

Report of: FINANCIAL & ASSET MANAGEMENT BUSINESS MANAGER

To: EXECUTIVE BOARD

Date: 19TH FEBRUARY 2007

Item No:

Title of Report : TREASURY MANAGEMENT STRATEGY 2007/2008



Summary and Recommendations



Purpose of report: To seek approval of the Treasury Management Strategy and Prudential Indicators for 2007/08 onwards



Key decision: No

Portfolio Holder: Stephen Tall – Better Finances

Scrutiny Responsibility: Finance



Board(s) affected: All

Report Approved by: Councillor Tall (Portfolio holder)
Jeremy Thomas (Legal Services)
Mark Luntley (Strategic Director)



Policy Framework: Sustaining Financial Stability



Recommendation(s): The Executive Board is asked to recommend Council to:



1. Adopt the Prudential Indicators and limits for 2007/08 to 2009/10 contained in Appendix A of the report
2. Approve the Treasury Management Strategy 2007/08, and the treasury prudential indicators
3. Approve the Investment Strategy 2007/08 contained in the treasury management strategy, and the detailed criteria



Introduction

This report includes the revised Treasury Management Strategy, which was previously reported to Executive Board on the 6th November as part of the Medium Term Financial Strategy.

This report outlines the Council's prudential indicators for 2007/08 – 2009/10 and sets out the expected treasury operations for this period. It fulfils three key reports required by the Local Government Act 2003:

- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The treasury strategy in accordance with the CIPFA code of Practice on Treasury Management
- The investment strategy in accordance with the DCLG investment guidance

The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management and as a result adopted a Treasury Management Policy statement (Executive Board 7th February 2005). This adoption meets the requirements of the first of the treasury prudential indicators.

The Treasury Management Policy requires an annual strategy to be reported to Executive Board outlining the expected treasury activity for the forthcoming 3 years.

The Council's current Treasury Management Strategy was approved at Executive Board on 3rd April 2006 and Council on 24 April 2006. This strategy covered the period of 2006/07 to 2008/09, and included our prudential indicators for that period.

The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions.

A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service.

The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

Interest Rates

Interest rates are of particular importance to the city council as we have between £40 million and £60 million of funds lent out (the amount varies during the year).

Most of our loans are made at or close to prevailing interest rates.

For the 12 months up until August 2005 the Bank of England ('the Bank') had held interest rates steady at 4.75%. In August 2005 the bank reduced the base rate to 4.5% where it remained until August 2006.

Producer input price inflation and import price inflation have been high by recent historical standards and there had been a pickup in the general public's inflation expectations over 2006.

September 2006 saw rates rise to 4.75% and rise again quickly to 5% in November 2006.

The Bank took the markets by surprise with its decision to hike rates in January 2007. An increase to 5.25% was widely anticipated, but the timing of the increase was the real shock.

Effect of interest rates Oxford City Council

Finance and Asset Management manage the council's cash investments.

Assuming an average cash holding of £50 million, a quarter point increase in interest rates is worth £125k.

Borrowing and Debt Strategy 2006/07 – 2008/09

The Council has £11 million of debt at 1st April 2006, all of it held at fixed rates, with varying lengths of time before maturity. The debt is wholly related to Housing with the interest met through the Housing Revenue Account subsidy mechanism. Restructuring and premature repayment of the debt have been considered, however neither option offers any advantage because any reduction in interest payable would result in an equivalent reduction in subsidy and both options would incur significant costs that would not be met from subsidy.

The Capital Financing Requirement (CFR) is the total outstanding capital expenditure that has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. In Oxford City Council's case the CFR is currently a negative figure, indicating that there is no need to undertake any external borrowing in the short-term.

The Strategic Director, Finance and Corporate Services has delegated powers to determine the need for any future borrowing and the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks. It is likely that longer term fixed rates will be considered if borrowing levels remain relatively low.

Investment Strategy 2006/07 – 2008/09

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.

It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

Interest rate uncertainty is set to persist in the year ahead. The threat of higher inflation is considered a real danger for the UK economy in the near term, not least the event that the annual increase in RPI reached 4.4% in January, this could lead to a buoyant pay round.

Expectations on shorter-term interest rates, on which investment decisions are based, shows a likelihood of a peak at 5¼% in early 2007. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

The Strategic Director, Finance and Corporate Services has delegated powers to undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks. and will maintain a counterparty list in compliance with the following criteria and will review the criteria and submit them to Council for approval annually or as required.

The current counterpart list is attached at Appendix B for information.

The Expected Movement in Interest Rates

Interest rates have been rising worldwide; the European Central Bank raised its intervention rate in August, the Federal Bank of America has been raising interest rates for many consecutive months, and even Japan has made an upward adjustment. After several years of easy money, monetary policy is being tightened around the world.

The factors that lie behind the August rise in the UK are fairly easy to understand. The economy continues to expand at a robust pace and at a faster rate than we have been assuming; economic growth in the second quarter (excluding the energy sector) was 1% and significantly above trend, which implies a further erosion of the already low degree of excess capacity and hence potentially higher inflation pressure. Above all, inflation is above the target, and has been for some time, and will remain so for a while. The statement by the Bank after the decision to raise its intervention rate noted that inflation is 'expected to remain above 2% target for some time' and, while the impact of the rise in energy prices over the past year will work themselves out of the inflation

calculations, the Bank expects wage pressures to intensify and for firms to seek to restore operating margins.

The Bank has recently become concerned about the continued strong pace of credit and rise in the money supply. Money supply growth has now been substantial for a long time and, while there is no mechanical relationship between this and inflation, the Bank is concerned that potential liquidity pressure is building up.

The Bank is especially concerned that the rise in energy prices will feed through to inflation expectations and there is already some evidence for this. Expectations are probably the single most worrying concern at the Bank because, once they take hold, it is very difficult to shift them back. Peoples' inflation expectations are not very sophisticated in that few people look at CPI or even RPI trends. What people do know is that certain key prices have risen very sharply. This creates the impression of inflation being greater than the indices show.

Given the pressures of strong growth being forecast by the Bank, low excess capacity, inflation at 3%, the recent up tick in house price inflation, and that a single 0.25% rate rise would not do much to restrain the economy anyway, it is more likely than not that there will be a further rise later this year. This would take base rates to a higher level than their peak in the last interest rate cycle.

The Bank remains concerned that domestically generated inflation could strengthen in the months ahead and increase to unacceptably high levels. The key in this respect lies in a number of relationships within the economy.

- The buoyancy of the international economy and the effect upon UK growth
- The strength of domestic activity and the extent of spare capacity
- The state of the labour market and the outcome of the forthcoming pay round
- The strength of domestic demand and the pricing power of companies

UK Growth has been stronger than expected. This has been driven mainly by domestic factors, in particular the buoyancy of consumer spending. While the recent rise in official interest rates may lead to some deceleration, the extent of this is expected to be comparatively modest.

Long-term interest rates have been underpinned by the twin effects of concerns about domestic inflation prospects and the unexpected buoyancy of the US and German economies. Uncertainties generated by these developments are likely to underpin yields in the months ahead, although market conditions will remain erratic and occasional phases of downbeat economic data should generate declines in interest rates.

However, these phases will prove temporary until the markets are convinced the US economy has unquestionably entered a weaker activity phase and a return to lower dollar interest rates is a near certainty. This, coupled with evidence of decelerating activity and moderating inflation on the domestic front should create conditions for a sustainable, yet moderate, decline in long-term yields.

Medium-Term Rate Forecasts* - Annual Averages %

<i>Percent</i>	Base Rate	5-year Gilt	20-yr Gilt	50-yr Gilt
2006/07	4.8	4.9	4.4	4.0
2007/08	5.3	5.1	4.6	4.0
2008/09	5.0	4.8	4.5	3.9
2009/10	4.8	4.5	4.3	3.9

Butlers' forecasts

Criteria for approving counterparties

- Banks – the Council will use banks which have at least the following Fitch or equivalent ratings:
 - Short Term – F1/F2/P2
 - Long Term – A/A3
 - Individual / Financial Strength – C
 - Support – 3
- Building Societies – the Council will use all Societies with assets in excess of £0.5 billion
- Money Market Funds – AAA
- Unrated Bank Subsidiaries - the council will use all unrated bank subsidiaries where their parent company meets the ratings above
- UK Government (including gilts and the DMO)
- Local Authorities, Parish Councils etc
- Supranational institutions
-

The time limits for institutions on the Council’s Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch	Moody’s	Standard & Poors	Money Limit	Time Limit
Upper Limit Category	F1+/AA-	P-1/Aa3	A1+/AA-	£8.0m	>364 days
Middle Limit Category	F1/A-	P-1/A3	A-1/A-	£5.0m	<365 days
Lower Limit Category	Asset base greater than £0.5			£2.5m	183 days

	billion				
Other Institution Limits	-	-	-	£8.0m	364 days

In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of rising by ¼% in 2007/2008. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. It is likely that investment decisions will be made for longer periods with fixed investments rates to lock in good value and security of return if opportunities arise. The Strategic Director, Finance and Corporate Services, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

Treasury prudential indicators

The Strategy also includes the Prudential Indicators, which the authority is required to consider before determining its budget and treasury management arrangements for a new financial year.

Our Prudential Indicators are:

- Actual and Estimates of the ratio of financing costs to the net revenue stream – identifies the trend in the cost of capital against the net revenue stream split GF & HRA.
- Estimate of the incremental impact of capital investment decisions on the Council Tax – identifies the trend in the cost of proposed changes in the three year capital programme compared to the Council's existing approved commitments and current plans.
- Estimates of the incremental impact of capital investment decisions on housing rents – identifies the trend in the cost of proposed changes in the housing capital programme compared to the Council's existing approved commitments and current plans.

- Estimates of capital expenditure – split between GF & HRA
- Estimate of capital financing requirement (CFR) – The CFR is the total outstanding capital expenditure that has not yet been paid for from either revenue of capital resources.
- Authorised limit for external debt – represents limit beyond which external debt is prohibited, reflects the level of debt that could be afforded in the short term.
- Operational boundary for external debt – based on probable external debt during the course of the year, it is not a limit, actual external debt can vary around this boundary for short times during the year.
- Actual external debt
- Net Borrowing v Capital financing requirement – need to ensure that the total borrowing net of investments does not exceed the total CFR.
- Compliance with the CIPFA code of Practice for Treasury Management in the Public Sector
- Upper limit on fixed interest rate borrowing - identifies a maximum limit for fixed interest rates based upon the debt position net of investments.
- Upper limit on variable interest rate borrowing – identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limit for the maturity structure of borrowing – used to reduce the Council's exposure to large fixed rate sums falling due for repayment.
- Lower limit for the maturity structure of borrowing– used to reduce the Council's exposure to large fixed rate sums falling due for repayment.
- Upper limit for principle sums invested for periods longer than 364 days – set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

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Background papers:

Medium Term Financial Strategy – Executive Board 9th November 2006



Prudential indicators**Section 1 - Affordability****Estimates of the ratio of financing costs to net revenue stream**

(a) General Fund

	2005/2006	2006/2007	2007/2008	2008/2009
	Actual	Estimate	Estimate	Estimate
	%	%	%	%
PWLB interest	1,016,728.02	915,946.60	863,462.65	805,578.69
SODC interest	130,695.91	121,496.71	111,837.55	101,695.43
LT borrowing interest	263,938.37	261,780.84	65,445.21	0.00
	1,411,362.30	1,299,224.15	1,040,745.41	907,274.12
Investment income	-2,466,163.07	-2,235,433.46	-2,285,937.63	-2,288,510.13
Net financing cost	-1,054,800.77	-936,209.31	-1,245,192.22	-1,381,236.01
Revenue stream	24,706,000.00	28,259,436.00	27,201,598.00	27,638,785.00
Ratio	-4.3%	-3.3%	-4.6%	-5.0%

(b) Housing Revenue Account

	2005/2006	2006/2007	2007/2008	2008/2009
	Actual	Estimate	Estimate	Estimate
	%	%	%	%
Item 8 interest	1,275,398.00	1,570,407.00	1,468,927.00	1,466,663.00
Investment income	-171,949.37	-170,000.00	-170,000.00	-170,000.00
Net financing cost	1,103,448.63	1,400,407.00	1,298,927.00	1,296,663.00
Revenue stream	19,728,000.00	14,660,420.00	15,966,314.00	15,679,731.00
Ratio	5.6%	9.6%	8.1%	8.3%

Estimates of the incremental impact of capital investment decisions on the Council Tax

	2005/2006	2006/2007	2007/2008	2008/2009
	Actual	Estimate	Estimate	Estimate
	£	£	£	£
	8.74	8.16	9.65	6.20

Estimates of the incremental impact of capital investment decisions on housing rents

	2005/2006	2006/2007	2007/2008	2008/2009
	Actual	Estimate	Estimate	Estimate
	£	£	£	£
	1.53	1.23	1.29	1.06

Estimates of capital expenditure

(a) General Fund

	2005/2006	2006/2007	2007/2008	2008/2009
	Actual	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's
	8,544.8	8,220.5	10,011.9	6,626.4

(b) Housing Revenue Account

	2005/2006	2006/2007	2007/2008	2008/2009
	Actual	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's
	14,302.0	11,400.0	11,900.0	9,760.0

Estimates of capital financing requirement (underlying need to borrow for a capital purpose)

	2005/2006	2006/2007	2007/2008	2008/2009
	Actual	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's
Housing	2,639	3,185	3,731	3,731
Non-housing	377.7	2,869	5,747	7,599

Authorised Limit for External Debt

	2005/2006	2006/2007	2007/2008	2008/2009
	£000's	£000's	£000's	£000's
Borrowing	20,000	20,000	25,000	25,000
Other Long Term Liabilities	4,000	4,000	4,000	4,000
Total	24,000	24,000	29,000	29,000

Operational Boundary for External Debt

	2005/2006	2006/2007	2007/2008	2008/2009
	£000's	£000's	£000's	£000's
Borrowing	17,500	17,500	20,000	20,000
Other Long Term Liabilities	3,000	3,000	3,000	3,000
Total	20,500	20,500	23,000	23,000

Actual external debt

	2005/2006
	Actual
	£000's
Borrowing	8,773.01
Other Long Term Liabilities	2,520.68
Total	11,293.69

Section 2 - Prudence

Net Borrowing v Capital Financing Requirement

	2005/2006 Actual	2006/2007 Estimate	2007/2008 Estimate	2008/2009 Estimate
Gross Borrowing	11,770,011.66	11,277,129.30	7,746,816.69	7,180,170.22
Other Long Term Liabilities	2,520,678.64	2,320,281.15	2,109,863.79	1,888,925.56
Total Debt 31 March	14,290,690.30	13,597,410.45	9,856,680.48	9,069,095.78
Investments	43,060,000.00	44,710,000.00	43,985,000.00	44,010,000.00
Net Borrowing	-28,769,309.70	-31,112,589.55	-34,128,319.52	-34,940,904.22
CFR	3,017,000.00	6,054,300.00	9,478,300.00	11,330,300.00
Net Borrowing v CFR	31,786,309.70	37,166,889.55	43,606,619.52	46,271,204.22

Compliance with the CIPFA code of Practice for Treasury Management in the Public Sector

Ensure that the medium term borrowing will only be for a capital purpose.

Upper limit on fixed interest rate borrowing

	2005/2006 Actual	2006/2007 Estimate	2007/2008 Estimate	2008/2009 Estimate
	%	%	%	%
	100	100	100	100

Upper limit on variable interest rate borrowing

	2005/2006 Actual	2006/2007 Estimate	2007/2008 Estimate	2008/2009 Estimate
	%	%	%	%
	50	50	50	50

Upper limit for the maturity structure of borrowings

	2005/2006 Actual	2006/2007 Estimate	2007/2008 Estimate	2008/2009 Estimate
	%	%	%	%
Under 12 months	30	30	30	30
12 months to 2 years	5	30	30	30
2 years to 5 years	18	80	80	80
5 years to 10 years	30	50	50	50
10 year and above	0	50	50	50

Lower limit for the maturity structure of borrowings

	2005/2006 Actual	2006/2007 Estimate	2007/2008 Estimate	2008/2009 Estimate
	%	%	%	%
Under 12 months	0	0	0	0
12 months to 2 years	0	0	0	0
2 years to 5 years	0	0	0	0
5 years to 10 years	0	0	0	0
10 year and above	0	0	0	0

Upper limit for principal sums invested for periods longer than 364 days

	2005/2006 Actual	2006/2007 Estimate	2007/2008 Estimate	2008/2009 Estimate
	£m	£m	£m	£m
	7	10	10	10

Institution	Group	Max Limit £M's	Max Period (days)	BUILDING SOCIETIES		CREDIT RATINGS:						
				Assets £000's	UK Asset Ranking	Fitch		Moody's			S & P	
						Short	Long	Short	Long	Fin.St	Short	Long
UK BUILDING SOCIETIES:												
Assets greater than £2bn												
Nationwide Building Society		8.0	> 364	108,037,200	1	F1+	AA-	P1	Aa3	B	A1	A+
Britannia Building Society		5.0	364	28,953,400	2	F1	A+	P1	A2	C+	A1	A
Portman Building Society		5.0	364	17,724,100	3	F1	A	P1	A2	C+	-	-
Yorkshire Building Society		5.0	364	16,178,292	4	F1	A+	P1	A2	C+	A1	A
Coventry Building Society		5.0	364	11,090,000	5	F1	A	P1	A2	C+	-	-
Chelsea Building Society		5.0	364	9,602,069	6	F1	A	P1	A2	C+	-	-
Skipton Building Society		5.0	364	8,820,955	7	F1	A	P1	A3	C	-	-
Leeds Building Society		5.0	364	7,082,992	8	-	-	P1	A2	C+	-	-
West Bromwich Building Society		5.0	364	5,637,400	9	F1	A	P1	A3	C	-	-
Derbyshire Building Society		5.0	364	5,084,500	10	-	-	P1	A3	C	-	-
Cheshire Building Society		5.0	364	4,667,400	11	-	-	P1	A3	C	-	-
Principality Building Society		5.0	364	4,372,300	12	F1	A	P1	A2	C+	-	-
Newcastle Building Society (merged with Universal BS)		5.0	364	3,694,609	13	F1	A	P1	A3	C	A2	BBB+
Norwich & Peterborough Building Society		5.0	364	3,262,293	14	-	-	P1	A3	C	-	-
Stroud & Swindon Building Society		5.0	364	2,499,856	15	-	-	-	-	-	-	-
Nottingham Building Society		5.0	364	2,426,834	16	-	-	-	-	-	-	-
Dunfermline Building Society		5.0	364	2,317,555	17	-	-	P1	A3	C	-	-
Assets £1bn - £2bn												
Scarborough Building Society		2.5	183	1,609,815	18	-	-	-	-	-	-	-
Kent Reliance Building Society		2.5	183	1,297,001	19	-	-	-	-	-	-	-
Progressive Building Society		2.5	183	1,248,132	20	-	-	-	-	-	-	-
Cumberland Building Society		2.5	183	1,096,407	22	-	-	-	-	-	-	-
Assets £0.5bn - £1bn												
National Counties Building Society		2.5	183	955,118	23	-	-	-	-	-	-	-
Furness Building Society		2.5	183	769,558	24	-	-	-	-	-	-	-
Cambridge Building Society		2.5	183	755,390	25	-	-	-	-	-	-	-
Saffron Walden Herts & Essex Building Society		2.5	183	661,581	26	-	-	-	-	-	-	-
Leek United Building Society		2.5	183	660,300	27	-	-	-	-	-	-	-
Hinckley & Rugby Building Society		2.5	183	649,299	28	-	-	-	-	-	-	-
Manchester Building Society		2.5	183	565,799	29	-	-	-	-	-	-	-
Darlington Building Society		2.5	183	548,120	30	-	-	-	-	-	-	-
Newbury Building Society		2.5	183	518,704	31	-	-	-	-	-	-	-
OVERSEAS BUILDING SOCIETIES												
EBS Building Society		5.0	364	-	-	F1	A	P1	A2	C+	-	-
UK BANKS & SUBSIDIARIES												
Alliance & Leicester Group												
Alliance & Leicester	Alliance & Leicester	8.0	> 364									
		-	-			F1+	AA-	P1	Aa3	B	A1	A+
Banco Santander Central Hispano Group												
Abbey National Plc	BSCH Group	See Banco Santander for Limits				F1+	AA-	P1	Aa3	B	A1+	AA-
Bank of Ireland												
Bristol and West PLC	Bank of Ireland	See Bank Of Ireland For Limits				F1+	AA-	P1	Aa3	C+	A1	-
Citigroup												
Citibank International Bank	Citigroup	See Citibank, N.A for Limits				F1+	AA+	P1	Aa1	B-	A1+	AA
HBOS Group												
Bank of Scotland (Ireland)	HBOS Grp	8.0	> 364									
		-	-			-	-	-	-	-	-	-
Bank Of Scotland Plc	HBOS Grp	-	-			F1+	AA+	P1	Aa2	B+	A1+	AA
Halifax Plc	HBOS Grp	-	-			F1+	AA+	P1	Aa2	B+	A1+	AA
HSBC Group												
HSBC Bank Plc	HSBC Group	8.0	> 364									
		-	-			F1+	AA	P1	Aa2	B+	A1+	AA
Lansbanki Islands Group												
Heritable Bank Limited	Lansbanki Group	See Lansbanki Islands HF For Limits				F1	A	-	-	-	-	-
Lloyds TSB Group												
Lloyds TSB Bank	Lloyds TSB	8.0	> 364									
		-	-			F1+	AA+	P1	Aaa	A	A1+	AA
National Australia Bank Group												
Clydesdale Bank	NAB	See NAB For Limits				F1+	AA-	P1	A1	B-	A1	A+
Royal Bank of Scotland Group												
* Adam & Co.		8.0	> 364									
		-	-			-	-	-	-	-	-	-
National Westminster Bank	RBOS Grp	-	-			F1+	AA+	P1	Aa1	A-	A1+	AA
Royal Bank of Scotland Plc	RBOS Grp	-	-			F1+	AA+	P1	Aa1	A-	A1+	AA
Ulster Bank Ireland Ltd	RBOS Grp	-	-			F1+	AA	P1	Aa2	B	A1+	AA
Ulster Bank Ltd	RBOS Grp	-	-			F1+	AA	P1	Aa2	B	A1+	AA

Institution	Group	Max Limit £M's	Max Period (days)	BUILDING SOCIETIES		CREDIT RATINGS:						
				Assets £000's	UK Asset Ranking	Fitch		Moody's			S & P	
						Short	Long	Short	Long	Fin.St	Short	Long
OTHER UK BANKS												
Bank of England		8.0	> 364			-	-	-	-	-	A1+	AA
Allied Irish Bank (GB)		5.0	364			-	-	-	-	-	A1	A+
Bank Of Butterfield (UK) Ltd		5.0	364			F1	A-	P2	A3	C	A2	A-
Barclays Bank		8.0	> 364			F1+	AA+	P1	Aa1	A-	A1+	AA
Bradford & Bingley		5.0	364			F1	A	P1	A1	B-	A2	-
Co-operative Bank plc		5.0	364			F1	A	P1	A3	C	-	-
Close Brothers		5.0	364			F1	A	P2	A3	C	-	-
Egg Bank Plc		5.0	364			F1	A+	P2	A3	D	-	-
Kaupthing Singer & Friedlander Ltd		5.0	364			F1	A	-	-	-	-	-
Lehman Brothers Holdings Plc		5.0	364			F1+	A+	-	A1	-	A1	A+
MBNA Europe Bank Ltd		8.0	> 364			F1+	AA-	-	-	-	-	-
Northern Rock Plc		5.0	364			F1	A+	P1	A1	B-	A1	A+
Schroders Plc		5.0	364			F1	A+	-	-	-	A1	A
Standard Life Bank		5.0	364			-	-	P1	A2	D+	A2	A-
MERCHANT BANKS												
N M Rothchild & Sons		5.0	364			F1	A	-	-	-	-	-
OVERSEAS BANKS												
ABN AMRO Bank		8.0	> 364			F1+	AA-	P1	Aa3	B	A1+	AA-
Allied Irish Banks, plc		8.0	> 364			F1+	AA-	P1	Aa3	B	A1	A+
Anglo Irish Bank Corporation		5.0	364			F1	A+	P1	A2	C+	-	-
Australia & New Zealand Banking Group		8.0	> 364			F1+	AA-	P1	Aa3	B	A1+	AA-
Banca Monte dei Paschi di Siena		5.0	364			F1	A+	P1	A1	B-	A1	A
Banco Bilbao Vizcaya Argentaria		8.0	> 364			F1+	AA-	P1	Aa2	B+	A1+	AA-
Banco Commercial Portugues	BCP Group	5.0	364			F1	A+	P1	A1	B-	A1	A
Banco Espirito Santo		5.0	364			F1	A+	P1	A1	B-	A2	A-
Banco Santander Central Hispano	BSCH Group	8.0	> 364			F1+	AA	P1	Aa3	B	A1+	AA-
Bank of America N.A	Bank America Corporation	8.0	> 364			F1+	AA-	P1	Aa1	A-	A1+	AA
Bank of Ireland		8.0	> 364			F1+	AA-	P1	Aa3	B	A1	A+
Bank of Montreal		8.0	> 364			F1+	AA-	P1	Aa3	B	A1+	AA-
Bank of New York	Bank of NY Co, Inc Group	8.0	> 364			F1+	AA-	P1	Aa2	B+	A1+	AA-
Bank of Nova Scotia		8.0	> 364			F1+	AA-	P1	Aa3	B	A1+	AA-
Bayerische Landesbank Girozentrale		5.0	364			F1+	A+	P1	Aa2	D+	A1	A
Bankgesellschaft Berlin AG		5.0	364			F2	BBB+	P1	A2	E+	-	-
Bayerische Hypo und Vereinsbank AG		5.0	364			F1	A	P1	A2	D+	A1	A
BHF-Bank		5.0	364			F1	A-	-	-	-	-	-
BNP Paribas		8.0	> 364			F1+	AA	P1	Aa2	B+	A1+	AA
Calyon	Credit Agricole Group	See Credit Agricole For Limits				F1+	AA	P1	Aa2	C	A1+	AA-
Canadian Imperial Bank of Commerce Group	CIBoC Group	8.0	> 364			F1+	AA-	P1	Aa3	B-	A1	A+
Citibank N.A	Citigroup	8.0	> 364			F1+	AA+	P1	Aaa	A	A1+	AA
Commonwealth Bank of Australia		8.0	> 364			F1+	AA	P1	Aa3	B	A1+	AA-
* Credit Agricole	Credit Agricole Group	8.0	> 364			F1+	AA	P1	Aa2	B+	A1+	AA-
Credit Industriel et Commercial		8.0	> 364			F1+	AA-	P1	A1	C	A1	A+
Credit Lyonnais		8.0	> 364			F1+	AA	P1	Aa2	B-	A1+	AA-
CIT Group Inc		5.0	364			F1	A	P1	A2	-	A1	A
Danske Bank		8.0	> 364			F1+	AA-	P1	Aa1	A-	A1+	AA-
Den Norske Bank		8.0	364			-	-	P1	Aa3	-	-	-
DePfa Bank Plc	DePfa Bank Group	8.0	> 364			F1+	AA-	P1	Aa3	C+	A1+	AA-
Deutsche Bank AG		8.0	> 364			F1+	AA-	P1	Aa3	B-	A1+	AA-
Development Bank of Singapore		8.0	> 364			F1+	AA-	P1	Aa2	B	A1+	AA-
Dexia Bank		8.0	> 364			F1+	AA+	P1	Aa2	B	A1+	AA
Dexia Credit Local		8.0	> 364			F1+	AA+	P1	Aa2	B+	A1+	AA
Dresdner Bank, AG		5.0	364			F1	A	P1	A1	C	A1	A+
ForeningsSparBanken (Swedbank)		8.0	> 364			F1	A+	P1	Aa3	B	A1	A+
Fortis Bank		8.0	> 364			F1+	AA-	P1	Aa3	B	A1+	AA-
* Glitnir		5.0	364			F1	A	P1	A1	C+	A2	A-
Hewlett Packard International Bank Ltd		5.0	364			-	-	P1	A3	-	A1	A-
HSH Nordbank AG		5.0	364			F1	A	P1	A1	C	A1	A
Internationale Nederlanden Bank/ING Bank	ING Bank Group	8.0	> 364			F1+	AA	P1	Aa2	B+	A1+	AA
* Intesa Sanpaolo		8.0	364			F1 +	AA -	P1	Aa3	B	A1 +	AA -
Irish Intercontinental Bank (IIB Bank)	KBC Bank Group	See KBC Bank for Limit				F1	A+	P1	A1	C	A1	A
Irish Permanent plc		5.0	364			-	-	P1	A1	B-	A1	A+
JP Morgan Chase Bank		8.0	> 364			F1+	A+	P1	Aa2	B+	A1+	AA-
KBC Bank	KBC Bank Group	5.0	364			F1+	AA-	P1	Aa3	B	A1	A+
Landesbank Baden - Wurttemberg		8.0	> 364			F1+	A+	P1	Aa1	B-	A1	A+
Landesbank Berlin		5.0	364			F2	BBB+	P1	A1	D+	-	-
~ Landesbank Hessen - Thuringen Girozentrale		8.0	> 364			F1+	A+	P1	Aa2	C	A1	A
Landsbanki Islands HF	Landsbani Islands Group	5.0	364			F1	A	P1	A2	C	-	-
National Australia Bank	NAB Group	8.0	> 364			F1+	AA	P1	Aa3	B	A1+	AA-
National Bank of Canada		5.0	364			F1	A+	P1	A1	B-	A1	A
Norddeutsche Landesbank Girozentrale		5.0	364			F1	A	P1	Aa3	C-	A1	A
Nordea Bank Finland	Nordea Group	8.0	> 364			F1+	AA-	P1	Aa3	B	A1+	AA-

Institution	Group	Max Limit £M's	Max Period (days)	BUILDING SOCIETIES		CREDIT RATINGS:							
				Assets £000's	UK Asset Ranking	Fitch		Moody's			S & P		
						Short	Long		Short	Long	Fin.St	Short	Long
Rabobank		8.0	> 364			F1+	AA+	P1	Aaa	A		A1+	AAA
Royal Bank of Canada		8.0	> 364			F1+	AA	P1	Aa2	B+		A1+	AA-
Skandinaviska Enskilda Banken		8.0	> 364			F1	A+	P1	Aa3	B		A1	A+
Societe Generale (SG)		8.0	> 364			F1+	AA	P1	Aa2	B+		A1+	AA
State Street Bank & Trust Company		8.0	> 364			F1+	AA-	P1	Aa2	B+		A1+	AA
Svenska Handelsbanken		8.0	> 364			F1+	AA-	P1	Aa1	A-		A1+	AA-
Toronto - Dominion Bank		8.0	> 364			F1+	AA-	P1	Aa3	B		A1	A+
UBS AG		8.0	> 364			F1+	AA+	P1	Aa2	B+		A1+	AA+
Unicredito Italiano		5.0	364			F1	A+	P1	A1	B-		A1	A+
Wachovia Bank N A		8.0	> 364			F1+	AA-	P1	Aa2	B+		A1+	AA-
WestLB AG		5.0	364			F1	A-	P1	A1	D-		A2	A-
Westpac Banking Corporation		8.0	> 364			F1+	AA-	P1	Aa3	B		A1+	AA-