

AUDIT AND GOVERNANCE COMMITTEE

7 FEBRUARY 2020

TREASURY MANAGEMENT – THIRD QUARTERLY REVIEW 2019/2020

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 To report on the Treasury Management performance to date for the third quarter of 2019/2020.

2. Description of Decision (Recommendations)

- 2.1 The Committee is requested to:
- Note the Treasury Management performance during Quarter 3 of 2019/2020.
 - Note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

3. Introduction

- 3.1 This report sets out the Treasury Management performance to date for the third quarter of the financial year 2019/2020, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

4. Summary of Treasury Management Performance for 2019/2020 – Quarter 3

- 4.1 The Council's Treasury Management function continues to look at ways to maximise financial savings and increase investment return to the revenue budget, whilst maintaining a balanced risk position. The position with regard borrowing and investments is summarised below, with more detailed Treasury Management information included in Appendix A for Members' information.

Borrowing

- 4.2 On 9th October 2019 the government took the decision to increase the interest rate for the Public Works Loan Board (PWLB) by 1%, meaning the rate for a 50-year maturity loan increased with immediate effect from 1.80% to 2.80%. No notice was provided, nor any specific reason for the increase given, but it is thought to have taken place because of high levels of borrowing by local authorities in the preceding months and to discourage local authorities from borrowing to fund commercial investments. Whilst there has been significant frustration within Local Government as a result of this increase, there are no signs that the Government will reverse this increase in the near term.

- 4.3 Consideration will be given to various funding options depending on prevailing interest rates, including utilising investment balances to fund the Council's borrowing requirement and use of other financial institutions to provide borrowing facilities. The degree to which alternative options are more cost effective than PWLB rates is still evolving and all options available to support the Council's capital programme will be assessed in conjunction with our treasury advisors. No additional borrowing has been taken out in the third quarter.
- 4.4 One option to make savings is through debt rescheduling; however, no rescheduling has been possible in 2019/2020 as rates have not been considered sufficiently favourable. The Council's interest rate on borrowing is very low, currently 2.89%, and, as such, the Council already benefits from this lower cost of borrowing and also from the ongoing savings from past debt rescheduling exercises. Based on advice from the Council's treasury advisor, performance continues to see the Council's rate of borrowing compare favourably to other authorities.
- 4.5 Treasury Management Prudential Indicators are regularly reviewed and the Council is within the limits set for all of its Treasury Management Prudential Indicators. The statutory limit under section 3 (1) of the Local Government Act 2003, which is required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £673.627m for 2019/2020. The Council's maximum external debt during the financial year to 31st December 2019 was £498.341m and is within this limit. More details of all of the Treasury Management Prudential Indicators are set out in section A2 of Appendix A for information.

Investments

- 4.6 The Council's investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Council.
- 4.7 As at 31st December, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 1.01% compared with the benchmark 7 Day LIBID (London Interbank Bid) rate of 0.57%. Performance is significantly above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a challenging market.
- 4.8 The regular updating of the Council's authorised lending list is required to take into account financial institution mergers and changes in institutions' credit ratings since the last report. The updated Approved Lending List is shown in Appendix C for information.

5 Recommendation

- 5.1 Members are requested to note the Treasury Management performance for the third quarter of 2019/2020.

- 5.2 Members are requested to note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

Detailed Treasury Management Performance – Quarter 3 2019/2020

1 Borrowing Strategy and Performance – 2019/2020

- 1.1 The Borrowing Strategy for 2019/2020 was reported to Cabinet on 13th February 2019 and approved by full Council on 6th March 2019.
- 1.2 The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view when the Treasury Management Policy and Strategy was drafted was that there would be further increases to the current 0.75% Bank of England (BoE) Base Rate of 0.25% by June 2019, early/late 2020 and further increases to 2.00% by March 2022. PWLB borrowing rates were expected to rise, albeit gently, during 2019/2020 across all periods but could be subject to exceptional levels of volatility due to continued uncertainty over the outcome of Brexit negotiations and geopolitical developments throughout the world.
- 1.3 At its meeting on 19th December 2019, the BoE Monetary Policy Committee (MPC) voted by a margin of 7-2 to maintain Bank Rate at 0.75%. The two dissenting committee members voted for a reduction in rates to 0.5%, having concerns over global growth. If economic growth were to weaken considerably, with bank rates at the low level of 0.75%, the MPC has relatively little room to make a big impact, although recent comments by BoE governor Mark Carney, and by other members of the MPC suggest that if economic growth does not improve the MPC will cut the Bank Rate. An alternative would be for the Chancellor to provide help to support growth by way of a fiscal boost using measures such as tax cuts, increases to government department budgets and expenditure on infrastructure projects. The Government has already made moves in this direction and made significant promises in its election manifesto to increase government spending by up to £20bn per annum by investing primarily in infrastructure. This is likely to be announced in the next Budget, which will take place on 11th March 2020. The Chancellor also amended the fiscal rules in November to allow for an increase in government expenditure.
- 1.4 In its November quarterly inflation report the MPC revised its inflation forecasts down to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021. Inflation reduced from 1.5% to 1.3% in December and at these low levels the potential to reduce the Bank Rate has increased. The MPC may wait until after the March budget before cutting rates as any fiscal relaxation may generate inflationary pressures on the economy.
- 1.5 Link Asset Services, the Council's treasury advisors, think the next increase of 0.25% in Bank Rate will be in March 2021, followed by a further increase of 0.25% in June 2022. This forecast assumes that there is agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has provided political certainty but there are still concerns around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the Prime Minister has pledged. Until that major uncertainty is removed, or the period for agreeing a deal is extended, they feel that it is unlikely that the MPC would raise the Bank Rate.

- 1.6 The above forecasts, and MPC decisions, will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. High levels of volatility in PWLB rates and bond yields are expected to continue during 2020.
- 1.7 The government introduced a 0.20% discount on PWLB loans under the prudential borrowing regime in March 2012 for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans'. The Council applied to access PWLB loans at a discount of 0.20% and has been successful in extending its access to the PWLB certainty rate until 31st October 2020.
- 1.8 The following table shows the average PWLB rates for Quarters 1, 2 and 3.

2019/2020	Qtr 1* (Apr - June) %	Qtr 2* (Jul – Sept) %	Qtr 3* (Oct – Dec) %
7 days' notice	0.57	0.56	0.57
1 year	1.48*	1.32*	2.30*
5 years	1.54*	1.21*	2.18*
10 years	1.85*	1.42*	2.38*
25 years	2.41*	2.02*	2.95*
50 years	2.26*	1.89*	2.79*

*rates take account of the 0.2% discount to PWLB rates available to eligible authorities that came into effect on 1st November 2012.

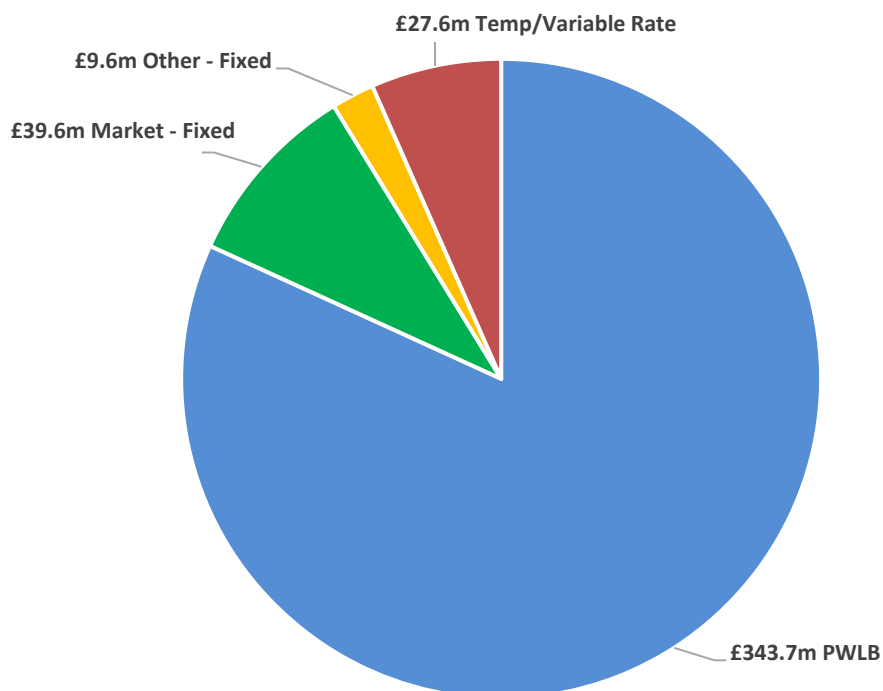
- 1.9 High levels of volatility in the financial markets continued during 2019/2020. Uncertainty surrounding world economic growth and the outcome of Brexit negotiations led to gilt yields decreasing as investors moved from riskier assets such as shares and into bonds. During the first 10 months of 2019 there was a sharp fall in longer term PWLB rates to unprecedented historic low levels. However, the increase in the PWLB interest rates announced by the Government in October, reversed these falls.
- 1.10 Since then, fears of a slowdown in world economic growth partially subsided and gilt yields and PWLB rates began to rise further until renewed geo-political concerns arose between the United States and Iran in January 2020. Link Asset Services predict a gradual rise in PWLB rates reaching 2.40%, 2.70%, 3.30% and 3.20% for 5, 10, 25 and 50-year durations respectively by 31st March 2020 with further increases of 0.20% to 0.30% each year for the following three years. With so many external influences weighing on the UK economic, interest rate forecasting remains difficult. From time to time, gilt yields, and consequently PWLB rates, can be subject to exceptional levels of volatility which could occur at any time during the forecast period. In addition, PWLB rates are subject to ad hoc decisions by the UK Government to change the margin over gilt yields charged in PWLB rates. Such changes could be up or down and it is not clear that if gilt yields were to rise back up again by over 1% within the next year or so, whether the Government would remove the extra 1% margin implemented in October.

- 1.11 The strategy for 2019/2020 is to adopt a pragmatic and flexible approach in identifying the low points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 3.50% for long-term borrowing was set for 2019/2020 in light of the views prevalent at the time the Treasury Management policy was set in March 2019.
- 1.12 There have been high levels of volatility in the financial markets during 2019/2020. 50-year PWLB interest rates started the financial year in April 2019 at 2.44%, rising to 2.61% in May and peaked at 3.25% gross on 31st December 2019 although this is attributable to the 1% increase applied by the government on 9th October 2019. In line with discussions with the Council's economic advisors, the Council took advantage of the low borrowing rate troughs that have occurred and has taken out £50 million of new borrowing during the financial year. These rates were considered opportune and the Treasury Management team continues to closely monitor PWLB rates to assess the value of possible further new borrowing in line with future capital programme requirements. The new borrowing is summarised in the following table.

Duration	Date of the transaction	Start	Matures	Rate %	Loan Amount £m
50 years	13/08/2019	15/08/2019	15/08/2069	1.89	20.0
50 years	06/09/2019	10/09/2019	10/09/2069	1.82	30.0

- 1.13 The Borrowing Strategy for 2019/2020 made provision for debt rescheduling but due to the proactive approach taken by the Council in recent years, and because of the very low underlying rate of the Council's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place.
- 1.14 The Council's treasury portfolio position at 31st December 2019 is set out below:

Borrowing Summary at: 31 December 2019			
	<u>Principal</u>	<u>Interest</u>	<u>Ave rate</u> %
<u>Fixed</u>			
PWLB	343,683,333	10,223,954	2.97
Market - Fixed	39,576,231	1,743,917	4.41
Other - Fixed	9,555,025	1,521	0.02
	<u>392,814,589</u>	<u>11,969,392</u>	<u>3.05</u>
<u>Variable</u>			
Temporary/Other - Variable	27,639,512	179,553	0.65
	<u>27,639,512</u>	<u>179,553</u>	<u>0.65</u>
TOTAL:	420,454,101	12,148,945	2.89



2. Treasury Management Prudential Indicators – 2019/2020

2.1 All external borrowing and investments undertaken in 2019/2020 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all of the other Treasury Management Prudential Indicators.

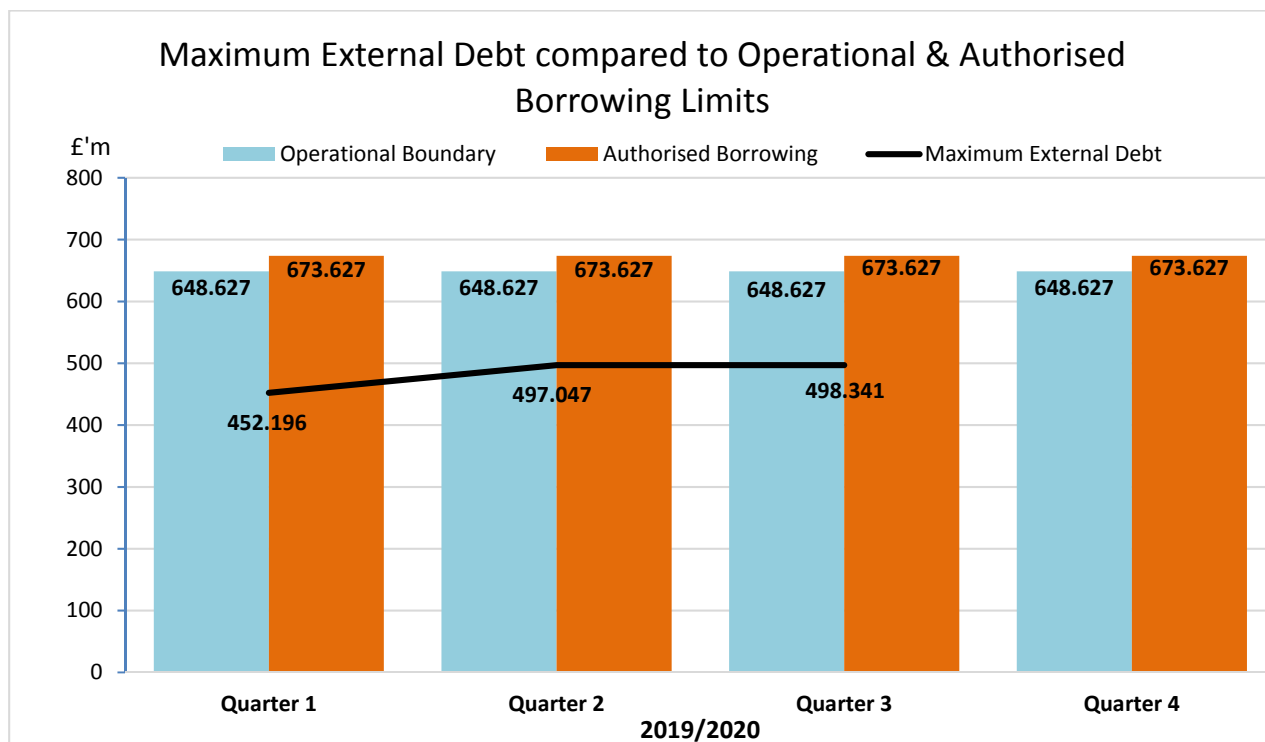
2.2 The statutory limit under section 3(1) of the Local Government Act 2003 (which is also known as the Authorised Borrowing Limit for External Debt) was set by the Council for 2019/2020 as follows:

	£m
Borrowing	598.239
Other Long-Term Liabilities	<u>75.388</u>
Total	<u>673.627</u>

The Operational Boundary for External Debt was set as shown below: -

	£m
Borrowing	573.239
Other Long-Term Liabilities	<u>75.388</u>
Total	<u>648.627</u>

The Council's maximum external debt in respect of 2019/2020 (to 31st December 2019) was £498.341m and is within the limits set by both these key indicators.



- 2.3 The table below shows that all other Treasury Management Prudential Indicators have been complied with:

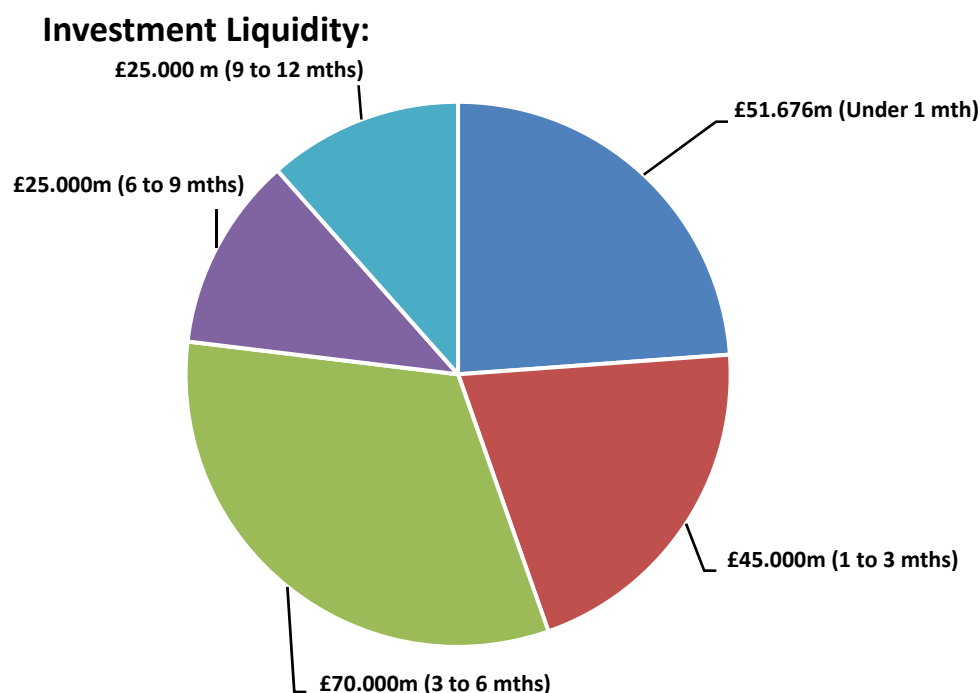
Prudential Indicators		2019/2020 (to 31/12/19)	
		Limit £'000	Actual £'000
P9	Upper limit for fixed interest rate exposure		
	Net principal re fixed rate borrowing / investments	485,000	268,041
P10	Upper limit for variable rate exposure		
	Net principal re variable rate borrowing / investments	48,000	10,439
P11	Maturity Pattern	Upper Limit	
	Under 12 months	50%	9.18%
	12 months and within 24 months	60%	1.67%
	24 months and within 5 years	80%	4.19%
	5 years plus	100%	87.87%
	A lower limit of 0% for all periods		
P12	Upper limit for total principal sums invested for over 365 days	75,000	0

3. Investment Strategy – 2019/2020

- 3.1 The Investment Strategy for 2019/2020 was approved by Council on 6th March 2019. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:
- (A) The **security** of capital;
 - (B) The **liquidity** of its investments and then;
 - (C) The Council aims to achieve the **optimum yield** on its investments but this is commensurate with the proper levels of security and liquidity.

- 3.2 As at 31st December 2019, the funds managed by the Council's in-house team amounted to £216.676 million and all investments complied with the Annual Investment Strategy. This includes monies invested on behalf of all other external organisations.

Investment Summary at 31 December 2019					
Borrower	Duration	Amount of Loan	Rate (%)	Start Date	Maturity Date
Call Accounts:					
Natwest SIBA	Overnight	1,475,000	0.30		Call
Prime MMF	Overnight	14,516,000	0.73		
Aberdeen Liquidity Fund	Overnight	35,685,000	0.74		
Sub-total:		51,676,000			
Fixed Term Deposits:					
Lloyds Banking Group Ltd	184 days	30,000,000	1.00	31-Jul-19	31-Jan-20
Goldman Sachs Int Bank	183 days	15,000,000	0.91	29-Aug-19	28-Feb-20
Lloyds Banking Group Ltd	353 days	20,000,000	1.25	15-Apr-19	02-Apr-20
Goldman Sachs Int Bank	183 days	25,000,000	1.01	15-Oct-19	15-Apr-20
Yorkshire Building Society	182 days	25,000,000	0.93	08-Nov-19	08-May-20
Santander UK Plc	364 days	25,000,000	1.25	29-Aug-19	27-Aug-20
Santander UK Plc	364 days	25,000,000	1.10	08-Nov-19	06-Nov-20
Sub-total:		165,000,000			
TOTAL:		216,676,000			



- 3.3 The table below shows the return received on these investments compared with the benchmark 7 Day LIBID (London Interbank Bid) rate, which the Council uses to assess its performance.

	2019/2020 Actual to 31/12/19 %	2019/2020 Benchmark to 3/12/19 %
Return on investments	1.01	0.57

- 3.4 Investments placed in 2019/2020 have been made in accordance with the approved investment strategy and comply with the Counterparty Criteria in place, shown in Appendix B, which is used to identify organisations on the Approved Lending List.
- 3.5 Due to the continuing high volatility within the financial markets, particularly in the Eurozone, advice from our Treasury Management advisers is to continue to restrict investments to shorter term periods.
- 3.6 Advice also continues that the above guidance is not applicable to institutions considered to be very low risk, mainly where the government holds shares in these organisations (i.e. RBS) and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.
- 3.7 The regular updating of the Council's authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings. Any changes are reflected on the Approved Lending List shown in Appendix C.

1. Counterparty Criteria

- 1.1 The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.
- 1.2 Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	A1+	Aaa	P-1	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	75	2 Years
A+	F1	A-1	A1	P-1	70	365 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	65	365 days
A-	F1 / F2	A-2	A3	P-1 / P-2	50	365 days
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					250	2 years
Money Market Funds (CNAV, LVNAV and VNAV) Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
Local Authority controlled companies					40	20 years

- 1.3 Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.
- 1.4 The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above. These new limits are as follows:

2 Country Limit

- 2.1 It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

- 2.2 It is also proposed to set a total limit of £50m which can be invested in other countries provided they meet the above criteria. A separate limit of £250m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	250
Non-UK	50

3 Sector Limit

- 3.1 The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	250
Local Government	250
UK Banks	250
Money Market Funds	120
UK Building Societies	100
Foreign Banks	50

4 Group Limit

- 4.1 Where institutions are part of a group of companies e.g. Lloyds Banking Group and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:
- the UK continues to have a sovereign credit rating of AA; and
 - that market intelligence and professional advice is taken into account.
- 4.2 Proposed group limits are set out in Appendix C.

Approved Lending List

Appendix C

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA	-	Aa2	-	AA	-	350	2 years
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	365 days
Lloyds Bank Corporate Markets plc (NRFB)	A	F1	A1	P-1	A	A-1	70	365 days
Bank of Scotland Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	365 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 80	
The Royal Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A	A-1	80	2 years
National Westminster Bank Plc (RFB)	A+	F1	A1	P-1	A	A-1	80	2 years
NatWest Markets plc (NRFB)	A	F1	Baa2	P-2	A-	A-2	80	2 years
Santander UK plc	A+	F1	Aa3	P-1	A	A-1	65	365 days
Barclays Bank plc (NRFB)	A+	F1	A2	P-1	A	A-1	65	365 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A	A-1	65	365 days
Clydesdale Bank *	A-	F2	Baa1	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	B3	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A+	A-1	65	365 days
HSBC Bank plc (NRFB)	A+	F1+	Aa3	P-1	AA-	A-1+	70	365 days
HSBC UK Bank plc (RFB)	A+	F1+	-	-	AA-	A-1+	70	365 days
Nationwide BS	A	F1	Aa3	P-1	A	A-1	65	365 days
Standard Chartered Bank	A+	F1	A1	P-1	A	A-1	65	365 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A-	F1	A2	P-1	-	-	50	365 days
Leeds BS	A-	F1	A3	P-2	-	-	50	365 days
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Skipton BS **	A-	F1	Baa1	P-2	-	-	0	
West Bromwich BS **	-	-	Ba3	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	365 days
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA		AAA		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £50m								
Australia	AAA		Aaa		AAA		50	
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa3	P-1	AA-	A-1+	50	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	50	2 years
National Australia Bank	AA-	F1+	Aa3	P-1	AA-	A-1+	50	2 years
Westpac Banking Corporation	AA-	F1+	Aa3	P-1	AA-	A-1+	50	2 years
Canada	AAA		Aaa		AAA		50	
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Royal Bank of Canada	AA	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Denmark	AAA		Aaa		AAA		50	
Danske A/S	A	F1	A2	P-1	A	A-1	50	365 days
Finland	AA+		Aa1		AA+		50	
OP Corporate Bank plc	WD	WD	Aa3	P-1	AA-	A-1+	50	2 years
Germany	AAA		Aaa		AAA		50	
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA	A-1+	50	2 years
Netherlands	AAA		Aaa		AAA		50	
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
Coöperatieve Centrale Raiffeisen	AA-	F1+	Aa3	P-1	A+	A-1	50	365 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Boerenleenbank BA (Rabobank Nederland)								
Nederlandse Waterschapsbank N.V	-	-	Aaa	P-1	AAA	A-1+	50	2 years
Singapore	AAA		Aaa		AAA		50	
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Sweden	AAA		Aaa		AAA		50	
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Switzerland	AAA		Aaa		AAA		50	
Credit Suisse AG	A	F1	A1	P-1	A+	A-1	50	365 days
UBS AG	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
USA	AAA		Aaa		AA+		50	
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	50	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	A+	A-1	50	365 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	50	365 days

Notes

Note 1 **Nationalised / Part Nationalised**

The counterparties in this section will have the UK Government's AA rating applied to them thus giving them a credit limit of £80m.

* The Clydesdale Bank (under the UK section) is owned by National Australia Bank

** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

