POLICY AND RESOURCES COMMITTEE 8 MARCH 2017

TREASURY MANAGEMENT STRATEGY 2017/18

Report by Director of Finance and Corporate Resources

PURPOSE OF REPORT To propose to Members the Borrowing and Investment Strategies for 2017/18 and the Prudential Indicators for 2017-20.

COMPETENCE

1.1 Section 1 of The Local Government in Scotland Act 2003, places a duty on the Comhairle to make arrangements which secure best value. Section 35 of the said Act governs capital expenditure limits.

1.2 The Comhairle has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition which requires the approval of a Treasury Management Strategy before the start of each financial year.

1.3 The Local Government Investments (Scotland) Regulations 2010 require that an Annual Investment Strategy must be approved by the Comhairle.

SUMMARY

2.1 This Report fulfils the Comhairle's legal obligations under the Local Government in Scotland Act 2003 and incorporates both the required Borrowing and Investment Strategies. It also takes into account the outlook for interest rates, the Comhairle's current treasury position and the Prudential Indicators the Comhairle is required to set for the next three years to ensure that total capital investment remains within sustainable limits.

2.2 The Comhairle borrows and invests substantial sums of money and therefore has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Comhairle's Treasury Management Strategy.

2.3 There have been no changes to date to the Treasury Policy Statement, attached as Appendix 1, which was agreed by the Policy and Resources Committee on 8 March 2012 and none are proposed.

RECOMMENDATIONS

3.1 It is recommended that:

(a) the Investment Strategy, set out in section 7 of the Report be approved;

(b) the Borrowing Strategy, set out in section 8 of the Report be approved;

(c) the Prudential Indicators, detailed in sections 10.2 and 10.4 of the Report, be adopted; and

(d) it be noted that there are no proposed changes to the Treasury Policy Statement for 2017/18.

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Appendix
1 Treasury Policy Statement 8 March 2012
2 Comhairle Nan Eilean Siar Permitted Investments

Background Papers
1 CIPFA Revised Code of Practice for Treasury Management in Local Authorities
2 CIPFA's Prudential Code for Capital Finance in Local Authorities
3 The Local Government Investments (Scotland) Regulations 2010
4 Treasury Policy Statement 8 March 2012

INTRODUCTION

4.1 The Comhairle adopted the Code of Practice for Treasury Management in Local Authorities in 2002. In response to the financial crisis of 2008 CIPFA produced a revised edition of the Code in November 2009 which was also adopted and the Code was further revised in November 2011.

4.2 The 2003 Prudential Code for Capital Finance in Local Authorities introduced the requirements for making capital spending plans, and was revised in November 2011. An addendum to the Prudential Code was issued in November 2012. In April 2010 The Local Government Investments (Scotland) Regulations 2010 came into force. Together these form the requirement to produce an integrated Treasury Management Strategy that requires to be approved prior to the start of each financial year.

4.3 No Treasury Management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of Treasury Management activities. The main risks to the Comhairle's treasury activities are:

(a) Liquidity Risk (inadequate cash resources);

(b) Market or Interest Rate Risk (fluctuations in interest rate levels);

(c) Inflation Risk (exposure to inflation);

(d) Credit and Counterparty Risk (security of investments);

(e) Refinancing Risk (impact of debt maturing in future years); and

(f) Legal and Regulatory Risk (non-compliance with Code of Practice).

4.4 Based on the above, the Treasury Management Strategy for 2017/18 covers the following areas:

(a)	The outlook for interest rates	section 5
(b)	Balance sheet and treasury position	section 6
(c)	The investment strategy	section 7
(d)	The borrowing strategy	section 8
(e)	Debt rescheduling	section 9
(f)	Prudential Indicators	section 10
(g)	Repayment of Loans Fund advances	section 11
(h)	Other factors	section 12

THE OUTLOOK FOR INTEREST RATES

5.1 The forecast is for the bank base rate to remain at 0.25% with a possibility of a drop close to zero. The theme remains "low for longer" and the rise when it does occur will be to a new "normal" between 2% and 3%. For budgeting purposes it is assumed that no new long-term borrowing will take place and investments will earn an average rate of 0.25%.

Arlingclose View at February 2017	2016/17	2017/18				2018/19		
	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
Base Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
5 year Gilt Yield	0.40	0.35	0.35	0.35	0.40	0.40	0.40	0.45
10 year Gilt Yield	0.95	0.85	0.85	0.85	0.85	0.85	0.90	0.95
20 year Gilt Yield	1.50	1.40	1.40	1.40	1.40	1.40	1.45	1.50
50 year Gilt Yield	1.40	1.30	1.30	1.30	1.30	1.30	1.35	1.40

5.2 **Underlying assumptions:**

a) **Economic background:** The major external influence for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

b) **Growth:** Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18. The fall and continuing weakness in sterling, and the near doubling in the price of oil in 2016, have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

c) **Credit Outlook:** Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighted on bank profits, and any future slowdown will exacerbate concerns in this regard. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available.

d) **Interest Rate Forecast:** The Bank of England has highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in Base Rate look less likely. Negative Base Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union. Gilt yields have risen sharply, but remain at low levels. Long-term fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

5.3 **Outlook:**

(a) The medium-term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries. The currency-led rise in CPI inflation will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

(b) Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPD spikes to the negative effects of Brexit on economic activity and, ultimately, inflation. Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

(c) The depreciation in sterling will assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand, with export volumes increasing marginally. The domestic and global outlook is uncertain, though gilt yields have risen sharply, they remain at low levels with the possibility that yields will decline when the Government triggers Article 50.

BALANCE SHEET AND TREASURY POSITION

6.1 The underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) together with Balances and Reserves, are the core drivers of Treasury Management activity. The Comhairle's level of debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out below:

	31/03/16 Actual £'000	31/03/17 Estimate £'000
PWLB Fixed Rate	144,759	143,259
Market Fixed Rate	0	0
Local Bonds	117	117
	144,876	143,376
Investments	(33,304)	(31,000)
Net Borrowing	111,572	112,376
Earmarked Balances	16,200	14,500
Uncommitted Balances	5,520	6,000
Total Balances	21,720	20,500

6.2 The Comhairle's capital expenditure plans do not suggest any borrowing requirement throughout 2017/18. Investments will not fall until capital receipts and grants are used to finance capital expenditure and earmarked balances are spent.

INVESTMENT STRATEGY

7.1 The Comhairle holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. The Comhairle's average investments held during 2016/17 were £33m and at the time of writing investments of £34m are held. Investments are forecast to be in the region of £31m at 31 March 2017 and this will reduce during 2017/18 as grant income is spent and balances are utilised.

7.2 The Bank Recovery and Resolution Directive allows regulatory authorities to keep a failing bank open for essential business, but passes the cost of that failure on to investors instead of taxpayers, via a 'bail-in'. Diversification will continue to be crucial to managing bail-in risk in addition to determining proportionate counterparty and maturity limits. The Comhairle's surplus cash is currently invested in short-term unsecured bank deposits, in building societies and with other local authorities. In accordance with the Local Government Investments (Scotland) Regulations 2010 the Permitted Investments, shown in Appendix 2, have been identified for use by the Comhairle.

7.3 Risk Assessments and Credit Ratings are obtained and monitored by the Comhairle's Treasury Advisors who will continue to notify changes as they occur. No investment will be made with an organisation if there are substantive doubts about its credit quality even though it may meet the credit rating criteria. Assessment of credit quality will include;

- credit default swap prices;
- financial statements;
- information on potential government support; and
- reports in the financial press.

7.4 If the Royal Bank of Scotland, currently the Comhairle's banker, falls below the Comhairle's minimum acceptable criteria it will continue to be used but only for short-term liquidity requirements and business continuity arrangements.

7.5 In any period of significant stress in the markets, the default position will be to continue to place investments with the Debt Management Agency Deposit Facility. The rates of interest offered are below bank rates but this is considered to be an acceptable trade-off for the guarantee that the Comhairle's capital is secure.

7.6 The Director of Finance and Corporate Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with investment objectives, income and risk management requirements and prudential indicators.

BORROWING STRATEGY

8.1 The Balance Sheet forecast indicates that the Comhairle does not expect to borrow long-term funds during 2017/18. Consequently as loans mature they will not be replaced and long term debt will reduce.

8.2 In addition, the Comhairle's capital expenditure plans do not imply any need to borrow over the coming year. Investments are forecast to fall as capital receipts are used to finance capital expenditure and loan charge savings and reserves are used to finance the revenue budget.

DEBT RESCHEDULING

9.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The lower the interest rate the higher the premium and at current rates no rescheduling will be possible throughout 2017/18 unless there is a dramatic and unexpected increase in the rates. Any debt rescheduling undertaken will be reported to the Policy and Resources Committee.

PRUDENTIAL INDICATORS FOR 2017/18 TO 2019/20

10.1 The following capital prudential indicators are relevant for the purposes of setting an integrated Treasury Management Strategy.

(a) **Capital Expenditure:** It is a statutory duty, under the Local Government in Scotland Act 2003 and supporting Regulations, for the Comhairle to decide and to keep under review how much it can afford to allocate to capital expenditure and how much it can afford to borrow. Capital expenditure must remain within sustainable limits.

(b) **Financing Costs to Net Revenue Stream:** Financing costs comprise the interest and expenses elements of the loan charges and are expressed as a percentage of the revenue funding of the Comhairle which is the sum of General Revenue Grant, Non Domestic Rates and Council Tax. This identifies the proportion of the revenue budget required to meet financing costs.

(c) **Capital Financing Requirement:** In accordance with best professional practice, the Comhairle does not associate borrowing with particular items or types of expenditure and has, at any point in time, a number of cash flows both positive and negative. In day-to-day cash management, no distinction can be made between revenue cash and capital cash and external borrowing arises as a consequence of all of the financial transactions of the Comhairle. In contrast, the capital financing requirement measures the authority's underlying need to borrow for a capital purpose.

(d) **Gross Debt and the Capital Financing Requirement:** This indicator of prudence ensures that over the medium term debt will only be for a capital purpose and so debt should not, except in the short term, exceed the total capital financing requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

(e) **Authorised Limit and Operational Boundary for External Debt:** The Comhairle has an integrated treasury management strategy and overall borrowing will therefore arise as a consequence of all financial transactions of the Comhairle and not just those arising from capital spending reflected in the CFR.

(i) **Authorised limit for external debt**

The authorised limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003. It is based on the estimate of the most likely and prudent, but not worst-case, scenario with sufficient headroom over and above this to allow for operational management, such as unusual cash movements.

(ii) **Operational boundary for external debt**

The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom included within the authorised limit. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at only one point in time.

10.2 Capital Indicators

Prudential Indicator	**2016/17 Estimate £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**	**2019/20 Estimate £000**
Capital Expenditure				
Gross Expenditure	20,105	20,461	10,500	6,000
Less Income	(11,959)	(9,083)	(7,680)	(6,575)
Net Expenditure funded by borrowing	8,146	11,378	2,820	(575)
Financing costs to net revenue stream	8.93%	9.30%	9.29%	9.52%
Capital Financing Requirement	141,000	145,000	141,000	134,000
Estimated gross external debt	146,000	144,000	142,000	139,000
Authorised limit for external debt	148,000	146,000	144,000	142,000
Operating Limit for external debt	148,000	146,000	144,000	142,000

10.3 The following treasury prudential indicators are relevant for the purposes of setting an integrated Treasury Management Strategy:

(a) **Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Comhairle has adopted the principles of best practice in Treasury Management. The Code was adopted by the Comhairle and the changes from the revised Code have been incorporated into its treasury policies, procedures and practices.

(b) **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

These indicators allow the Comhairle to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Comhairle is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

(c) **Maturity Structure of Fixed Rate Borrowing**

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

(d) **Credit Risk**

The Comhairle considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Comhairle's assessment of counterparty credit risk. The Comhairle also considers alternative assessments of credit strength, information on corporate developments and market sentiment towards counterparties.

(e) **Upper Limit for total principal sums invested for longer than 364 days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Comhairle having to seek early repayment of the sums invested.

10.4 Treasury Management Indicators

Prudential Indicator	**2016/17 Estimate £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**	**2019/20 Estimate £000**
Upper limit for Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%
Upper limit for Fixed Interest Rate Exposure on Investments	100%	100%	100%	100%
Upper limit for variable Interest Rate Exposure on Debt	40%	40%	40%	40%
Upper limit for Variable Interest Rate Exposure on Investments	100%	100%	100%	100%
Maturity structure of fixed rate borrowing	**upper limit**	**lower limit**		
under 12 months	40%	0%		
12 months and within 24 months	40%	0%		
24 months and within 5 years	50%	0%		
5 years and within 10 years	50%	0%		
10 years and within 20 years	75%	0%		
20 years and within 30 years	75%	0%		
30 years and within 40 years	100%	0%		
40 years and within 50 years	100%	0%		
over 50 years	0%	0%		
Upper limit for total principal sums invested over 364 days	0%	0%	0%	0%

REPAYMENT OF LOANS FUND ADVANCES 2017/18

11.1 Repayment of Loans Fund advances are required to be made in line with Scottish Government statutory guidance on Loans Fund Accounting. The Comhairle's annual accounts will also be required to include a disclosure of details on Loans Fund activities.

11.2 The broad aim of prudent repayment is to ensure that the Comhairle's unfinanced capital expenditure is financed over a period of years which that expenditure is expected to provide a benefit and that each year's repayment amount is reasonably commensurate with the period and pattern of benefits.

11.3 The statutory guidance requires the Comhairle to approve a policy on Loans Fund repayments each year, and recommends a number of options for calculating prudent repayments. The policy operated by the Comhairle is that of the Statutory Method:

(a) for pre-existing Loans Fund advances made up to 31 March 2016 and for forward capital expenditure plans for the period up to and including 31 March 2021, the Comhairle will use the Statutory Method. The repayment of Loans Fund advances will therefore be equal to the annual amount determined in accordance with Schedule 3 of the Local Government (Scotland) Act 1975.

11.4 Loans fund advances consist of:

- the Comhairle's capital expenditure;
- grants to third parties and expenditure on third party assets which would be classified as capital expenditure by the Comhairle;
- loans to third parties; and
- expenditure for which a borrowing consent has been issued by the Scottish Government.

11.5 The following table shows the estimates of the loans fund repayments for the five years from 2016/17 to 2020/21:

YEAR	Opening Balance £'000	Advances to General Fund £'000	Instalment from General Fund £'000	Closing Balance £'000
2015/16 Actual	146,705	(91)	(11,731)	134,883
2016/17 Estimate	134,883	8,146	(7,710)	135,319
2017/18 Estimate	135,319	11,378	(7,164)	139,533
2018/19 Estimate	139,533	2,820	(6,736)	135,617
2019/20 Estimate	135,617	Cap exp funded by Grant Income	(6,802)	128,815
2020/21 Estimate	128,815	Cap exp funded by Grant Income	(7,110)	121,705

OTHER FACTORS

12.1 **Treasury Advisors:** Arlingclose, the Comhairle's Treasury Advisors, provide a full range of advisory services on treasury matters including specific advice on investment, debt and capital finance issues. In addition Arlingclose provide regular workshops and training events for treasury staff. The Comhairle maintains the quality of the service with its advisors by holding regular meetings and tendering the service periodically.

12.2 **Training:** CIPFA's Code of Practice requires the *responsible officer* to ensure that all those tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Arlingclose provide this training as part of their service to the Comhairle and the CIPFA Treasury Management Forum hold bi-annual residential training workshops and regular meetings throughout the year for practitioners.

12.3 **Banking Services:** The current tender for banking services to the Comhairle, which is provided by The Royal Bank of Scotland, comes to an end on 31 May 2017 although there is provision for a 1+1 year extension to the current contract period.

12.4 **Soft Loans:** Where a loan is advanced at less than a market interest rate there could be an associated loss of investment return which would otherwise have been earned on these monies. While the Comhairle has made short-term loans to charitable bodies for cash flow purposes there has been no material associated income loss.

12.5 **Embedded Derivatives:** In the absence of any legal power to do so, the Comhairle will not use standalone derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments may be used and the risks that they present will be managed in line with the overall treasury risk management strategy.

12.6 **Financial Implications:** The budget for debt interest paid in 2017/18 is £9.3m based on outstanding debt at the start of the year of £140m. The budget for investment income is £38k. Treasury Management performance continues to improve in absolute terms.

12.7 The Comhairle will reappraise its strategies in response to evolving economic, political and financial events and report this to the Policy and Resources Committee.

Appendix 1

POLICY AND RESOURCES COMMITTEE 8 MARCH 2012

TREASURY POLICY STATEMENT 2012/13

Report by Director of Finance and Corporate Resources

PURPOSE OF REPORT To update the Treasury Policy Statement, which sets out the Comhairle's approach to all treasury operations.

COMPETENCE

1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities (The Code) was first published in May 1992 and revised in 2001, 2009 and 2011. The Code requires the setting out of the responsibilities and duties of the Members and Officers, allowing a framework for reporting and decision-making on all aspects of Treasury Management.

1.2 The Local Government Investments (Scotland) Regulations 2010 require that an Annual Investment Strategy must be approved by the Comhairle.

SUMMARY

2.1 In April 2010 the Local Government Investments (Scotland) Regulations came into force requiring all Local Authorities to produce and adopt an Annual Investment Strategy. The Comhairle's Investment Strategy and Borrowing Strategy will be incorporated into an integrated Annual Treasury Management Strategy which will be approved by the Comhairle prior to the start of each financial year.

2.2 The Comhairle defines its treasury management activities as: "The management of the Comhairle's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.3 The Comhairle regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.4 The Comhairle acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives and is therefore committed to the principles of achieving best value in Treasury Management and to employing suitable performance measurement techniques within the context of effective risk management.

2.5 The Comhairle's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Comhairle transparency and control over its debt.

2.6 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

RECOMMENDATION

3.1 It is recommended that the Comhairle agree to amend its Treasury Management Policy to reflect the requirements of the Code of Practice revised in November 2011.

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Background Papers: Treasury Policy Statement 19 February 2002
Treasury Policy Statement 18 February 2010
Treasury Policy Statement 31 March 2011

Comhairle nan Eilean Siar Permitted Investments

Instrument	Country	* Counterparty	Maximum Limit of Investment £000	** Maximum Maturity Limit	Treasury Risk Exposure	Controls to Mitigate Treasury Risk
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Royal Bank of Scotland	5,000	35 Days	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Bank of Scotland / Lloyds	5,000	13 months	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Barclays	5,000	100 days	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Santander	5,000	6 months	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Handelsbanken	5,000	13 months	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Nationwide Building Society	5,000	6 months	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Coventry Building Society	2,500	6 months	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Instant Access Accounts/Term Deposits/Business Reserve Accounts	UK	Leeds Building Society	2,500	100 days	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings
Call / Term Deposits	UK	Local Authorities, Regional & Central Government	No Limit	Without Limit	Liquidity Risk	Cash Flow
Any other investment, subject to external credit assessment and specific advice from the Comhairle's treasury management advisor.			5,000	12 months	Liquidity Risk/Market Risk/Credit Risk	Cash Flow/TM Advisors/Credit Ratings

*** Counterparties may be suspended and/or withdrawn and subsequently re-instated in line with advice received from the Comhairle's Treasury Advisors.**

**** Maturity limits are subject to individual institutions maintaining suitable credit ratings and to the advice received from the Comhairle's Treasury Advisors in respect of the institutions on the Comhairle's list. Consequently the maturity limit may be amended from the stated limit shown above in line with the most up to date advice of our TM Advisors.**