.6
	Dec	2.00	3.0	3.2	3.3	3.0	4.2	4.0
2009	Feb 11th	1.00	2.0	2.3	2.4	2.8	4.4	4.3
	Mar	1.00	2.0	2.2	2.4	2.6	4.5	4.4
	Jun	0.50/0.75	1.5	1.6	1.8	2.4	4.7	4.6
	Sep	0.50/0.75	1.5	1.6	1.7	2.4	4.9	4.8
	Dec	1.00	1.6	1.7	1.8	2.5	4.9	4.8
2010	Mar	1.25	1.7	1.9	2.0	2.6	4.9	4.8

Table 1 - Interest Rate Movement and forecast – 2007/ 2010

5. BORROWING AND DEBT STRATEGY 2009/10 TO 2011/12

5.1 It is anticipated that the current money market uncertainty will continue for the short to medium term which will contribute to further volatility in terms of interest rates and the forward projection of these. A direct consequence of this is that the inherent risk associated with the Council's treasury management activity will be at a higher level than would be anticipated in a stable economy. As a result the Council will continue to adopt a cautious approach within the treasury strategy.

5.2 The Council's estimated net borrowing requirement for 2008/09 to 2011/12 based upon the approved levels of capital investment, net of anticipated capital receipts; capital grants and contributions; capital funded from current revenue (CFCR) and annual debt repayment is summarised in the following table

	2008/09 Projected £M	2009/10 Estimated £M	2010/11 Estimated £M	2011/12 Estimated £M
Gross Capital Expenditure	44.824	29.120	71.030	65.236
Total Financing	-16.478	-15.773	-16.561	-14.838
Net Capital Expenditure	28.346	13.347	54.469	50.398
Less Principal Repayments in Year	-8.273	-9.757	-11.050	-12.206
Estimated Borrowing Requirement	20.072	3.590	43.419	38.192

5.3 The aggregate borrowing requirement for 2008/09 to 2011/12 is estimated at £105.273M. Arising from this is an underlying requirement to increase external debt to support this level of investment. As the Council wishes to minimise the interest costs associated with this required borrowing the debt strategy proposed is to:-

- Focus primary borrowing on the cheapest PWLB borrowing, this is expected to be in the maturity range of 1 to 5 years.

- In order to balance the overall maturity profile of the debt portfolio new borrowing will also be considered in the maturity range of 25 to 50 years.
 - Consideration will also be given to borrowing fixed rate market loans from Banks and Building Societies where the quoted interest rate is lower than the PWLB by a margin of 25 or more basis points. It should however be noted that due to the current turmoil within the banking sector very few banks are actively involved in offering market loans at this time. It is however anticipated that supply will return as market confidence increases.
- 5.4 Where it is considered that borrowing should be delayed to take advantage of any anticipated reduction in longer term interest rates it is proposed that this will be funded where possible from internal borrowing. This would result in cash backed resources (reserves and balances) being utilised in place of external borrowing to temporarily fund the capital investment programme. Internal borrowing is also a method by which the Council can reduce the risk associated with the investment of temporary surplus cash externally with banks and or building societies during the current credit crisis.

6. DEBT RESCHEDULING

- 6.1 Previous changes to accounting treatment together with the introduction of different Public Works Loan Board (PWLB) rates in 2007/08 for new borrowing as opposed to early repayment of debt, and the setting of a spread between these two rates has resulted in PWLB debt restructuring becoming much less attractive.
- 6.2 During 2008/09 however an opportunity to repay a loan of £6.065M was identified by the treasury advisors, which would not result in any penalty, costs to the Council. This has released estimated gross revenue savings of approximately £0.150M to the General Fund, after allowing for the expected loss of investment income. The portfolio will continue to be actively monitored and reviewed to take advantage of any further opportunities as they arise.

7. INVESTMENT STRATEGY

- 7.1 Local Authority investment activity is regulated by statute. The legislation currently relied upon to make investments is the Trustees Investments Act 1961 and the Local Government (Scotland) Act 1973. Provision was made however within the Local Government in Scotland Act 2003 for Scottish Ministers to introduce a new regulatory framework – The Code of Investment of Money by Scottish Local Authorities.

- 7.2 For the financial year in which this code is issued an annual investment strategy will require to be produced and approved. The timescale for this is within 3 months of the commencement of the investment regulations made by Scottish Ministers under powers contained within section 40 of the 2003 Act. It is anticipated that the new regulations may be issued around June this year and at that time a further report will be made to Cabinet detailing any required changes to the existing Treasury Policies and Practices.
- 7.3 The main principle governing the Council's investment activity is that of security of the sums invested, yield and return on investment whilst important are deemed secondary requirements to this. As a result the investment portfolio will continue to be structured reflecting the required level of liquidity, with maturity periods being balanced between immediate access and longer term periods.
- 7.4 The credit rating criteria approved by Cabinet within the Treasury Management Strategy for 2008/09 remain current. The approved list of counterparties who meet the rating criteria is attached for information as Appendix 2. Notwithstanding that there are a number of institutions, such as European Banks, with whom monies could be placed included on the list; given the current market volatility investment has been restricted only to those institutions that are defined as eligible institutions under the Government credit guarantee scheme.
- 7.5 The current investment portfolio of the Council as at 27 February 2009 is attached as Appendix 1 to this report. This shows the movement from the position reported to Cabinet on 22 October 2008 and illustrates the sharp fall in investment income arising from the reduction in base rates from 5.25% at March 2008 to the current level of 1%.
- 7.6 Members are aware that the Council has deposits with 2 Icelandic Banks - Heritable Bank and Kaupthing Singer and Friedlander, both of which were placed into Administration during October 2008. At present members of the statutory creditor committees for each Bank are bound by confidentiality agreements which limit the amount and detail of information that can be publicly shared. The Executive Head of Finance and Asset Management continues to be actively involved in the COSLA/Director's of Finance Working Group in respect of the Icelandic Banks. The most recent information available in respect of each is:-

Heritable Bank

- There have been further meetings of the statutory creditor committee on which Kent CC and Haringey LBC represent local government interests.
- The administrator has continued to conduct the administration in accordance with the strategy set out in his formal proposals to creditors, and this is progressing satisfactorily. It is anticipated that the administrator will be making a further report to all creditors in April, and at that point a further report on dividend prospects may be made.

Kaupthing Singer and Friedlander (KSF)

- A further meeting of the statutory creditor committee on which Peterborough CC represents local government interests took place on 23 February and an update is expected to be issued shortly.
- The administration is progressing in accordance with the strategy set out in the administrator's formal proposals to creditors and a further report to creditors is expected in early April.

8. PERFORMANCE INDICATORS

8.1 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are focused on measurement of past performance, as opposed to the prudential indicators, which are predominantly forward looking and were approved at the Council meeting on 12 February 2009.

8.2 The local performance indicators used for the treasury function are:

- (a) Investment Activity – Comparison of average interest rates achieved for investments compared to average 7 day rate available.
- (c) Comparison of average rate of interest and expenses incurred during the financial year – “Pool Rate”.

The results of these indicators will be reported in the Treasury Annual Report for 2009/10.

9. FINANCIAL IMPLICATIONS

9.1 The financial implications of the proposed Treasury Management Strategy have been included within the respective estimates for the General Fund and Housing Revenue Account for 2009/10 onwards.

10. RISK IMPLICATIONS

10.1 The Code of Practice on Treasury Management requires the Council to put in place Policies and Practices which assist in the delivery of the service and the mitigation of risk.

11. LEGAL AND POLICY IMPLICATIONS

- 11.1 The Treasury Management Policy and Practices will be updated as necessary to reflect the content of this report.

12 RECOMMENDATIONS

12.1 It is recommended that the Cabinet:-

- (i) approves the Treasury Management Annual Strategy
- (ii) notes the position in respect of investments held by Iceland Banks set out in paragraph 7.6
- (ii) otherwise, notes the content of the report

Alex McPhee

Executive Head of Finance and Asset Management

RB

27 February 2008

LIST OF BACKGROUND PAPERS

- Treasury Management Annual Strategy Report for 2008/09 – Cabinet 2 April 2008
- Treasury Management Annual Report for 2007/08 and Update on 2008/09 Strategy – Cabinet 22 October 2008
- Performance Management – Prudential Indicators Cabinet 11 February 2009-

Any person who wishes further information on this report should contact
Robin Baker, Financial Controller, Tel: 01563 576331

**EAST AYRSHIRE COUNCIL
SCHEDULE OF TREASURY MANAGEMENT DEPOSITS**

APPENDIX 1

Counterparty	INVESTMENT PORTFOLIO AS AT 10 OCTOBER 2008					INVESTMENT PORTFOLIO AS AT 27 FEBRUARY 2009				
	Amount -£M	Period of Deposit	Maturity Date	Interest Rate	Annualised Interest £M	Amount -£M	Period of Deposit	Maturity Date	Interest Rate	Annualised Interest £M
Alliance and Leicester	1.200	Call	-	5.600%	0.067	0.600	Call	01 Mar 09	1.200%	0.007
Allied Irish Bank (GB)	2.000	1 Month Fixed	04 Nov 08	6.100%	0.122	-	-	-	-	-
Bank of Ireland	1.000	3 Month Fixed	02 Dec 08	5.810%	0.058	-	-	-	-	-
Bank of Ireland Professional and Corporate	-	-	-	-	-	0.002	Call	01 Mar 09	1.250%	0.000
Bank of Scotland plc	9.000	5 Month Fixed	10 Feb 09	6.110%	0.550	0.400	Call	01 Apr 09	1.000%	0.004
Barclays Bank plc	4.500	1 Year	09 Sep 09	5.800%	0.261	4.500	1 Year	09 Sep 09	5.800%	0.261
Barclays Bank plc	-	-	-	-	-	5.000	1 Month Fixed	10 Mar 09	1.400%	0.070
Clydesdale Bank PLC	-	-	-	-	-	0.040	Call	01 Feb 09	1.250%	0.000
Chelsea B S	2.000	3 Month Fixed	02 Dec 08	5.780%	0.116	-	-	-	-	-
Cheshire B S	1.000	1 Month Fixed	30 Oct 08	6.000%	0.060	-	-	-	-	-
Close Brothers Ltd	2.000	1 Month Fixed	30 Oct 08	6.100%	0.122	-	-	-	-	-
Depfa Bank Europe plc	4.500	9 Month Fixed	10 Jun 09	5.910%	0.266	4.500	9 Month Fixed	10 Jun 09	5.910%	0.266
Derbyshire B S	1.500	9 Month Fixed	20 Feb 09	5.870%	0.088	-	-	-	-	-
Derbyshire B S	1.000	1 Year	14 May 09	6.200%	0.062	1.000	1 Year	14 May 09	6.200%	0.062
EBS B S	2.000	3 Month Fixed	17 Oct 08	5.860%	0.117	-	-	-	-	-
EBS B S	1.000	3 Month Fixed	02 Dec 08	5.800%	0.058	-	-	-	-	-
EBS B S	1.000	1 Year	15 Jul 09	6.380%	0.064	1.000	1 Year	15 Jul 09	6.380%	0.064
<i>Heritable Bank Ltd</i>	<i>2.000</i>	<i>3 Month Fixed</i>	<i>09 Oct 08</i>	<i>5.900%</i>	<i>0.118</i>	<i>2.000</i>	<i>3 Month Fixed</i>	<i>09 Oct 08</i>	<i>5.900%</i>	<i>0.118</i>
<i>Heritable Bank Ltd</i>	<i>1.000</i>	<i>3 Month Fixed</i>	<i>14 Nov 08</i>	<i>5.830%</i>	<i>0.058</i>	<i>1.000</i>	<i>3 Month Fixed</i>	<i>14 Nov 08</i>	<i>5.830%</i>	<i>0.058</i>
Irish Life and Permanent PLC	2.000	3 Month Fixed	22 Dec 08	5.880%	0.118	-	-	-	-	-
Irish Nationwide B S	2.000	11 Month Fixed	06 Apr 09	6.000%	0.120	2.000	11 Month Fixed	06 Apr 09	6.000%	0.120
<i>Kaupthing Singer and Friedlander</i>	<i>2.000</i>	<i>1 Year</i>	<i>27 Mar 09</i>	<i>6.030%</i>	<i>0.121</i>	<i>2.000</i>	<i>1 Year</i>	<i>27 Mar 09</i>	<i>6.030%</i>	<i>0.121</i>
Kent Reliance B S	2.000	3 Month Fixed	22 Dec 08	5.790%	0.116	-	-	-	-	-
Nationwide B S	2.000	1 Month Fixed	04 Nov 08	5.850%	0.117	2.000	1 Month Fixed	13 Mar 09	1.420%	0.028
Nationwide B S	1.000	1 Month Fixed	06 Nov 08	5.850%	0.059	1.500	1 Month Fixed	20 Mar 09	1.490%	0.022
Newcastle B S	2.000	11 Month Fixed	03 Apr 09	5.950%	0.119	2.000	11 Month Fixed	03 Apr 09	5.950%	0.119
Northern Rock PLC	2.000	1 Month Fixed	27 Oct 08	5.910%	0.118	-	-	-	-	-
Norwich and Peterborough B S	2.000	10 Month Fixed	20 Mar 09	5.850%	0.117	2.000	10 Month Fixed	20 Mar 09	5.850%	0.117
Norwich and Peterborough B S	2.000	1 Year	10 Jun 09	6.600%	0.132	2.000	1 Year	10 Jun 09	6.600%	0.132
Nottingham B S	1.000	3 Month Fixed	27 Nov 08	5.810%	0.058	0.000	-	-	-	-
Royal Bank of Scotland	-	-	-	-	-	3.800	Call	01 Jun 09	1.300%	0.049
Scarborough B S	1.000	3 Month Fixed	02 Dec 08	5.750%	0.058	-	-	-	-	-
Stroud and Swindon B S	1.000	3 Month Fixed	14 Nov 08	5.820%	0.058	-	-	-	-	-
Stroud and Swindon B S	1.000	3 Month Fixed	27 Nov 08	5.810%	0.058	-	-	-	-	-
	59.700				3.555	37.342				1.620

Current Counterparty Report for
East Ayrshire Council (non-LCD) 08-09

APPENDIX 2

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BUTLERS

List of Approved Counterparties for Lending

	Fitch Ratings			Support	Moody's Ratings			S&P Ratings			Limits
	S. Term	L. Term	Indiv.		S. Term	L. Term	Fin. Stgth	S. Term	L. Term	Time	
UK BANKS											
United Kingdom											
BANCO SANTANDER CENTRAL HISPANO GROUP											
Abbey National Plc	F1+	AA-	B	1	P-1	Aa3	C+	A-1+	AA	364 DAYS	10
Alliance & Leicester	F1+	AA-	B/C	1	P-1	Aa3	C+	A-1+	AA	364 DAYS	10
Cater Allen										6 MONTHS	5 (M)
CITIGROUP											
Citibank International Bank	F1+	A+	NR	1	P-1	A2 (D.N)	C-	A-1 (N)	A+	364 DAYS	7.5
HSBC GROUP											
HSBC Bank plc	F1+	AA	A/B	1	P-1	Aa1	B	A-1+	AA	364 DAYS	10
LLOYDS BANKING GROUP											
Bank of Scotland Plc	F1+	AA-	C/D	1	P-1	Aa3 (D)	C-	A-1+ (D.N)	AA-	364 DAYS	10
Lloyds TSB Bank	F1+	AA-	B/C	1	P-1	Aa3 (D)	C+	A-1+ (D)	AA-	364 DAYS	10
NATIONAL AUSTRALIA BANK GROUP											
Clydesdale Bank	F1+	AA-	B/C	1	P-1	Aa3	B-	A-1+	AA-	364 DAYS	10
ROYAL BANK OF SCOTLAND GROUP											
Adam & Co.										6 MONTHS	5 (M)
Royal Bank of Scotland	F1+	AA-	E	1	P-1	Aa3	C-	A-1 (N)	A+	364 DAYS	7.5
Ulster Bank Ltd	F1+	A+	C/D	1	P-1	A1	C	A-1	A+	364 DAYS	7.5
ROYAL BANK OF SCOTLAND GROUP											
Allied Irish Bank (GB)	F1+	A	D	1				A-1	A	364 DAYS	7.5
Bank of Butterfield (UK) Limited	F1	A-	C	1	P-1	Aa3	C	A-2	A-	364 DAYS	10
Barclays Bank	F1+	AA-	B	1	P-1	Aa3 (D)	C	A-1+ (D)	AA-	364 DAYS	10
Close Brothers	F1	A	B	5	P-1	A2	C+			364 DAYS	7.5
Co-operative Bank plc	F1	(N)	B/C	3	P-1	A2	C			364 DAYS	7.5
Credit Suisse First Boston International	F1+	AA-	B/C	1	P-1	Aa1		A-1	A+	364 DAYS	7.5

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	Fitch Ratings		Support	Moody's Ratings		Fin.Stgth	S&P Ratings		Time	Limits	
	L. Term	Indiv.		S. Term	L. Term		S. Term	L. Term			
UK BANKS											
United Kingdom											
Northern Rock PLC	F1+	A-	(P)	F	P-1	A2	E+	A-1	A	364 DAYS	7.5
Schroders Plc	F1	A+		B	5			A-1	A	364 DAYS	7.5
UK BUILDING SOCIETIES											
United Kingdom											
1 Nationwide Building Society	F1+	AA-		B	1	Aa2	B	A-1	A+	364 DAYS	10
2 Britannia Building Society	F2	A-		C	3	A2	C	A-2	A-	364 DAYS	7.5
3 Yorkshire Building Society	F1	A		B/C	3	A2	C	A-1	A	364 DAYS	7.5
4 Coventry Building Society	F1	A		B	3	A2	C+			364 DAYS	7.5
5 Chelsea Building Society	F1	A-		B/C	3	A2	C			364 DAYS	7.5
6 Skipton Building Society	F1	A	(N)	B/C	3	A2	C+			364 DAYS	7.5
7 Leeds Building Society	F1	A		B	3	A2	C+			364 DAYS	7.5
8 West Bromwich Building Society	F2	A-		B/C	3	A3	C-			6 MONTHS	5
9 Principality Building Society	F2	A-		B/C	3	A3	C-			6 MONTHS	5
10 Newcastle Building Society	F1	A-		B/C	3	A3	C-	A-2	BBB+	364 DAYS	7.5
11 Norwich & Peterborough Building Society	F1	A-		B/C	3	A2	C			364 DAYS	7.5
12 Dunfermline Building Society						Baa2	D+			6 MONTHS	5
13 Stroud & Swindon Building Society										6 MONTHS	5
14 Nottingham Building Society										6 MONTHS	5
15 Scarborough Building Society										6 MONTHS	5
16 Kent Reliance Building Society										6 MONTHS	5
17 Progressive Building Society										6 MONTHS	5
18 Cumberland Building Society										6 MONTHS	5
19 National Counties Building Society										6 MONTHS	5

Current Counterparty Report for
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	Fitch Ratings		Support	Moody's Ratings		Fin.Stgth	S&P Ratings		Limits
	S. Term	L. Term		Indiv.	S. Term		L. Term	S. Term	
OVERSEAS BUILDING SOCIETIES									
Ireland									
EBS Building Society	F1+	BBB	2	P-1	A2	C-			6 MONTHS 5
IRISH NATIONWIDE BUILDING SOCIETY	F1+	BBB-	2	P-1	Baa3 (D)	D- (D)			6 MONTHS 5

Current Counterparty Report for
East Ayrshire Council (non-LCD) 08-09

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List of Approved Counterparties for Lending

	Fitch Ratings			Support	Moody's Ratings			Fin.Stgth	S&P Ratings			Limits
	S. Term	L. Term	Indiv.		S. Term	L. Term	S. Term		L. Term	S. Term	L. Term	
OVERSEAS BANKS												
Australia												
NATIONAL AUSTRALIA BANK GROUP												
National Australia Bank	F1+	AA	B	1	P-1	Aa1	B	A-1+	AA	AA	364 DAYS	10
Australia & New Zealand Banking Group	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA	AA	364 DAYS	10
Commonwealth Bank of Australia	F1+	AA	A/B	1	P-1	Aa1	B	A-1+	AA	AA	364 DAYS	10
Westpac Banking Corporation	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA	AA	364 DAYS	10
Belgium												
KBC BANK GROUP												
KBC Bank	F1	A+	B/C	1	P-1	Aa3	C+	A-1	A+	A+	364 DAYS	10
Dexia Bank	F1+	AA-	C	1	P-1	A1	D+	A-1	A	A	364 DAYS	10
Fortis Bank	F1+	A+	F	1	P-1	A1 (N)	C-	A-1 (P)	A (P)	A (P)	364 DAYS	7.5
Canada												
CANADIAN IMPERIAL BANK OF COMMERCE GROUP												
Canadian Imperial Bank of Commerce	F1+	AA- (N)	B (N)	1	P-1	Aa2	B-	A-1	A+	A+	364 DAYS	10
Bank of Montreal	F1+	AA-	B	1	P-1	Aa1	B	A-1	A+	A+	364 DAYS	10
Bank of Nova Scotia	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	AA-	364 DAYS	10
National Bank of Canada	F1	A+	B	2	P-1	Aa2	B-	A-1	A	A	364 DAYS	10
Royal Bank of Canada	F1+	AA	A/B	1	P-1	Aaa	B+	A-1+	AA-	AA-	364 DAYS	10
Toronto-Dominion Bank	F1+	AA-	B	1	P-1	Aaa	B+	A-1+	AA-	AA-	364 DAYS	10
Denmark												
Danske Bank	F1+	A+	(D) B/C	1	P-1	Aa3 (D)	C (D)	A-1 (D)	A+ (D)	A+ (D)	364 DAYS	10

**Current Counterparty Report for
East Ayrshire Council (non-LCD) 08-09**

Report run on: 01/03/2009 05:40:24

BUTLERS

List of Approved Counterparties for Lending

	Fitch Ratings			Support	Moody's Ratings			Fin.Stgth	S&P Ratings		Time	Limits	Money
	S. Term	L. Term	Indiv.		S. Term	L. Term	S. Term		L. Term				
OVERSEAS BANKS													
Finland													
NORDEA GROUP													
Nordea Bank Finland	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	364 DAYS	10		
France													
CREDIT AGRICOLE GROUP													
Calyon	F1+	AA-	C	1	P-1	Aa3 (D)	D	(D)	AA-	364 DAYS	10		
Credit Agricole	F1+	AA-	B	1	P-1	Aa1	B-	(D)	AA-	364 DAYS	10		
BNP Paribas	F1+	AA	B	(D)	1	Aa1	B	A-1+	AA	364 DAYS	10		
Credit Industriel et Commercial	F1+	AA-	B/C	1	P-1	Aa3	C-	A-1	A+	364 DAYS	10		
Credit Lyonnais	F1+	AA-	B/C	1	P-1	Aa1	C+	(D)	AA-	364 DAYS	10		
Dexia Credit Local	F1+	AA-	C	1	P-1	A1	D+	A-1	A	364 DAYS	10		
Societe Generale (SG)	F1+	AA-	B/C	(D)	1	Aa2	B-	A-1+	AA-	364 DAYS	10		
Germany													
COMMERZBANK GROUP													
Commerzbank	F1	A	C	(N)	1	Aa3	C	A-1	A	364 DAYS	10		
Dresdner Bank, AG	F1	A	D	(N)	1	Aa3	C-	A-1	A	364 DAYS	7.5		
BHF-Bank	F1	(N)	A	(N)	1					364 DAYS	7.5		
Bayerische Hypo- und Vereinsbank AG	F1	A	B/C	1	P-1	A1	C-	A-1	A+	364 DAYS	7.5		
Bayerische Landesbank Girozentrale	F1+	A+	C/D	1	P-1	Aa2 (N)	C-	(N)	A	364 DAYS	7.5		
Deutsche Bank AG	F1+	(N)	AA-	(N)	1	Aa1	B	A-1	A+	364 DAYS	10		
HSH Nordbank AG	F1	A	D/E	(D)	1	A1 (D)	D	(D,N)	A (N)	364 DAYS	7.5		
Landesbank Baden-Wuerttemberg	F1+	A+	C	1	P-1	Aa1	C	A-1	A+	364 DAYS	10		
Landesbank Hessen-Thuringen Girozentrale	F1+	A+		1	P-1	Aa2	C-	A-1	A	364 DAYS	7.5		
Norddeutsche Landesbank Girozentrale	F1	A	C	1	P-1	Aa2	C-	A-1	A	364 DAYS	7.5		

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	Fitch Ratings		Support	S. Term	Moody's Ratings		Fin.Stgth	S&P Ratings		Time	Limits	
	L. Term	Indiv.			L. Term	L. Term		S. Term	L. Term			Money
OVERSEAS BANKS												
Ireland												
KBC BANK GROUP												
IBB Bank Limited	F1	A	B/C	1	P-1	A2	C-	A-1	A	364 DAYS	7.5	
LLOYDS BANKING GROUP												
Bank of Scotland (Ireland)	F1+	A+	C/D	1	P-1	A1	C	A-1	A+	364 DAYS	7.5	
ROYAL BANK OF SCOTLAND GROUP												
Ulster Bank Ireland Limited	F1+	A	D	1	P-1	Aa3	C	(D)	A	364 DAYS	10	
Allied Irish Banks, p.l.c.	F1+	A-	F	1	P-1	A2	E+	A-1	(N)	364 DAYS	7.5	
Anglo Irish Bank Corporation	F1+	A	C/D	1	P-1	Aa3	C	(D)	A	364 DAYS	10	
Bank of Ireland	F1+	A+	C/D	1	P-1	A1	C	(D,N)	A-	364 DAYS	7.5	
Irish Permanent Plc												
Italy												
Banca Monte dei Paschi di Siena	F1	A	B/C	2	P-1	Aa3	C	A-1	A	364 DAYS	10	
Intesa Sanpaolo	F1+	AA-	B	1	P-1	Aa2	B-	A-1+	AA-	364 DAYS	10	
Unicredito Italiano	F1	A+	B/C	1	P-1	Aa3	C+	A-1	A+	364 DAYS	10	
Japan												
MIZUHO CORPORATE BANK LTD	F1	A+	B/C	1	P-1	Aa2	C	(N)	A+	364 DAYS	10	
Netherlands												
ING BANK GROUP												
Internationale Nederlanden Bank/ING Bank	F1+	AA-	B	1	P-1	Aa3	C+	A-1+	AA	364 DAYS	10	
ABN AMRO Bank	F1+	AA-		1	P-1	Aa2	B-	(N)	A+	364 DAYS	10	
Rabobank	F1+	AA+	A	1	P-1	Aaa	B+	A-1+	AAA	364 DAYS	10	

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List of Approved Counterparties for Lending

	Fitch Ratings			Support	Moody's Ratings			S&P Ratings			Limits
	S. Term	L. Term	Indiv.		S. Term	L. Term	Fin.Stgth	S. Term	L. Term	Time	
OVERSEAS BANKS											
Portugal											
BANCO COMERCIAL PORTUGUES GROUP											
Banco Comercial Portugues	F1	A+	B	2	P-1	Aa3	C+	A-1	A	364 DAYS	10
Banco Espirito Santo	F1	A+	B/C	2	P-1	Aa3	C+	A-1	A	364 DAYS	10
Saudi Arabia											
RIYAD BANK	F1	A+	B/C	1	P-1	A1	C	A-1	A+	364 DAYS	7.5
Singapore											
Development Bank of Singapore	F1+	AA-	B	2	P-1	Aa1	B	A-1+	AA-	364 DAYS	10
OVERSEA CHINESE BANKING CORP	F1+	AA-	B	2	P-1	Aa1	B	A-1	A	364 DAYS	10
UNITED OVERSEAS BANK	F1+	AA-	B	2	P-1	Aa1	B	A-1	A	364 DAYS	10
Spain											
BANCO SANTANDER CENTRAL HISPANO GROUP											
Banco Santander Central Hispano	F1+	AA	(N) A/B	1	P-1	Aa1	B	A-1+	AA	364 DAYS	10
Banco Bilbao Vizcaya Argentaria	F1+	AA-	A/B	1	P-1	Aa1	B	A-1+	AA	364 DAYS	10
Sweden											
ForeningsSparBanken (Swedbank)	F1	A+	B/C	1	P-1	A1	(D) C-	A-1	A	364 DAYS	7.5
Skandinaviska Enskilda Banken	F1	A+	B/C	1	P-1	Aa2	B-	A-1	A	364 DAYS	10
Svenska Handelsbanken	F1+	AA-	B	1	P-1	Aa1	B	A-1+	AA-	364 DAYS	10

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	S. Term	L. Term		Indiv.	S. Term		L. Term	S. Term		L. Term
OVERSEAS BANKS										
Switzerland										
CREDIT SUISSE GROUP										
Credit Suisse First Boston	F1+	AA-	(N)	P-1	Aa3	A-1	A+	364 DAYS	7.5	
UBS AG	F1+	A+	C	(N)	Aa2	B-	A+	364 DAYS	10	
United Arab Emirates										
Emirates Bank International PJSC	F1+	AA-	C	P-1	A1	C-	A	364 DAYS	10	
NATIONAL BK OF ABU DHABI	F1+	AA-	B/C	P-1	Aa3	C	A+	364 DAYS	10	
United States										
BANK AMERICA CORPORATION										
Bank of America, N.A.	F1+	A+	C/D	(D.N)	Aa2	B-	(N)	364 DAYS	10	
BANK OF NEW YORK CO, INC GROUP										
Bank of New York	F1+	AA-	A/B	P-1	Aaa	B+	AA	364 DAYS	10	
CITIGROUP										
Citibank, N.A.	F1+	A+	E	(D)	A1	(D.N)	C-	(N)	364 DAYS	7.5
JP Morgan Chase Bank	F1+	AA-	B	P-1	Aa1	B	AA-	364 DAYS	10	
State Street Bank & Trust Company	F1+	A+	C	(D)	Aa2	B	AA-	364 DAYS	10	
Wachovia Bank International	F1+	AA	A/B	P-1	Aa1	B	AA+	6 MONTHS	5 (M)	
Wachovia Bank, N. A.	F1+	AA	A/B	P-1	Aa1	B	AA+	364 DAYS	10	
OTHERS										
United Kingdom										
Local Authorities								364 DAYS	10 (M)	

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Key	(U.P)	(U.N)
Upgraded	(U)	Upgraded Negative Rating Watch (U.N)
Downgraded	(D)	Downgraded Negative Rating Watch (D.N)
Positive Rating Watch	(P)	
Negative Rating Watch	(N)	
Upgraded Positive Rating Watch		
Downgraded Positive Rating Watch		

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