

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 4 OCTOBER 2001

TREASURY MANAGEMENT POLICY STATEMENT

Report by Director of Finance

1 PURPOSE OF REPORT

- 1.1 To seek Members' approval of a proposed update to the Treasury Management Policy Statement 2001/02, incorporating a recommended lending list.

2 BACKGROUND INFORMATION

- 2.1 Since the original Policy Statement was approved by this Committee at its meeting of 5 October 1995, a number of restructuring exercises have been carried out which have amended job descriptions and designations. The opportunity has now been taken to amend the Policy Statement to fully incorporate these changes within the Treasury Policy documents. The proposed updated Treasury Management Policy Statement is attached as Appendix 1.
- 2.2 It is considered good Treasury Management practice to include an approved lending list of organisations within the Policy Statement of the Council, with whom surplus cash-flow funds can be invested.

3 APPROVED LENDING LIST

- 3.1 The current Policy Statement restricts the investment of short-term surplus funds to: 1) Other local authorities; 2) The Council's bankers. Until recently there was little need for a more comprehensive counter-party list. However as the financial position following reorganisation has settled the availability of short-term cash-flow surpluses has arisen. These should be invested to maximise the return available, whilst limiting the risks accordingly.
- 3.2 The advice of the Council's Treasury Advisors has been sought in preparing the list. The specific criteria and limits are explained in detail within the Policy Statement and Systems Documentation attached as Appendix 2

4 FINANCIAL/LEGAL/AUTHORITY IMPLICATIONS – NIL

5 POLICY IMPLICATIONS

- 5.1 This Committee is responsible for the approval of the Treasury Policy Statement and all amendments made to it.

6 RECOMMENDATIONS

- 6.1 It is recommended that Members approve the revised Treasury Policy Statement.

Alex McPhee
Director of Finance

RB/DMW
26 July 2001
ENC (2)

LIST OF BACKGROUND PAPERS

The CIPFA Code of Practice on Treasury Management in Local Authorities

For further information on the content of this report please contact Robin Baker, Treasury Services Manger, Telephone (01563) 576331.



East Ayrshire
COUNCIL

Finance
Department

Treasury Management Policy Statement

EAST AYRSHIRE COUNCIL

TREASURY MANAGEMENT – POLICY STATEMENT

Practice and Guide for Chief Financial Officers: - Treasury Management i

Treasury & Insurance Services

14 September 2001



Local Authorities (The Code): - At its meeting of 5 October 1995 the Policy and Resource Committee agreed to adopt this code which governs Treasury Management within local authorities.

2. Treasury Management is defined within The Code of practice as “the management of the local authority’s cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.”

3. Definition of Approved Activities and Delegated Powers:

3.1 The Director of Finance is the “Proper Officer”

- (i) In terms of The Local Government (Scotland) Act 1973, Section 95, responsible for the administration of the financial affairs of the Council, which is further defined within the Financial Regulations in respect of borrowing and investments in paragraphs 9.5 and 10.1 respectively;
- (ii) In terms of The Local Government (Scotland) Act 1973, Section 92, in relation to the transfer of securities;
- (iii) In terms of The Local Government (Scotland) Act 1975, Schedule 3, to arrange all borrowings as specified therein, subject to any statutory limitations; and
- (iv) Authorised to make arrangements with the Council’s bankers concerning the operation of bank accounts and the issue of cheques.
- (v) ***The Head of Accounting Services is authorised to deputise for the Director of Finance in his absence in respect of points (i) – (iv).***

3.2 The overall responsibility for the Treasury Management function of the Council for all activities in this connection is delegated to the following officers:

1. The Director of Finance is responsible for:

- (i) Preparing and reviewing the Treasury Policy Statement of the Council.
- (ii) The formulation of policy on borrowing and investment matters and the preparation of an Annual Strategy Report which will be presented to the Policy and Resources Committee prior to the start of the financial year to which it relates.
- (iii) Ensuring compliance with CIPFA’s “Treasury Management in Local Authorities” (I) “A Code of Practice (ii) “A guide for Chief Financial Officers”
- (iv) Ensuring adequate financial systems to provide an effective treasury management function; reviewing the performance of the treasury management function, and reporting to the Policy & Resources Committee twice yearly.

2. The Head of Accounting Services will act as the **Treasury Manager** and will be responsible for: -

- (i) The day to day management of the treasury function and other duties as described in the C.I.P.F.A. Guide for Chief Financial Officers; and
- (ii) Deputising ***in respect of Treasury Management issues*** for the Director of Finance in his absence.
- (iii) Preparing and maintaining, in agreement with the Director of Finance, a System Procedural Document (Appendix 1), which will detail the responsibilities and procedure for the effective management of the Council’s cash-flow, outstanding debt and day to day management of the Consolidated Loans Fund.

3. **The Chief Executive** is responsible for:

- (i) ***Ensuring that the treasury management function has been adequately specified and resourced and the annual strategy implemented; and***
- (ii) Ensuring that the Director of Finance reports regularly to the responsible committee on treasury policy, activity and performance during the financial year.

4. **The Monitoring Officer** is responsible for:

- (i) Ensuring that the Director of Finance complies with the Treasury Policy Statement and that the statement or any proposal to vary the Treasury Policy Statement or practice complies with the law and any Code of Practice.
- (ii) Advising the Director of Finance where advice is sought.

5. **The Chief Internal Auditor** is responsible for:

- (i) Reviewing the compliance with approved policy & procedures.
- (ii) Reviewing the division of duties and operational practice
- (iii) Assessing value for money from treasury transactions
- (iv) Undertaking probity audit of the treasury function

6. The Policy & Resources Committee is responsible for:

- (i) Agreeing the Treasury Policy Statement and variations thereto;
- (ii) Agreeing divisions of responsibility
- (iii) Receiving an annual strategy report on the treasury management function for the succeeding financial year and commenting thereon;
- (iv) Receiving an annual report on the treasury management function and its performance as soon as possible after the end of the financial year and commenting thereon;
- (v) Agreeing the treasury elements of the annual budget in the light of the above.
- (vi) Receiving other periodic reports on the treasury management function and its performance and commenting thereon.

4. FORMULATION OF TREASURY MANAGEMENT STRATEGY

4.1 The Treasury Management Strategy which will consider inter-alia the raising of capital finance, the investment of surplus monies and the management of cash flow, will be incorporated within the annual strategy report to be presented annually to the Policy & Resources Committee prior to the start of the financial year to which it relates.

5. APPROVED METHOD OF RAISING CAPITAL FINANCE

5.1 Borrowing is either classified as temporary i.e. loans up to one year in maturity, or long term i.e. loan over one year in maturity. Finance can be raised by using only the following methods:

- (i) Public Works Loan Board
- (ii) Money Market Loans – Long Term > 364 days maturity
- (iii) Money Market Loans – Temporary < 364 days maturity
- (iv) Local Bonds
- (v) Trusts and other sundry funds administered by the Council
- (vi) Overdraft facility with Council's bankers.

6. APPROVED SOURCES OF FINANCING

6.1 Subject to any statutory restriction the Council adopts an unlimited market from which finance can be raised. At least two brokers must be utilised by the Council at any one time, and any limitation to the amount of business handled by these brokers will be dealt with in the Annual Strategy Report when considering the borrowing requirements for the year.

7. APPROVED ORGANISATIONS FOR INVESTMENT

7.1 *Paragraph 7 of the Treasury Systems & Documentation sets out the approved list of investment counter-parties, together with the limits applicable to each. Counter-parties will be selected based upon the credit rating provided by Fitch, a specialist rating agency, and the advice of appointed treasury advisors. The recommended credit limits to apply are:*

	Short Term		Long Term	Individual	Support
Local Authority	7	N/A	N/A	N/A	N/A
Banks	8	F1/F1 +	A+	A/B/C	1/2/3
Building Societies	9	F1/F1 +	A+	A/B/C	4

7.2 *The background to these credit ratings together with the proposed Investment Counterparty list are set out in paragraph 7 and 8 of the Treasury Systems Documentation. Banks and other financial institutions that meet the criteria will be added to the counter-party list as required. Institutions that do not continue to meet the criteria will be removed as required.*

8. INTEREST RATE EXPOSURE

8.1 The maximum proportion of interest on outstanding debt which may be at variable rates of interest will not exceed **40%** and the maximum amount of long term loans due to mature in any one year will not exceed **25%** of the Council's outstanding debt. The operational levels applicable within each financial year will be set out in the relevant annual strategy report.

9. FUND MANAGERS/EXTERNAL TREASURY ADVISORS

9.1 It is not considered necessary for the Council to appoint external fund managers, however consideration may be given in the future regarding such appointments in respect of the investment of Charitable Trust Funds administered by the Council.

9.2 The Director of Finance will, if appropriate, **appoint Treasury Advisors** to provide guidance in respect of Debt Rescheduling and other general Treasury Management matters, to ensure the efficient operation of the consolidated loan fund.

Alex McPhee
Director of Finance
9 August 2001



East Ayrshire
COUNCIL

Finance
Department

Treasury Systems & Documentation 2001/02



EAST AYRSHIRE COUNCIL

TREASURY SYSTEMS AND DOCUMENTATION – 2001/02

1 INTRODUCTION

- 1.1 Following reviews of Treasury Management within local authorities and the requirement for satisfactory monitoring and reporting, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice for Treasury Management.

The Code of Practice lays down the requirements that should be followed to ensure an effective Treasury Management function within the Council.

Although not mandatory, CIPFA strongly recommends the adoption of the Code of Practice by all local authorities. The Policy and Resources Committee agreed to its adoption at its meeting of 5 October 1995. The Treasury Policy Statement should therefore be viewed as the overriding document in respect of treasury management within the Authority.

- 1.2 The following is intended to cover the systems necessary to ensure compliance with the Code of Practice and satisfactory Treasury Management, and covers the following areas: -

- (a) ***Delegation of duties and lines of reporting***
- (b) ***Borrowing Procedures***
- (c) ***Interest rate criteria & loan maturity***
- (d) ***Authorisation limits***
- (e) ***Investment of Surplus Funds***
- (d) ***Banking arrangements***

2 DELEGATION OF DUTIES

- 2.1 The report to Policy and Resources Committee on 5 October 1995, detailed duties, which were delegated to the Director of Finance and subsequently to those officers, involved in the Treasury Management function. These duties are more specifically defined within the treasury systems document and are set out below: -

1 **Director of Finance**

- (a) To determine the borrowing and investment strategy and ensure that all decisions comply with the approved financial policy and that of the Code of Practice.
- (b) The preparation of an Annual Strategy Report.
- (c) To ensure that the appropriate systems and documentation are in place to provide an adequate Treasury Management function.
- (d) To ensure that there is a proper chain of command and that properly trained staff are available to carry out the Treasury Management functions efficiently and effectively.
- (e) To ensure that the necessary report is incorporated within the budgetary control report submitted to the Budget Scrutiny Group and relevant committee.
- (f) To hold regular meetings with the Head of Accounting Services (Treasury Manager) and the Treasury Services Manager to review the borrowing and investment strategy and the current and projected performance of the Treasury Management function.

- (g) To hold meetings on a quarterly basis with the Head of Accounting Services (Treasury Manager), and the Treasury Services Manager to review the Treasury Management function and performance for the preceding quarter and projected borrowing requirements.

2 Head of Accounting Services (Treasury Manager)

- (a) Ensuring that the day-to-day management of the Treasury function complies with approved policy, and managing the day-to-day treasury function.
- (b) Ensuring compliance with the Treasury Systems document and that all limits and directions are complied with.
- (c) Ensuring that there is adequate segregation of duties and that appropriate staff resources are available to maintain an effective Treasury function.
- (d) To ensure that regular cash flow and borrowing and investment reports are prepared.
- (e) To ensure that reports on a four-weekly basis are incorporated within the budgetary control report, and submitted to the Budget Scrutiny Group and relevant committees.
- (f) To hold meetings on a weekly basis with the Treasury Services Manager, and to review the borrowing and investment strategy for the forthcoming period and long term implications.
- (g) To determine interest rate movements and interest rate forecasts for incorporation within the Council's annual estimates.
- (h) In the absence of the Director of Finance to ensure that those duties of the Director of Finance, ***specific to Treasury Management***, are effectively carried out.

3 Corporate Accounting Manager

- (a) ***In the absence of the Head of Accounting Services to authorise borrowing and repayments within the limits prescribe in paragraph 6.***

4 Treasury Services Manager

- (a) To provide cover in the event of the absence of the Head of Accounting Services (Treasury Manager), in respect of day-to-day Treasury Management matters. In the absence of the Treasury Manager matters of policy must be referred to the Director of Finance.
- (b) Ensure effective management of the Council's cash flow and make daily decisions taking regard of the limits set in paragraph 6.
- (c) Ensure effective management of the loan fund on a day-to-day basis.
- (d) Ensure that reports on a weekly basis are made to the Head of Accounting Services (Treasury Manager) relating to the levels of outstanding debt, transactions completed and comparisons of cash flow projections/actual and variance analysis there of.
- (e) To ensure that reports on a four-weekly basis incorporating analysis of outstanding debt, average interest rate, actual interest paid, and annual projections, are made to the Head of Accounting Services for incorporation within the budgetary control report.
- (f) To ensure that the calculation of debt charges / capital charges for incorporation within the Council's annual estimates for the forthcoming year and that current year out-turn projections are prepared.

5 Senior Accountant (Treasury & Insurance)

- (a) To provide cover in the event of the absence of the Treasury Services Manager, in respect of day to day Treasury functions.
- (b) To assist the Treasury Services Manager in the duties outlined above.

6 Insurance & Risk Manager

- (a) ***Provide cover in the absence of both the Treasury Services Manager and the Senior Accountant to authorise loan repayments and borrowings, within the limits prescribe in paragraph 6. Borrowing and investment decisions should be referred to the Treasury Manager or Director of Finance.***

7 Accountancy Assistant

- (a) To provide cover in the event of the absence of the Finance Assistant, in respect of day-to-day Treasury matters.
- (b) To carry out specific “back office” functions in respect of Treasury including reconciliations, statistical returns, financial accounting.
- (c) Prepare weekly management reports detailing Treasury activity.
- (e) In the absence of the Finance Assistant to carry out the duties and functions detailed below.
- (f) Provide appropriate training and instruction in respect of treasury systems.
- (g) ***To supervise the Finance Assistant.***

7 Finance Assistant

- (a) To prepare daily cash requirement projections detailing borrowing requirements.
- (b) Obtaining rates from brokers/PWLB with regard to long and short-term borrowing.
- (c) Ensuring that prior to any transaction being taken that Systems Document A is authorised by either the Director of Finance, Head of Accounting Services, or the Treasury Services Manager within the limits specified within paragraph 6.
- (d) Following approval of borrowing requirements completing transactions and recording deal details, ensuring that the use of any broker as specified in the Annual Strategy report is adhered to.
- (e) Ensuring that following the completion of a deal that written confirmation is received, and the detail on the documentation is checked for validity and accuracy.
- (f) Where repayments are necessitated that these are recorded on the relevant systems document, approved by either the Director of Finance, Head of Accounting Services or Treasury Services Manager, and the necessary repayment completed.
- (g) Ensuring that an effective record of all transactions is maintained within the loan register.
- (h) To ensure that at the end of each four-week period that all figures and dates incorporated within loans spreadsheets are checked for validity and interest paid to date agreed to the financial ledger.
- (j) To prepare on a weekly basis reports detailing analysis of outstanding debt between the variable and fixed loans, and the allocation of these loans between the various brokers.

3 BORROWING PROCEDURES

- 3.1 It is essential that when transactions are negotiated with brokers that all details of the transactions be documented accurately. Systems Document A must be completed by the Finance Assistant and approved by either the Director of Finance, Head of Accounting Services, or Treasury Services Manager, in accordance with the limits specified in paragraph 6, prior to the transaction being undertaken. In respect of call loans requiring immediate replacement, the Finance Assistant is authorised to negotiate immediate replacement on the same terms and conditions applicable to the loan being replaced. The action taken must be notified to the Head of Accounting Services or Treasury Services Manager within 24 working hours for either confirmation or other appropriate action. It is not considered necessary at this time that telephone conversations with brokers are recorded, but full details of any deal must be confirmed in writing to ensure that there is no question as to the validity of the data.
- 3.2 Cash flow projections of medium and long term borrowing requirements will be prepared based on Annual Estimates of revenue and capital requirements by the Head of Accounting Services, and adjusted throughout the year taking into account actual spend and receipts movements as against projections. ***The principal of full utilisation of available Public Works Loan Board quota in each financial year, taking account of the prevailing and forecast interest rates together with projected cash-flows, will be adopted.***
- 3.3 The Finance Assistant will prepare cash flow projections on a day-to-day basis, as per System Document B. Following the review of the projections by the Treasury Services Manager the day's borrowing requirements will be determined.
- 3.4 In dealing with brokers it is a requirement that no one broker shall handle more than 75% of the Council's borrowing from the money market in any one financial year. Brokers shall be contacted directly and the most appropriate rates for the borrowing requirements ascertained. Following the decision regarding the day's requirements and choice of broker, the deal should be concluded and the relevant information, as specified in System Document A, recorded.
- 3.5 Where loans require to be repaid System Document A must be completed by the Finance Assistant, and approved by either the Head of Accounting Services or the Treasury Services Manager and agreed to the daily cash flow statement (System Document B). For daily limits up to £5m these may be by way of CHAPS via Telebank. However, any amount in excess of this requires to be completed direct by the Council's bankers. All CHAPS payments must be authorised by the Director of Finance, Head of Accounting Services or the Treasury Services Manager in accordance with the limits specified in paragraph 6, and recorded on the daily borrowing requirement schedule.

4 INTEREST AND LOAN MATURING EXPOSURE

- 4.1 The Treasury Policy Statement as approved by the Council set out the criteria as regards the maximum proportion of interest on outstanding loans which may be at variable rate and the maximum amount of long-term loans which were to mature in any one year. These rates are currently **40% and 25%** respectively. The annual operational limits will be as set within the approved annual strategy report.

- 4.2 Consideration must be given to maturity of debt and where, in appropriate cases, early repayment and re-borrowing would be financially beneficial, rescheduling will be carried out. In this respect it is essential that loan debt maturity is analysed and interest rates movement monitored on a four weekly basis.

5. AUTHORISATION LIMITS – LOAN REPAYMENTS AND BORROWING

- 5.1 The following levels of authorisation shall apply: -

<u>Officer</u>	Maturity of Loan	Monetary Limit (Single Loan)	
		Borrowing	Repayment
Director of Finance	All Loans	Over £5 million	Over £5 million
Head of Accounting Services	All Loans	Over £5 million	Over £5 million
Corporate Accounting Manager	Call Loans & PWLB Quota Loans.	up to £5 million	Up to £5 million
Treasury Services Manager	Call Loans & PWLB Quota Loans.	up to £5 million	Up to £5 million
Senior Accountant (Treasury Services)	Call Loans < 364 Days maturity	Call Loans – same Value Replacement	Up to £1 million
Insurance & Risk Manager	Call Loans < 364 Days maturity	Call Loans – same Value Replacement	Up to £1million
Accountancy Assistant	Call Loans < 364 Days maturity	Call Loans – same Value Replacement	Nil
Finance Assistant	Call Loans < 364 Days maturity	Call Loans – same Value Replacement	Nil

- 5.2 In the absence of any of the above, approval shall be given by the next most senior officer, except in the absence of the Director of Finance, where authority has been delegated to the Head of Accounting Services.

6 INVESTMENT OF SURPLUS FUNDS

- 6.1 *Where it is anticipated from the daily borrowing requirement/cash flow projections that surplus funds may be available for investment, these shall be invested only with an organisation approved by the Council, as set out in table 6.4 and 6.5.*
- 6.2 *In the first instance short-term surplus funds up to £3.000M can be invested with the Council’s bankers on overnight deposit, approval for this being by the Head of Accounting Services, or in his absence, the Treasury Services Manager. System Document C details the required information in this regard.*
- 6.3 *Funds in excess of £1.000M, assessed as being available for greater than 7 days shall be invested with an approved counter-party as set out in Tables 6.4 and 6.5, with due reference to the monetary and time limits applicable.*

6.4 **Table**

INVESTMENT COUNTER PARTY LIST						
	Fitch credit rating				Limits	
	Short Term	Long Term	Ind'dual	Support	£M	Time
UK Clearing Banks & their wholly owned subsidiaries						
Bank of Scotland Group						
Bank of Scotland	F1	AA	B	2	£1.000M	<364 days
Bank of Scotland – Treasury Services PLC (s)	-	-	-	-	£1.000M	<364 days
Bank of Scotland (Ireland) (s)	-	-	-	-	£1.000M	<364 days
Barclays Bank Group						
Barclays Bank	F1	AA+	B	1	£1.000M	<364 days
Woolwich (s)	F1	AA+	B	3	£1.000M	<364 days
HSBC Group						
HSBC Holdings	F1+	AA-	-	-	£1.000M	<364 days
HSBC Bank PLC	F1+	AA	B	2	£1.000M	<364 days
HSBC Asset Management	-	-	-	-	£1.000M	<364 days
Lloyds TSB Group						
Lloyds TSB Group (Holding Company)	F1+	AA	A	5	£1.000M	<364 days
Lloyds TSB Bank	F1+	AA+	A	2	£1.000M	<364 days
TSB Scotland (s)	-	-	-	-	£1.000M	<364 days
Royal Bank of Scotland Group						
Royal Bank of Scotland Group PLC	F1+	AA	-	-	£1.000M	<364 days
Royal Bank of Scotland	F1+	AA	B	1	£1.000M	<364 days
National Westminster Bank	F1+	AA	B	1	£1.000M	<364 days
Adam & Co (s)	-	-	-	-	£1.000M	<364 days
Royscot Trust (s)	-	-	-	-	£1.000M	<364 days
Ulster Bank Ltd (s)	-	-	-	-	£1.000M	<364 days
Ulster Bank Markets (s)	-	-	-	-	£1.000M	<364 days
OTHER UK BANKS						
Bradford & Bingley	F1	A+	B	4	£1.000M	<364 days
Co Operative Bank PLC	F1	A	B	4	£1.000M	<364 days
Northern Rock	F1	A+	A/B	4	£1.000M	<364 days
Sun Bank PLC	F1	AA-	B/C	3	£1.000M	<364 days
Abbey National Group						
Abbey National PLC	F1+	AA	A/B	2	£1.000M	<364 days
Abbey National Treasury Services (s)	-	-	-	-	£1.000M	<364 days
Alliance & Leicester Group						
Alliance & Leicester	F1+	AA-	B	2	£1.000M	<364 days
Alliance & Leicester Group Treasury (s)	F1+	AA-	-	-	£1.000M	<364 days
National Australia Bank Group						
Clydesdale Bank (Wholly Owned Subsidiary)	-	-	-	-	Note 1	<364 days
Bank of New York Europe Limited	F1+	AA	-	3	£1.000M	<364 days
HFC Bank	F1	-	B	3	£1.000M	<364 days
Standard Chartered	F1	A+	B	4	£1.000M	<364 days

Note 1: - Overnight investment limit for Clydesdale £3.000M, up to 364 days £1.000M.

Note 2: - Banks marked (s) are wholly owned subsidiaries and are included within the group credit rating indicated.

6.5 **Table**

INVESTMENT COUNTER PARTY LIST						
	Fitch credit rating				Limits	
	Short Term	Long Term	Ind'dual	Support	£M	Time
UK Local Authorities	N/A	N/A	N/A	N/A	£1.000M	<364 days
BUILDING SOCIETIES						
Nationwide	F1+	AA-	B	2	£1.000M	<364 days
Britannia	F1	A	B	4	£1.000M	6 months
Yorkshire	F1	A+	B	4	£1.000M	6 months
Skipton	F1	A	B	4	£0.750M	3 months
Principality	F1	A	A/B	4	£0.500M	1 month
OVERSEAS BANKS						
Belgium						
Fortis Bank	F1+	AA-	B	2	£0.500M	<364 days
KBC Bank	F1+	AA-	B/C	2	£0.500M	<364 days
France						
Dexia Credit Local	F1+	AA+	A/B	2	£0.500M	<364 days
Germany						
Bayerische Lanndesbank Girozentrale	F1+	AAA	C	1	£0.500M	<364 days
Deutsche Bank AG	F1+	AA	B	1	£0.500M	<364 days
Hamburgische Landesbank	F1+	AAA	B/C	1	£0.500M	<364 days
Landesbank Baden-Wuerttemberg	F1+	AAA	B	1	£0.500M	<364 days
Landesbak Hessen-Thueringen Girozentrale	F1+	AAA	B/C	1	£0.500M	<364 days
Norddeutsche Landesbank Girozentrale	F1+	AAA	C	1	£0.500M	<364 days
Landesbank Berlin	F1+	AAA	-	1	£0.500M	<364 days
Ireland						
Bank of Ireland	F1+	AA-	B	2	£0.500M	<364 days
DePfa Bank Europe PLC	F1+	AA-	B	3	£0.500M	<364 days
IIB Bank Ltd	F1	A+	B	3	£0.500M	<364 days
Italy						
Unicredito Italiano	F1+	AA-	B	2	£0.500M	<364 days
Luxembourg						
Dexia Banque Internationale a Luxembourg	F1+	AA+	A/B	2	£0.500M	<364 days
Spain						
Banco Bilbao Vivcaya Argentaria	F1+	AA-	B	2	£0.500M	<364 days

8 CREDIT RATING – SUMMARY CRITERIA

8.1 Credit Rating Agency

Fitch is a credit rating agency, which provides specific advice on which the viability of an institution to act as an investment vehicle for Council funds. The following are the key rating categories.

8.2 Short and Long Term Ratings

These indicate the institutions ability to meet its local and foreign currency obligations in a timely manner. For local authorities the short-term rating is considered more important as it has a time horizon of less than 12 months. It is common practice amongst local authorities to invest with institutions that have a rating of at least F1, which indicates “the strongest capacity for timely payment of financial commitments”.

8.3 Individual Rating

The individual rating is concerned with the institution exposure to, appetite for, and management of risk, and thus represents Fitch's view on the likelihood that it would run into significant difficulties such that it would require support. In compiling this rating, factors such as profitability and balance sheet integrity, franchise, management, operating environment and prospects.

8.4 Support Rating

This does not assess the quality of the bank but is an assessment of whether a bank would receive outside support if it ran into financial difficulties that it could not cope with itself.

8.5 Proposed Credit Rating Criteria for Banks

- **Short Term Rating:** - F1 & F1+. This will include banks of the highest credit quality, with the strongest capacity for timely repayment of financial commitments over 12 months.
- **Long Term Rating:** - A+ and better. This will include all banks of a high credit quality or better. An A rating indicates a low expectation of credit risk and banks whose capacity for repayment of financial commitments are considered strong.
- **Individual Rating:** - B/C and better. This will include all banks that Fitch regards as strong/adequate. A B rating indicates no major concerns, a C rating indicates the bank may have one or more troublesome aspects, although not to the extent that it is seen as a weakness.
- **Support Rating:** - 3 or better. This would include all banks in the following Categories:-
 - Those banks having a clear form of legal guarantee on the part of the state. This assumes the state must be clearly prepared and able to support its principal banks.
 - A bank that is of such importance, domestically or internationally, that support from the State would be forthcoming.
 - Banks with institutional owners of sufficient reputation and having such resources that support would be forthcoming.

8.6 Proposed Investment Limits - Banks

It is recommended that surplus funds up to a limit of £1.000M can be invested with any one financial institution, subject to the specific limits set out above. Surplus funds in excess of this amount will be restricted in that no more than 15% of available funds can be invested with any one

institution. This limit also applies to Groups of Banks, incorporating all subsidiaries. This is intended to limit the level of risk accordingly.

8.7 Proposed Investment Limits – Building Societies

The following limits are proposed:

- Societies with assets greater than £15 Billion: - £1.000M and < 364 Days
- Societies with assets between £5 & £15 Billion: - £0.750M and < 6 months
- Societies with assets between £2 & £5 Billion: - £0.750M and < 3 months
- Societies with assets between £1 & £5 Billion: - £0.500M and < 1 month

Building Societies that move between asset categories will be reviewed and revised limits applied as appropriate.

8.8 Foreign Banks

It is recommended that a number of highly rated foreign banks, who are willing to accept relatively small investments are included on the approved list. The banks proposed are regularly seen in the market dealing at small levels without compromising the rate of return.

8.9 Subsidiaries of UK Banks

It is common practice amongst Local Authorities to include most subsidiaries of UK Banks on their approved lists. Again they will usually accept smaller deposits than their parent will. Whilst only The Bank of New York Europe Ltd, NatWest and Woolwich have Fitch ratings this is not necessarily a reason to exclude them, as any major shortcomings should be reflected in the rating of the parent organisation

RESOLUTION

- 1.1** That a Banking Account or Accounts be opened/continued and further Accounts opened as may be considered advisable from time to time, in the name of the Council with the Clydesdale Bank (“the Bank”) and that the following resolutions shall apply to all accounts of the Council with the Bank now, or in the future.
- 1.2** That the Bank be, and it is hereby instructed and authorised to honour, comply with and debit to the Council’s account or accounts, whether in credit or overdrawn in consequence of such debit, all cheques, warrants, or other orders or instructions made drawn or given on behalf of the Council at any time provided that any such cheques, warrants, orders, bills, promissory notes, negotiable instruments or instructions are signed by any one of the Director of Finance, Head of Accounting Services, Head of Exchequer Services or Corporate Accounting Manager.
- 1.3** That as regards the following matters:
- (a)** Instructions to withdraw, deliver, dispose of or deal with any property, Documents or securities held on account of the Council and the withdrawal of securities, documents or articles lodged for safe custody on account of the Council;
 - (b)** Endorsement of all cheques, orders, bills, promissory notes and negotiable instruments payable to the Council;
 - (c)** Any indemnities or counter indemnities given to the Bank;
 - (d)** Instructions for the opening of credits or the issue of guarantees, bonds or indemnities by the Bank;
 - (e)** The discounting of inland or foreign bills;
 - (f)** Instructions for the opening of any banking account or accounts from time to time in the name of the Council with the Bank.

The Bank or its Nominee be hereby authorised to accept on behalf of the Council instructions signed by any one of:

- (i) Director of Finance
- (ii) Head of Accounting Services
- (iii) Head of Exchequer Services
- (iv) Corporate Accounting Manager

- 1.4** That the Bank be supplied with a list of the names of the Officials of the Council and advised of any alterations to the list.

- 1.5** That it is the Council's desire and intention to issue Cheques drawn on the Current Accounts kept in the Books of the Bank in our name with the signature of Alexander McPhee, Director of Finance lithographed or stamped thereon in facsimile: Therefore we do agree that in honouring such Cheques when presented to the Bank they shall as between the Council and the Bank have the same rights, powers and privileges and be in the same position in all respects as if the facsimile signature on such Cheques was the manuscript signature of the said Alexander McPhee and it shall not be competent to the Council to plead or maintain as against the Bank that any such Cheques so presented have been issued without the Council's authority or that the facsimile signature thereon has been adhibited without the Council's authority: And we further agree to hold the Bank indemnified from and against all loss, costs. Damages and expense which they may sustain or incur or be liable for, in any manner of way in consequence of the Bank honouring cheques issued by the Council as aforesaid.
- 1.6** That these Regulations be communicated to the Bank and remain in force until amending Resolutions shall be passed by a Meeting of the Council, and a copy thereof, certified by the Chair shall have been received by the Bank.

SYSTEM DOCUMENT A

TREASURY & INSURANCE SERVICES

Authority for Loan Transaction

1. Available Rates

Loan No:.....			Date:.....	
	Broker	% of O/S Debt	Rates	Appointed
1				
2				
3				
4				
5				
Reason For Decision:.....				

2. Loan Transaction - Borrowing

BORROWING		10	Checked by
Lender:			
Bank:			
Sort Code:			
Amount:			
Date of Receipt:			
Interest Rate:			
If Interest Rate Different From Above state Reason:			
Period of Loan:			
Repayment date:			
Brokerage:			
Confirmation Note Checked By:			
Prepared By:			
Authorised By:			

3. Loan Transaction - Repayment

REPAYMENT	
Date Repaid:	
Amount Repaid:	
Method:	
Prepared By:	
Authorised By:	

AGENDA