

# **Finance & Audit Scrutiny Panel**

Town Hall, Colchester

21 October 2008 at 6:00pm

**The Finance and Audit Scrutiny Panel deals with** the review of service areas and associated budgets, and monitors the financial performance of the Council, and the operational performance of the Council. The panel scrutinises the Council's audit arrangements, including the annual audit letter and audit plans, and Portfolio Holder 'Service' decisions reviewed under the Call in procedure.

## Information for Members of the Public

### Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda, which is usually published 5 working days before the meeting, and minutes once they are published. Dates of the meetings are available at [www.colchester.gov.uk](http://www.colchester.gov.uk) or from Democratic Services.

### Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to meetings, with the exception of Standards Committee meetings. If you wish to speak at a meeting or wish to find out more, please pick up the leaflet called "Have Your Say" at Council offices and at [www.colchester.gov.uk](http://www.colchester.gov.uk).

### Private Sessions

Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

### Mobile phones, pagers, cameras, audio recorders

Please ensure that all mobile phones and pagers are turned off before the meeting begins and note that photography or audio recording is not permitted.

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# Terms of Reference

## Finance and Audit Scrutiny Panel

- To review all existing service plans and associated budget provisions against options for alternative levels of service provision and the corporate policies of the Council, and make recommendations to the Cabinet
- To have an overview of the Council's internal and external audit arrangements and in particular with regard to the annual audit plan, the audit work programme and progress reports, and to make recommendations to the Cabinet
- To monitor the operational and financial performance of the Council, and to make recommendations to the Cabinet in relation to operational performance, financial outturns, revenue and capital expenditure monitors
- To scrutinise the Audit Commission's annual audit letter
- To scrutinise progress made on best value action plans
- To scrutinise executive 'service' decisions made by Portfolio Holders and officers taking key decisions which have been made but not implemented referred to the Panel through the call-in procedure

*The panel may a) confirm the decision, which may then be implemented immediately, b) refer the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the Panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.*

**COLCHESTER BOROUGH COUNCIL  
FINANCE & AUDIT SCRUTINY PANEL  
21 October 2008 at 6:00pm**

**Members**

Chairman : Councillor Lissimore.  
Deputy Chairman : Councillor Willetts.  
Councillors Bentley, Bouckley, Goss, Harris, Maclean,  
Manning, Offen, Oxford and Sykes.

**Substitute Members** : All members of the Council who are not Cabinet members or members of this Panel.

**Agenda - Part A**

(open to the public including the media)

**Members of the public may wish to note that Agenda items 1 to 5 are normally brief and items 6 to 9 are standard items for which there may be no business to consider.**

**Pages**

**1. Welcome and Announcements**

(a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched to off or to silent;
- location of toilets;
- introduction of members of the meeting.

**2. Substitutions**

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

**3. Urgent Items**

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

**4. Declarations of Interest**

The Chairman to invite Councillors to declare individually any personal

interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

## **5. Minutes**

**1**

To confirm as a correct record the minutes of the meeting held on 2 September 2008 and 16 September 2008.

## **6. Have Your Say!**

(a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter not on this agenda.

## **7. Items requested by members of the Panel and other Members**

(a) To evaluate requests by members of the Panel for an item

relevant to the Panel's functions to be considered.

(b) To evaluate requests by other members of the Council for an item relevant to the Panel's functions to be considered.

## **8. Referred items under the Call in Procedure**

To consider any Portfolio Holder decisions, taken under the Call in Procedure.

*The panel may a) confirm the decision, which may then be implemented immediately, b) confirm the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.*

## **9. Decisions taken under special urgency provisions**

To consider any Portfolio Holder decisions taken under the special urgency provisions.

## **10. Work Programme 2008-09**

See report from the Scrutiny Officer.

## **11. 1st and 2nd Quarter Risk Management Progress Report 2 - 12**

See report from the Head of Resource Management.

## **12. Treasury Management - Investments 13 - 27**

See report from the Head of Resource Management.

## **13. Exclusion of the public**

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

**COLCHESTER BOROUGH COUNCIL  
FINANCE & AUDIT SCRUTINY PANEL  
21 October 2008 at 6:00pm**

**Agenda - Part B**  
(not open to the public or the press)

	<b>Pages</b>
<b>13. Firstsite:newsite</b>	<b>28 - 33</b>

The following report contains exempt information (financial/business affairs of a particular person, including the authority holding information) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

See report of the Executive Director, Mr Ian Vipond





**FINANCE & AUDIT SCRUTINY PANEL  
2 SEPTEMBER 2008**

*Present :-* Councillor Sue Lissimore (Chairman)  
Councillors Kevin Bentley, John Bouckley, Martin Goss,  
Dave Harris, Jackie Maclean, Jon Manning, Nigel Offen,  
Gerard Oxford, Laura Sykes and Dennis Willetts

*Also in Attendance :-* Margaret Kimberley  
Nigel Chapman  
Paul Smith  
Sonia Lewis  
Tim Young  
Tina Dopson

**24. Minutes**

The minutes of the meeting held on 19 August 2008 was confirmed as a correct record, subject to the following amendment. The penultimate paragraph of minute no. 21 Capital Expenditure Monitor to read 'the Portfolio Holder for Culture, Tourism and Diversity'.

**25. Exclusion of the Public**

The following report and subsequent debate on the Decent Homes Programme contained exempt information (financial/business affairs of a particular person, including the authority holding information) as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

All members of the public and press left the meeting room at this point.



# Finance & Audit Scrutiny Panel

Item  
**11**

21 October 2008

Report of

Head of Resource Management

Author

Hayley McGrath  
282461

Title

1<sup>st</sup> & 2<sup>nd</sup> Quarter Risk Management Progress Report

Wards  
affected

Not applicable

**This report concerns Risk Management activity between  
April and September 2008**

## 1. Actions Required

1.1 To note and comment upon:

- The latest risk management issues;
- The performance relating to implementing the 2008/09 risk management action plan;
- The Strategic risk register
- The development of the 'Top 5' report.

## 2. Reason for Scrutiny

- 2.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Finance and Audit Scrutiny panel as being responsible for reviewing the effectiveness of the risk management process and reporting critical items to cabinet as necessary.
- 2.2 Quarterly progress reports, detailing work undertaken and current issues, are provided to assist with this responsibility.

## 3. Key Messages

- A risk management culture continues to be developed throughout the authority with the development of the programmed reporting structure.
- The risk management strategy, considered by this panel on 29 July 2008, has been adopted by Cabinet.
- The strategic risk register has been fundamentally reviewed by the senior management team to ensure that it reflects current issues.
- The operational registers are currently being updated to reflect the change in management structure and meetings have been arranged with all Heads of Service to review their risk issues. This will be complete by the end of the year.

## 4. Supporting Information

- 4.1 The aim of the Council is to adopt best practices in the identification, evaluation, cost-effective control and monitoring of risks across all processes to ensure that risks are properly considered and reduced as far as practicable.
- 4.2 In broad terms risks are split into three categories:
- Strategic – those risks relating to the long term goals of the Council
  - Operational – risks related to the day-to-day operation of each individual service
  - Project – consideration of the risks occurring as a result of the Council's involvement in specific initiatives

- 4.3 Strategic risks are essentially those that threaten the long term goals of the Council and therefore are mainly based around meeting the objectives of the Strategic Plan. They may also represent developing issues that have the potential to fundamentally effect service provision, such as proposals to dramatically change the corporate assessment process. Strategic risks are owned by members of the Senior Management Team.
- 4.4 Operational risks are those that threaten the routine service delivery of the Council. Each service area has their own operational risk register that details the risks associated with providing the service. These registers are reported, in summary format, to the Senior Management Team and committee on an annual basis. High risks and the success in controlling them are reported to Senior Management Team on a quarterly basis, as these assist in the formulation of the strategic risk register.
- 4.5 Project risks are those that relate solely to the successful delivery of that specific project. They tend to be quantifiable issues, such as resource or time related, and constantly change and develop over the course of the project as each stage is completed. The lead on the project is responsible for ensuring that there is an appropriate risk register and high level issues are reported to the senior management team.

## 5. Latest Risk Management Issues

- 5.1 There are two items to report this quarter:
- 5.2 The revised strategy that was considered by this panel in July has been agreed and adopted.
- 5.3 An internal audit report regarding the annual review of risk management was issued in July. This highlighted five, level two, recommendations centring on updating the operational registers and embedding the reporting process. All of these recommendations were agreed with and the processes are included as part of this years action plan.

## 6. Action plan Implementation

- 6.1 The action plan for 2008/09 consists of four items, these are summarised below:

Action	Status	Comments
Revise the operational risk registers	In hand	Meetings arranged with all HoS
Ensure that the reporting process is embedded	Complete	Future agendas for PMB and FASP have been updated to include Risk management
Develop training for both members and officers	Outstanding	Training for FASP as priority
Develop a risk register for members	Outstanding	

## 7. Strategic Risk Register

- 7.1 It was recognised in the year end report that the strategic risk register needed to be reviewed. The register has been discussed by the Performance Management Board and the risks have been updated. There is still some ongoing work to be done regarding the control actions and timings and the register needs to be reported back to P.M.B. for final

agreement. Therefore, whilst the register attached at appendix 1 is in draft format it does reflect the current issues facing the authority.

## **8. Top Five Report**

- 8.1 The panel have requested that they receive a regular report at each meeting detailing the top 5 risks to the authority. Attached at appendix 2 is a draft version of this report for consideration, which details the strategic issues.
- 8.2 Due to the nature of the risks it is not possible to combine both strategic and project risks on the same report - as their method of calculation is different. However it is recognised that this panel are keen to ensure that the project risks are appropriately managed. Therefore it is suggested that a separate exception report detailing project issues is also submitted. This will be in the same format that is agreed for the strategic risks.

## **9. Proposals**

- 9.1 To note and comment upon the Councils progress and performance in managing risk during the period from April to September 2008.

## **10. Strategic Plan Implications**

- 10.1 The strategic risk register reflects the objectives of the strategic plan and the actions have been set with due regard to the identified key strategic risks. Therefore the risk process supports the achievement of the strategic objectives.

## **11. Risk Management Implications**

- 11.1 The failure to adequately identify and manage risks may have an effect on the ability of the Council to achieve its objectives and operate effectively.

## **12. Other Standard References**

- 12.1 There are no direct Publicity, Financial, Consultation, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Colchester Borough Council – Corporate Strategic Risk Register  
 DRAFT October 2008

**Key points this update:** Register has recently been refreshed to reflect current risks (apart from section 3 which is still being reviewed), and comments and timings are to be finalised.

1. AMBITION			ACTION PLAN – AMBITION		
Specific Risks	Score P x I = O	Consequence	Action	Owner	Timing
1.a Failure to adequately redirect the strategic vision and move the resources required to support it.	3 3 9	Desired strategic outcomes are not achieved and improvements are not delivered.	Ensure that there is a structured regular review process for the Strategic plan, and corresponding action plan, so that it continues to deliver the strategic vision.	E.D. People & Performance	
1.b Unrealistic expectations (both internally and externally) regarding speed of delivery.	2 2 4	Failure of one or more of the strategic projects. Financial or reputational loss by the Authority.	Develop a structured reporting process to ensure that direction and priorities from Cabinet are communicated effectively to relevant officers.	Chief Exec	
1.c The need to deliver infrastructure requirements in preparation for the up-turn of the growth of Colchester.	3 2 6	Inability to attract key partners / investment. Key staff difficult to retain	The desired 'place shape' needs to be formalised and clearly communicated to all staff.	E.D. Place Shaping	
Over reliance on a limited number of key personnel to deliver the ambition.		Leading to loss of knowledge and inability to maintain momentum of the change process.	Ensure that the Strategic Plan is central to the decision making processes and is reflected in the resource allocations supporting Service Plus areas.	Chief Exec / Head of Resource Manage.	
1.d	2 3 6		Ensure that there is a structured use of the 'People Strategy' to ensure skills / capacity are appropriately based and to identify priority areas for improvement.	E.D. Customer Excellence	

2. CUSTOMERS			ACTION PLAN – CUSTOMERS		
Specific Risks	Score P I O	Consequence	Action	Owner	Timing
2.a The Council fails to understand and consult its customers.	1	The Authority fails to manage / understand expectations from its customers.	Ensure that there is a structured corporate wide process to develop a good understanding of our customers which drives service improvement.	E.D. Customer Excellence	
2.b The Council fails to support its 'Community Champions'.	1	Councillors not engaged with staff to deliver political priorities and fulfil role as community / ward champion.	Develop a programme to improve levels of political awareness and thereby enhance relationship between officers and elected members.	E.D. Customer Excellence	
2.c The Council fails to enhance the skills of its people to deliver customer excellence.	1	Staff become disengaged with the customer excellence programme and the link to service improvement.	Ensure that the learning and development strategy supports the customer excellence programme.	E.D. Customer Excellence	
2.d The Council fails to develop and align the customer excellence programme, in phase four, with the Way We Work.	1	Customer Excellence will become irrelevant to the Way We Work and loses its profile as a top corporate priority to drive improvement.			

3. GENERAL MANAGEMENT			ACTION PLAN – GENERAL MANAGEMENT		
Specific Risks	Score P I O	Consequence	Action	Owner	Timing
3.a	2	Lack of flexibility in the organisational culture.	Ensure that there is a clearly defined communication strategy.	Head of Corporate Manage.	
3.b	2 3 6	Failure to equip managers with general management skills (not just professional skills) and to update skills to be able to respond to changing working practises, such as flexible working.	Financial and reputational loss by the Authority. Personal liability of Officers and Members. Staff perceive the performance management process as a negative issue.	Head of Corporate Manage.	
3.c	1 3 3	Failure to recognise the importance of the Council's reputation with lack of ownership and management.	Legal actions against the Council. Loss of stakeholder confidence in the Borough	E.D. Customer Excellence	
3.d	2 3 6	Insufficient technical development - poor I.T. infrastructure that doesn't support changes in working practises	High staff turnover – loss of expertise / continuity leading to service delays / errors. Decrease in staff motivation	Head of Corporate Manage.	
3.e	2 3 6	Failure to comply with 'working practises' legislation including: ➢ Health & Safety ➢ F.O.I ➢ DDA ➢ Equality & Diversity ➢ Confidentiality	Ensure that the individual performance management process maintains momentum and actively influences learning and development. Build in a corporate review process to gauge levels of effectiveness.  Staff unable to respond to business requirements due to excessive or conflicting workloads, poor working environment, inadequate training and lack of support.	Head of Corporate Manage.	

4. HORIZON SCANNING			ACTION PLAN – HORIZON SCANNING		
Specific Risks	Score P I O	Consequence	Action	Owner	Timing
4.a Requirements of Local Government reorganisation (opportunity & threat)	2 3 6	If not properly managed then either the Council will lose the opportunity to develop further or will have enforced changes to service delivery.	Ensure organisational readiness to respond to external challenges through the Way We Work programme - People - IT/ flexible working - Customer Excellence - Place Shaping	E.M.T.	
4.b Failure to recognise, plan for and adapt to rapid growth, across borough and region	1 3 3	Adverse impact on local residents / resources. Missed opportunities to boost tourism / economy.	Supported by a robust Medium term Financial strategy and organisational development strategy.		
4.c Underestimation of impact / potential of the Olympic games.	1 2 2	Conflict between Council / Government agendas.			
4.d Failure by the Council to spot / influence at an early stage the direction of Central Government policies / new legislation.	2 2 4				



5. PARTNERSHIPS			ACTION PLAN – PARTNERSHIPS		
Specific Risks	Score P I O	Consequence	Action	Owner	Timing
5.a Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. Haven Gateway, RCE, Serco, CBH	2	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority.	Assess proposed strategic partnerships to ensure that they will satisfy the Council's objectives before commitment to new partnerships is made.	EMT	
	4				
	8				
5.b Change of direction / policy within key partner organisations and they revise input / withdraw from projects.	3	Failure to deliver expected outcomes through partnerships	Define a relationship / performance management process for partnerships	ED People & Performance	
	2				
5.c Potential inability to agree shared outcomes/agendas with partners and the Council's ability to influence partner's performance, particularly in relation to CAA and LAA requirements.	2	Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner. External assessment of the Councils partnerships are critical and score poorly.	Ensure that there is a mechanism to review partnerships and assess the value added.	ED People & Performance	
	3				
	6				

6. ASSETS & RESOURCES				ACTION PLAN – ASSETS & RESOURCES		
Specific Risks	Score P I O	Consequence	Action	Owner	Timing	
6.a	1	Failure to protect public funds and resources – ineffective probity / monitoring systems.	3	Ensure that there is a robust system of internal control that encompasses all assurance systems including Internal Audit, Risk Management, Budget process, Corporate Governance and performance management. This must be reported to senior officers and members on a regular basis to ensure that it is fully embedded.	EMT / Head of Resource Management	
6.b	2	There is no corporate strategic approach to repairs and renewals that links to an asset plan.	2	Personal liability of Officers and Members. Legal actions against the Council.		
6.c	2	Failure to develop innovative funding streams.	3	Loss of stakeholder confidence in the Borough Inability to sustain costs	Head of Resource Management	
6.d	2	Failure to set aside sufficient capital funds for major projects – insufficient allowance for contingency issues.	3	Failure to deliver a balanced budget. Required to use Reserves & Resources to fund services and support Renaissance programme without ability to 'top-up'.	Head of Resource Management	
		Severe impact on cash-flow leading to negative effect on performance targets.	6	Develop the annual budget strategy to ensure it has controls built in to be able to respond to changes in the strategic objectives. Review the medium term financial outlook and capital programme processes to ensure they are kept up to date and realistic.	Head of Resource Management	

**DRAFT**  
**Finance & Audit Scrutiny Panel**  
**Top 5 Strategic Risks**

Meeting Date: \_\_\_\_\_

Date completed: \_\_\_\_\_

<b>Risk</b>	<b>Score (see note)</b>	<b>Consequences</b>	<b>Risk Mediation</b>	<b>Progress</b>	<b>Responsible Officer</b>
Failure to adequately redirect the strategic vision and move the resources required to support it.	9	Desired strategic outcomes are not achieved and improvements are not delivered.	Ensure that there is a structured regular review process for the strategic plan, and corresponding action plan, so that it continues to deliver the strategic vision.		E.D. People & Performance
Failure or inappropriate performance management of one or more strategic partnerships or key contracts. E.g. Haven Gateway, RCE, Serco, CBH	9	Failure to deliver expected outcomes through partnerships. Cost of service delivery increases however quality decreases.	Define a relationship / performance management process for partnerships.	Partnership Strategy being written to include confirmation of performance management arrangements and a partnership register of key partnerships.	E.D. People & Performance
Requirements of Local Government reorganisation (opportunity & threat)	6	If not properly managed then either the Council will lose the opportunity to develop further or will have enforced changes to service delivery.	Ensure organisational readiness to respond to external challenges through the Way We Work programme strands: - People - IT/ flexible working - Customer Excellence - Place Shaping		E.M.T.
Failure to set aside sufficient capital funds for major projects – insufficient allowance for contingency issues.	6	Required to use reserves and resources to fund services and support renaissance programme without ability to 'top-up'.	Review the medium term financial outlook and capital programme processes to ensure they are kept up to date and realistic.		Head of Resource Management

<p>The failure to deliver infrastructure requirements in preparation for the up-turn of the growth of Colchester</p>	<p>6</p>	<p>Inability to attract key partners / investment. Desired strategic outcomes are not achieved and improvements are not delivered.</p>	<p>Ensure that the Strategic Plan is central to the decision making processes and is reflected in the resource allocations supporting Service Plus areas. The desired place shape needs to be formalised and clearly communicated to all staff.</p>		<p>Chief Exec / Head of Resource Management E.D. Place Shaping</p>
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Note –Strategic Risk are scored from 1 – 9, with 9 being the highest risk



## Finance and Audit Scrutiny Panel

Item

21 October 2008

<b>Report of</b>	<b>Head of Resource Management</b>	<b>Author</b>	<b>Sean Plummer</b> ☎ 282347
<b>Title</b>	<b>Treasury Management – Investments</b>		
<b>Wards affected</b>	Not applicable'		

**The Panel is invited to review the Council's investments specifically the situation in respect of deposits placed in Icelandic banks.**

### 1. Action required

- 1.1 The panel is asked to note and comment on the current situation in respect of the Council's investments and specifically our outstanding deposits in the Icelandic bank, Landsbanki.

### 2. Reason for scrutiny

- 2.1. CIPFA Code of Practice on Treasury Management requires authorities to keep treasury management activities under review. The financial situation faced by this Council and many other local authorities in respect of deposits placed with Landsbanki is an important issue and requires consideration of a number of issues set out in this report.

### 3. Background information

#### 3.1. Context

- 3.1.1. First, it is important to provide some context into why the Council has funds to invest and the value of this activity. During 2007/08 we carried out over 100 investments, totalling £200m. In addition we manage other short term balances through use of high rate deposit accounts.
- 3.1.2. During the last 18 months our average cash balance at the end of each month was approximately £38m. This represents a number of different balances that the Council will hold at any given time. For example the Council agrees to hold a level of uncommitted balances as part of our annual risk assessment. In addition, there are a number of earmarked reserves held by the Council to provide funds for areas such as the maintenance and replacement of properties and other assets. The Council holds a number of S106 deposits which at the end of March 2008 stood at £6.6m.
- 3.1.3. As a comparatively large and complex organisation we have to manage significant cashflows. The following statistics provide some context of the size of the issues we currently manage:-

- Monthly payroll costs of £2.2m
- Monthly collection of Council Tax and Business Rates (NNDR) of £12.6m
- Monthly payment to precepting authorities of £6.5m

- Capital programme spending last year of £26.4m
- Receipt of capital grants and contributions last year of £8.25m
- Annual interest payments of £3.8 m
- S106 monies received last year of £2m
- Payment to suppliers of £49m
- Payment of housing benefit and refunds of Council Tax and NNDR of £25m

3.1.4. Whilst we are able to consider investing some of our cash for longer periods, such as 1 – 2 years, a significant proportion of our investments are driven by the need to manage our shorter term cashflow. In other words decisions to place ‘surplus funds’ on deposit are often made based on a requirement to ensure funds are available at a certain date in the short term rather than purely based on a decision to obtain an investment return based on economic forecasts.

3.1.5. Last year we earned circa £2.6m on all our ‘investments’. This money was used to offset our borrowing costs and clearly this level of interest provides considerable support for the Council’s revenue budget and in turn Council Tax requirement.

### 3.2. ***What is the Council’s policy in respect of investments?***

3.2.1. All our decisions are made with reference to our treasury management policy statement and supporting treasury management practices (TMPs) which specifies our investment limits with different counterparties and the minimum credit ratings that we require for an organisation to qualify to be on our “lending list”. The Council annually agrees the treasury management and investment strategy which sets out the approach to treasury activities for the forthcoming year. This was last agreed by Full Council in February 2008.

3.2.2. One of our TMPs considers our approach to risk and this is set out at Appendix A. The most relevant area of risk in terms of the issue with Icelandic banks is that of credit risk and the relevant commentary within the TMPs is shown below:-

#### *Credit and counterparty risk management*

*This Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.*

3.2.3. In complying with this statement the Council has set procedures (detailed within supporting document within the TMPs) which specifically address the issue of:-

- who we may invest with
- how long the investment may be for
- the maximum level of any one or group of investments

3.2.4. This Council along with most, if not all other authorities, uses credit ratings to assess the credit risk of investment counterparties. Our approach, based on guidance from our advisors on treasury management, is to use credit ratings to determine the organisations we may invest with and the maximum period of the investment. The maximum amount of any investment is determined by credit ratings and the total level of cash we are likely to have to invest to ensure a reasonable diversification of investments

and to be pragmatic enough to enable us to be able to ensure all funds are properly managed.

3.2.5. The Council's Annual Investment Strategy agreed by Full Council in February 2008 set out our approach to determining limits and is set out in the following table:-

ORGANISATION	CRITERIA			MAXIMUM AMOUNT	MAX. PERIOD		
	Short-term	Long-term	Individual		Support Rating		
					1	2	3
Deposits with Banks and Building Societies	Minimum F1+	AAA, AA+, AA, AA-	A	£7.5m	5 years	5 years	1 year
			A/B, B	£7.5m	5 years	5 years	3 mths
			B/C, C	£5m	1 year	1 year	3 mths
Deposits with Banks and Building Societies	Minimum F1	A+, A	A, A/B, B	£5m	1 year	1 year	3 mths
			B/C, C	£5m	3 mths	3 mths	
Building Societies	Assets > £3bn			£3m			1 year
	Assets £1bn - £3bn			£1m			1 year
UK Local & Police Authorities				£10m	1 year		
Government Securities				£10m	10 years		
Money Market Funds		AAA		£3m	60 days		
Bonds issued by MLDBs		AAA		£3m	1 year		
Investment schemes (e.g. bond funds)		AAA		£7.5m	5 years		

*In addition there are country limits of £20M and a limit on the Building Society Sector of £15M.*

3.2.6. To help understand our policy it is necessary to explain credit ratings. There are two main credit ratings agencies that most councils use when looking at the credit worthiness of banks and building societies: Fitch Ratings and Moody's Investors Service. These are amongst the leading credit agencies in the world. Each agency provides its own rating scale for both short-term and long-term ratings. These are not easily comparable and for this reason we predominantly use Fitch Ratings. As per the guidance from the Office of the Deputy Prime Minister on 12 March 2004, councils should only deal with institutions that receive the high ratings.

3.2.7. A background paper produced by Sector has been made available which provides an explanation of the different credit ratings used specifically the difference between long-term, short-term, individual and support ratings.

3.2.8. We employ Sector Treasury Services to provide us with information on credit ratings.

3.2.9. Sector provides us with a full monthly report on credit ratings which we check against our lending list to ensure that organisations meet our criteria for future lending. In addition Sector send us e-mail alerts if there is a particular change in the credit rating.

### 3.3. **How are investment decisions made?**

3.3.1. We review our treasury management position daily and based on this decisions are taken on how much to invest and for how long to invest. The following are used to inform decision-making:-

- The Council's lending list which is based on our limits outlined at section 3.2.
- The Council's agreed strategy for the year which sets out the general approach to borrowing and investment for the year.
- Our cashflow forecast which sets out major forecast movements over the coming 12 months.

3.3.2. We predominantly arrange investments through money market brokers who match our request to deposit the available value for a specified period with lenders in the 'market'. We have a duty to obtain best value on our investments and as such we will normally select the best possible rate on offer that *complies with our agreed policy guidelines*.

### 3.3. **What investment has CBC made with Icelandic banks?**

3.3.1. This Council has placed deposits with Icelandic banks since early 2007/08. Details of all investments are reported to Finance and Audit Scrutiny Panel as part of the annual report on treasury management. The most recent report covering 2007/08 was reported to this panel on 29 July 2008 (available as a background paper).

3.3.2. This year we have made 12 separate investments with Icelandic banks as set out at Appendix B.

3.3.3. The current 2 investment outstanding are as follows

Name	Amount £	From	To
Landsbanki Islands	3,000,000	02 September 2008	02 December 2008
Landsbanki Islands	1,000,000	10 September 2008	10 December 2008

3.3.4. To provide some context of the wider situation the Local Government Association (LGA) has collated information from 236 authorities about whether they had investments in Icelandic banks. Most of these authorities have, where relevant, provided details of the amount and maturity of each investment.

3.3.5. Of these 236 authorities, 120 have confirmed that they do not hold investments with Icelandic banks (or UK subsidiaries of Icelandic banks). The 116 authorities who do have investments with Icelandic banks have total deposits of £858.3m. These figures include information from Welsh local authorities and Police Authorities.

3.3.6. The BBC website reports that British firms have up to £12Bn invested in Icelandic Banks, for example, Chelsea Building Society has an exposure of £55M.

### 3.4. **Did the investments outstanding with the Landsbanki comply with Council Policy?**

3.4.1. At the time of the investment Landsbanki met the Council's criteria for investing up to £5m for a maximum period of 3 month. Landsbanki's credit ratings at this time were: long term A, short term F1, Individual B/C, support 2. The following table provides an explanation of these credit ratings.



<b>Landsbanki Rating</b>	<b>Comment</b>
Long term Rating A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
Short Term Rating F1	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
Individual Rating B	A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.
Individual Rating C	An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
Support Rating 2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-term rating floor of 'BBB-'.

3.4.2. By investing with highly credit rated organisations, which included the Icelandic Banks before they defaulted, the Council was following the Investment Guidance issued by DCLG. All in all, the credit rating of these organisations were considered high by Fitch in the definition that it had given as set out above

3.4.3. Sector has produced and maintains a guide that authorities may use to inform their own policies which uses a combination of different credit ratings to determine an appropriate period of lending. Under this matrix approach Landsbanki met Sector's criteria for 3 month lending at the time of our investment decision.

3.5. ***What advice did the Council receive in respect of investments?***

3.5.1. As stated earlier Sector provide regular information on credit ratings and during the past year we did receive advice on changes or possible changes to credit ratings. The Local Government Association (LGA) has analysed the ratings issued by the main credit ratings agencies which shows that Icelandic banks and their UK subsidiaries continued to receive relatively high ratings up until the afternoon of 30 September.

The LGA Analysis shows the following key dates which matches advice received from Sector:

<b>Date</b>	<b>Action / Comment</b>
<b>28 February</b>	Fitch's long-term ratings for Glitnir Bank h.f (Glitnir), Kaupthing Bank h.f (Kaupthing) and Landsbanki Islands (Landsbanki) were all A. Their corresponding short-term ratings were all F1. Moody's reduced its long-term rating for Landsbanki from Aa3 to A2, and held their short-term rating at F1. Its long-term and short-term ratings for Glitnir were Aa3 and F1 respectively.
<b>April</b>	Fitch announces that Icelandic banks were being put on negative rating watch, warning that short and long term ratings on Icelandic banks could be reduced.
<b>9 May</b>	Fitch reduced the ratings for Glitnir and Kaupthing to A minus (long-term) and F2 (short-term). Landsbanki's ratings remained the same but the outlook rating was changed to Outlook Negative.
<b>30 September</b>	Fitch reduced Landsbanki's long-term ratings from A to BBB and its short-term ratings from F1 to F3. The long-term and short-term ratings for Glitnir were reduced to BBB minus and F3 respectively. The long-term and short-term ratings for Kaupthing were reduced to BBB and F3 respectively. Moody's announced it was reviewing Landsbanki's ratings.
<b>8 October</b>	There was a general downgrade of the Icelandic banks' ratings.

3.5.2. In a briefing note provided by Sector this week they state the following:-

*“Global leaders now admit that tighter regulation needs to be applied to the markets and are actively working together to put in place the measures to ensure that this happens. As you will be aware the credit worthiness of financial and other institutions is provided by global credit rating agencies. These agencies provide periodic updates as to the financial security of the institutions. Our role is to ensure that we pass on the information from the rating agencies to you in a format that enables you to make investment decisions in line with the Investment Guidelines issued by the DCLG.*

*We have written to the rating agencies requesting that they provide guidance as to their rating advices during this period of market turbulence. I will ensure that you receive a copy of the responses once I have received them. We are confident that our approach provides the most accurate view of the credit ratings provided by the agencies, however we will review this in the light of the responses we receive from the agencies.”*

3.5.3. There have been comments in the press that councils should have been aware of the impending situation in Iceland. The changes in credit ratings during the year shows that some action was taken by the agencies to reflect the outlook within Iceland.

3.5.4. It is worth stating that following the change in ratings for Glitnir and Kaupthing in May we did remove both these banks from our lending list and no further investments were made with these banks. However, the rating for Landsbanki continued to meet our criteria up to the end of September 2008.

3.6. ***What is the situation in respect of our deposits with Icelandic banks and could we have recovered our money before the situation arose?***

3.6.1. Landsbanki is currently in administration, so no deposits are being repaid. Some council who had maturing deposits have not had their monies returned.

- 3.6.2. To date the Government has not offered to guarantee the councils' deposits as it has done for individual British savers. However, the Treasury has dispatched a delegation to Iceland to ensure that the investments of all UK depositors are secure. It has also been reported that our Government has also frozen £4bn of assets held by the affected Icelandic institutions in the UK. This is significantly more than the estimated £3bn invested by UK parties in the Icelandic banks. It has also been reported that the Bank of England has offered £100M to Landsbanki to help repay creditors.
- 3.6.3. Furthermore, the Icelandic Government confirmed again on Saturday that they intend to honour all of their deposit obligations but need some time to time to do this. Various overseas countries have offered loan finance to help with the cashflow problem. The International Monetary Fund is also ready to provide support but will only step in when the inter country discussions have been resolved.
- 3.6.4. We have co-operated fully with the LGA in providing details of our deposits with Landsbanki and have been in contact with other similarly affected Councils. Sector has been working extensively on our behalf, and that of other clients, with the Bank of England, the DCLG, the Treasury, and the LGA and COSLA to resolve this issue and get our deposits repaid.
- 3.6.5. Our investment made with Landsbanki, like most local authority deposits, was made on a fixed term basis, so there was no scope to withdraw any monies. It is unlikely that an investment by any Council would have been for less than a month. Consequently, those Councils who got their monies out (i.e. repaid) in late September simply had investments that matured at that point.
- 3.7. ***What is the implication on the Council's finances if the Icelandic bank defaults on repayment?***
- 3.7.1. Firstly, it is worth stating that the Landsbanki deposit represents 10% of our overall level of investments outstanding.
- 3.7.2. The interest due on the two outstanding investments is £58k. If the two deposits are not repaid on the expectant due dates an estimate of the foregone interest is £130k for 2008/09 (including the interest due) and an estimated figure of £200k for 2009/10.
- 3.7.3. This Panel will receive a report on the current year's budget position on 18 November 2008 and this will provide an opportunity to consider the risk of the potential loss of interest. However, it is worth noting that at the previous review it was reported that we were anticipating additional net investment interest this year.
- 3.7.4. In terms of cashflow we do not anticipate any significant short-term issues resulting from any default, although it may be necessary to consider using permitted temporary borrowing.
- 3.7.5. The Council maintains general and specific reserves and provisions and these could be released to cover the loss of £4m. There is currently uncertainty over whether our deposits will be repaid on the due date or possibly at some later date. When the situation becomes clearer we will be able to consider any necessary action required to ensure the ongoing financial situation of the Council is properly provided for.
- 3.7.6. We are expecting to receive guidance from CIPFA shortly on accounting implications of any possible losses.
- 3.7.7. We will closely monitor the situation over the coming days and weeks and will continue to support the LGA in attempts to secure refund of all our money.

**3.8. What current investments do the Council have outstanding and what are the risks of future default?**

3.8.1. A list of current investments is provided at Appendix C including current credit ratings in place where applicable. At this time we do not expect any potential risk of non payment. However, as is clear from recent events the current economic climate is exceptional and unprecedented.

**3.9. What action is being taken to review our investment policy in light of the Icelandic situation?**

3.9.1. We are in discussions with Sector to consider any possible changes to our investment policy, however, it is important to state our policy currently seeks to manage risk and return in line with accepted guidance.

3.9.2. It is proposed that a report for this Panel to scrutinise on any changes to our investment policy be produced for the next meeting in November.

**4. Summary**

4.1. This report has set out the background to the current situation in respect of our current exposure in the Icelandic bank Landsbanki and more broadly the Council's investment policy and procedures.

4.2. It shows that:-

- the deposit placed with Landsbanki has not been lost and repayment is not due until December 2008.
- the Council has in place required policies to manage credit risk as well as other risks through use of diversifying investments, placing limits based on amount and duration of investments.
- Council officers have complied with these policies in executing investment transactions.
- the credit rating at the time the investments with Landsbanki were made was in line with our limits.
- we are not alone in investing funds within Icelandic banks and the situation is not simply a local issue.
- when the situation becomes clearer over coming weeks we will be able to assess in more detail the financial implications of any possible loss of funds and propose action to mitigate the situation and ensure the Council's finances remain appropriate.

4.3. Cllr Margaret Eaton, Chairman of the LGA, said this week

*"This isn't the time for a blame game. This is an unprecedented situation, the extent of which could not have been foreseen. However, at the appropriate moment, there needs to be a full and independent inquiry to find out just how these banks continued to get relatively strong credit ratings until a few days before they went under.*

*"No council should rely solely on credit agencies and must use their financial nous. But there must be confidence in credit ratings as councils continue to invest billions of pounds in a whole range of financial institutions. Our analysis dispels the myth that many councils were investing recklessly after credit warnings were issued."*

**5. Strategic Plan references**

5.1 No direct links.

## **6. Publicity considerations**

- 6.1 Information has been provided to the press on the Council's deposit with Landsbanki and a press release will be issued to seek to provide greater understanding of the Council finances.

## **7. Financial implications**

- 7.1. These are set out within the report and we will continue to assess and respond to any issues.

## **8. Risk Management implications**

- 8.1 Risk Management is essential to effective treasury management. The Council's Treasury Management Statement contains a section on treasury Risk Management (TMP1).
- 8.2. TMP1 covers the following areas of risk all of which are considered as part of our treasury management activities:
- Liquidity.
  - Interest rates.
  - Exchange rates.
  - Inflation.
  - Credit and counterparty.
  - Refinancing.
  - Legal and regulatory.
  - Fraud, error and corruption, and contingency management.
  - Markets.

## **9 Other Standard References**

- 9.1 There are no significant issues in respect of consultation, equality, diversity and human rights, health and safety and community safety implications.

### **Background papers**

Annual report on treasury management to FASP 29 July 2008

Annual Treasury Management Strategy and Annual Investment Strategy agreed by Council February 2008.

Sector briefing paper on Credit Ratings use by Fitch.

**TMP1 TREASURY RISK MANAGEMENT**

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

**[1] Liquidity risk management**

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.

**[2] Interest rate risk management**

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirement and management information arrangements*

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

**[3] Exchange rate risk management**

This Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

#### [4] Inflation risk management

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation.

It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of inflation. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

#### [5] Credit and counterparty risk management

This Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved Instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

#### [6] Refinancing risk management

This Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

This Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

#### [7] Legal and regulatory risk management

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1.5 Credit and counterparty risk management* (above), it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

[8] Fraud, error and corruption, and contingency management

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[9] Market risk management

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.



## Investments in Icelandic Banks – 2008/09

Name	Amount £	From	To	Days
Glitnir Bank	1,000,000	01-Apr-08	01-Jul-08	91
Glitnir Bank	1,000,000	21-Apr-08	21-May-08	30
Glitnir Bank	1,000,000	01-May-08	02-Jun-08	32
Landsbanki Islands	1,000,000	17-Apr-08	17-Jul-08	91
Landsbanki Islands	2,000,000	21-Apr-08	21-May-08	30
Landsbanki Islands	2,000,000	01-May-08	02-Jun-08	32
Landsbanki Islands	2,000,000	02-Jun-08	02-Sep-08	92
Landsbanki Islands	1,000,000	15-Jul-08	18-Aug-08	34
Landsbanki Islands	1,000,000	17-Jul-08	26-Aug-08	40
Landsbanki Islands	1,006,049	26-Aug-08	02-Sep-08	7
Landsbanki Islands	3,000,000	02-Sep-08	02-Dec-08	91
Landsbanki Islands	1,000,000	10-Sep-08	10-Dec-08	91

Name	Amount £	From	To	Days	Limits		Current Ratings			
					Max £M	Max Time	Long Term	Short Term	Individual	Support
Ulster Bank Ltd	2,500,000	16 April 2007	16 October 2008	549	7.5	5 Years	AA-	F1	B	1
Derbyshire BS	1,000,000	18 April 2008	20 October 2008	185	3	1 Year				3
Bank of Ireland	2,500,000	23 April 2007	23 October 2008	549	7.5	5 Years	AA-	F1+	B	1
Alliance & Leicester	1,000,000	01 October 2008	24 November 2008	54	7.5	3 Months	AA-	F1+	B/C	1
Educational Building Society (EBS)	1,000,000	01 October 2008	24 November 2008	54	5	3 Months	A	F1+	B	3
EBS	1,000,000	01 September 2008	01 December 2008	91	5	3 Months	A	F1+	B	3
EBS	1,000,000	01 September 2008	01 December 2008	91	5	3 Months	A	F1+	B	3
EBS	1,000,000	01 September 2008	01 December 2008	91	5	3 Months	A	F1+	B	3
Landsbanki Islands	3,000,000	02 September 2008	02 December 2008	91	5*	3 Months*	D	D#	F	5
Landsbanki Islands	1,000,000	10 September 2008	10 December 2008	91	5*	3 Months*	D	D#	F	5
Norwich & Peterborough BS	1,000,000	14 August 2008	16 February 2009	186	3	1 Year	**			3
Scarborough BS	1,000,000	05 March 2008	05 March 2009	365	1	1 Year	**			n/r
Derbyshire BS	1,000,000	10 September 2008	10 March 2009	181	3	1 Year	**			3
Derbyshire BS	1,000,000	10 September 2008	10 March 2009	181	3	1 Year	**			3
Norwich & Peterborough BS	1,000,000	13 March 2008	13 March 2009	365	3	1 Year	**			3
Cheshire BS	1,000,000	27 March 2008	27 March 2009	365	3	1 Year	**			3
Cheshire BS	2,000,000	01 April 2008	01 April 2009	365	3	1 Year	**			3
Ulster Bank Ltd	5,000,000	16 April 2007	16 April 2009	731	7.5	5 Years	AA-	F1	B	1
Norwich & Peterborough BS	1,000,000	15 May 2008	15 May 2009	365	3	1 Year				3
Banco Espirito Santo	2,500,000	04 June 2008	04 June 2009	365	5	1 Year	A+	F1	B	2
Banco Espirito Santo	1,000,000	01 October 2008	01 October 2009	365	5	1 Year	A+	F1	B	2
Allied Irish Bank	1,000,000	01 October 2008	01 October 2009	365	7.5	5 Years	AA-	F1+	B	1
Barclays Bank	2,000,000	05 June 2008	07 June 2010	732	7.5	5 Years	AA	F1+	A/B	1
Barclays Bank	2,000,000	01 July 2008	01 July 2010	730	7.5	5 Years	AA	F1+	A/B	1
Abbey Total	2,200,000 39,700,000	Call			7.5	5 Years	AA-	F1+	B	1

\* Limits at time of investment.

# Current ratings, not those in place at time of investment

\*\* Not all building societies are credit rated and the Council's policies permit investments based on criteria including asset size.



