

Taunton Deane Borough Council

Executive - 1 April 2009

Report of the Strategic Finance Officer

Treasury Management and Investments Strategy for 2009/2010

(This matter is the responsibility of Councillor Henley, Leader of the Council)

EXECUTIVE SUMMARY

- Council debt at time of issue of report £17m, outstanding investments £14.5m.
- Short-term interest rates currently at 0.5% and look to remain at this level throughout 2009/10
- Long-term rates more stable at 4.00-4.5% (50yrs) for this financial year.
- World and UK economies continuing to decline, and the UK is officially in recession, interest rates at historic all time low levels. Inflation continues to fall.
- Borrowing and debt restructuring, if undertaken, to take advantage of lower rates and match our debt to capital needs.

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the treasury management and investment strategies for the financial year 2009/10.

2. INTRODUCTION

- 2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires local authorities to set the Treasury Management Strategy Statement (TMSS) for borrowing each financial year.

- 2.2 CIPFA has defined Treasury Management as:

"the management of the organisation's 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 Council 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. Treasury management risks are identified in the Council's approved Treasury Management Practices; the main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels and thereby in the value of investments).
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)

2.4 The strategy also takes into account the outlook for interest rates, the Council's current treasury position and its approved Prudential Indicators (attached as Appendix A). The PIs relevant to the treasury management strategy are set out below:

PI No.		2008-09 Approved	2008-09 Revised	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
6	Authorised Limit for External Debt	£40m	£40m	£40m	£40m	£40m
7	Operational Boundary for External Debt	£30m	£30m	£30m	£30m	£30m
9	Upper Limit for Fixed Interest Rate Exposure	100 %	100%	100 %	100 %	100 %
10	Upper Limit for Variable Rate Exposure	50 %	50 %	50 %	50 %	50 %
11	Upper Limit for total principal sums invested over 364 days	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%

10	Maturity structure of fixed rate borrowing	Lower Limit	Upper Limit
:		%	%
	under 12 months	0%	50%
	12 months and within 24 months	0%	50%
	24 months and within 5 years	0%	50%
	5 years and within 10 years	0%	50%
	10 years and above	20%	100%

2.5 This report also incorporates the Council's Investment Strategy.

3. THE TREASURY POSITION

3.1 The treasury position at 17/02/09 is:

	Principal £m	Average Rate %		£m	Average Rate %
External borrowing:					
Fixed rate - PWLB	14.006	4.74			
Fixed rate - Market	3.000	4.25			
Total external debt	17.006	4.65			
Total Investments				14.500	2.37

3.2 The estimate for interest payments in 2009-2010 is £833,000 and for interest receipts is £167,000.

4. OUTLOOK FOR INTEREST RATES

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Appendix B. It is summarised below.

(a) Background

Central bankers acted decisively in October 2008 as the effective breakdown of financial systems threatened to destabilise the global economy. It included government sponsored recapitalisations, interventions through the provision of liquidity and guarantees for lending; in some instances nationalisation of private sector financial institutions; the removal of compromised assets from banks' balance sheets through special finance mechanisms; and co-ordinated emergency interest rates cuts. The UK, Eurozone and US economies contracted in the third and fourth quarters of 2008.

(b) Outlook

- **Availability of credit** is likely expected to remain restricted and credit conditions challenging, particularly as banks change their lending behaviour and lower their lending risk. The poorly functioning transmission mechanism for lower rates to be passed to consumers could cause governments to intervene directly between banks and corporates/individuals.
- **Inflation** : The elevated levels of commodity, food and energy inflation which exerted a powerful squeeze on real incomes in 2008 are expected to fade in 2009. CPI, which had risen to 5.2% in 2008, is now expected to fall below the MPC's lower boundary of 1%.
- **Labour market** : Unemployment, already at 6%, is expected to rise further.
- **Housing / Consumer Confidence** : The prospect of negative housing equity, and/or rising unemployment and depressed asset values could culminate in further negative confidence. Consumers and businesses will scale back spending to conserve or repair their balance sheets.
- **Growth** : The effort to reduce ballooning debt will hit economic activity and growth in the UK, US and in Europe. The prospects for growth remains uniformly poor in for much of 2009. Asset values are forecast to drop further, particularly those which are commodities- and housing-related.

- **Interest rates / Central Bank policies** : To avoid deflation and to mitigate the severity of the economic slowdown, there will be a growing willingness by Central Bankers to countenance abnormally low interest rates and/or some form of quantitative easing (i.e. using more unconventional methods such as expanding the central bank's balance sheet and injecting cash into the economy), sooner rather than later.
- **UK** : The Bank of England's Monetary Policy Committee cut rates by a cumulative 4.5%, bringing the Bank Rate down to 0.5%, a level the Bank deemed appropriate for the prevalent economic conditions.
- **US** : The Federal Funds rate was cut to 1%, before the decision in December 2008 to lower the rate to a range between 0% and 0.25% alongside the announcement of quantitative easing policies (among them, the purchase of large and unlimited quantities of agency and mortgage backed debt and the potential purchase of longer term Treasuries).
- **Euroland** : The European Central Bank is expected to cut rates more cautiously from the current level of 2.5% due to the different imbalances in each of the member states.

Market conditions and volatility : Market volatility remains high, risk appetite at a low ebb; markets are expected to continue in 'capital preservation mode' into early 2009. Although Libor is falling, the gap between official and market interest rates is likely to remain relatively wide for some months to come..

The deterioration in public finances – both via the cost of shoring up the financial system and also as recession hits the government's revenue streams – and the burgeoning budget deficit will require significant new gilt issuance in 2009. This excess supply is expected to push longer dated yields higher although not aggressively so. Short-dated gilt yields are however expected to fall with the gathering momentum of a fall in official policy rates.

The price destruction in equities will keep stock markets subdued and, even though there may be tentative signs of stability, it would be too early to say if a bottom has been reached.

Arlingclose's forecast for the UK Bank Rate (February 2009) is :

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Official Bank Rate									
Upside risk				+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.50	1.75
Downside risk		-0.50	-0.50	-0.50	-0.25	-0.50	-0.25	-0.25	

The probability of zero or near zero interest is now very high. The economic outlook provides both opportunities and challenges for the Council's treasury strategy in FY 2009-10.

5. BORROWING REQUIREMENT AND STRATEGY

- 5.1 The Council's underlying need to borrow for capital purposes is measured by reference to its Capital Financing Requirement (CFR) – see Appendix A. The

CFR will determine the Council's requirement to make a Minimum Revenue Provision for Debt Redemption (MRP) from within its Revenue budget. Physical borrowing may be greater or less than the CFR.

PI No. 3 Capital Financing Requirement	31/3/2009 Approved £m	31/3/2009 Revised £m	31/3/2010 Estimate £m	31/3/2011 Estimate £m	31/3/2012 Estimate £m
Non-HRA	10.015	9.324	9.572	9.81	10.038
HRA	14.451	14.451	14.451	14.451	14.451
Total CFR	24.466	23.755	24.023	24.261	24.489

- 5.2 In accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.
- 5.3 Capital expenditure not financed from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an increase in the CFR (the underlying need to borrow) and may in turn produce an increased requirement to charge MRP in the Revenue Account.
- 5.4 The Council prefers to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term.
- 5.5 A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.
- 5.6 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the options it has in borrowing from the PWLB, the market and other sources up to the available capacity within its CFR and Affordable Borrowing Limit (defined by CIPFA as the Authorised Limit).
- 5.7 Short-dated gilt yields are forecast to be considerably lower than medium- and long-dated gilt yields during the financial year. Despite additional gilt issuance to fund the UK government's support to the banking industry, short-dated gilts are expected to benefit from expectations of lower interest rates as the economy struggles through a recession. Yields for these maturities will fall as expectations for lower interest rates mount.

The outlook for borrowing rates:

- 5.8 *Variable Rate borrowing* : The shocks in the financial markets in the second half of 2008 leaves the UK in a different era in respect of official interest rates which have fallen to 0.5%. The rates for PWLB variable-rate borrowing has fallen substantially and are currently (March 2009) below 1%.

- 5.9 *Fixed rate borrowing* : Gilts across all maturities will initially benefit from their status of safe haven assets in uncertain economic times. Bank of England is to embark immediately on a radical and comprehensive programme to grow the money supply by at least £75bn over the next three months, and much of that will be the purchase of 5-25 year gilts. As yields fall initially, fixed PWLB rates across these maturities could challenge historic lows and should provide some attractive fixed rate borrowing opportunities
- 5.10 The Council will evaluate with Arlingclose the relative merits of a strategic exposure to variable rate debt. Decisions to borrow at low, variable rates of interest will be taken after considering the absolute level of longer term interest rate equivalents and the extent of variable rate earnings on the Council's investment balances. Should longer term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and, if appropriate, reduced.
- 5.11 Actual borrowing undertaken and the timing will depend on capital expenditure levels, interest rate forecasts and market conditions during the year, in order to minimise borrowing costs. The Council will be advised by Arlingclose of the specific timing of borrowing. This may include borrowing in advance of future years' requirements provided that overall borrowing is maintained within the Council's projected CFR and its approved Affordable Borrowing Limit.
- 5.12 The Council will undertake a financial options on any borrowing transactions to establish how it has arrived at its 'value for money' judgement in the use of resources.

6. DEBT RESTRUCTURING

- 6.1 The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility may provide opportunities for rescheduling debt from time to time. The rationale for rescheduling would be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- 6.2 The rescheduling of PWLB debt since the introduction of its repayment rates on 1 November 2007 has not ceased, but has become undoubtedly harder and places greater emphasis on the timing and type of new borrowing. PWLB rates exhibited a fair degree of volatility in FY 2008-09; should a similar pattern emerge in FY 2009-10, this could provide the Council with some rescheduling opportunities.
- 6.3 Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy. The Council will agree in advance with Arlingclose the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available

refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers.

- 6.4 All rescheduling activity will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

7. INVESTMENT POLICY AND STRATEGY

- 7.1 Guidance from the then ODPM (now DCLG) on Local Government Investments in England requires, similarly, that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement and the Annual Investment Strategy to be combined into one document.

Investment Policy

- 7.2 The Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:
- security of the invested capital;
 - liquidity of the invested capital;
 - an optimum yield which is commensurate with security and liquidity.

The speculative procedure of borrowing purely in order to invest is unlawful.

- 7.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the ODPM Guidance. Potential instruments for the Council's use within its investment strategy are contained in Appendix C.
- 7.4 The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength (for example, statements of potential government support). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.
- 7.5 The Council's estimated levels of investments are set out in 2.1 of this Treasury Management Strategy Statement.

Investment Strategy

- 7.6 The global financial market storm in 2008 has forced investors of public money to reappraise the question of risk versus yield. Income from investments is a key support in the Council's budget.
- 7.7 **It is expected that the Bank Rate will remain to near zero in FY 2009-10, short-term money market rates will continue to fall to very low levels which will have a significant impact on investment income.** The Council's

strategy must however be geared towards this development whilst adhering to the principal objective of security of invested monies.

- 7.8 The S151 Officer under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the Executive meeting twice annually.

Investments managed in-house :

- 7.9 The Council's shorter term cashflow investments are made with reference to the outlook for the UK Bank Rate and money market rates. For these monies, the Council will mainly invest in
- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.)
 - AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing predominantly in government securities
 - AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing in instruments issued primarily by financial institutions;
 - Deposits with other local authorities
 - Business reserve accounts
 - Term deposits
 - Certificates of deposit.
- 7.10 Protection against the downward move in interest rates through 1-year deposits and through longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments and may include :
- **Supranational bonds (bonds issued by multilateral development banks):** The joint and individual pan European government guarantees in place on these bonds provide security of the principal invested. Even at the lower yields likely to be in force, the return on these bonds could be attractive relative to the increasingly low outlook for official interest rates.
 - **UK government guaranteed bonds and debt instruments issued by banks/building societies :** The UK Government's 2008 Credit Guarantee Scheme permits specific UK institutions to issue of short-dated bonds with an explicit government guarantee. The bonds are issued at a margin over the underlying gilt and would be a secure longer-term investment option. (These bonds would, under existing statute, be capital expenditure investments.)

8. OTHER ISSUES

- 8.1 The treasury management and investment strategies, outlined above, have assumed the largely neutral impact of Project Taunton, as per all option appraisals undertaken to date. However, projects of this scale can have

both a positive or negative impact on the timing of capital expenditure and thus cash flow. As the project stages are developed and approved any impact on the Treasury function will be assessed and strategies may have to be altered. Any impact on strategy will be reviewed as options are considered and reported to members throughout.

9. IMPACT ON CORPORATE PRIORITIES

- 9.1 Treasury Management supports the entire range of services within the Council and thus has an impact on all Corporate Priorities.

10. RECOMMENDATIONS

- 10.1 The Executive are requested to approve the proposed Treasury Management Strategies outlined in this report.

Background Papers

Executive 18/06/08 – Treasury Management Outturn 2007/08 & 2008/09 Update.

Executive 04/02/09 – General Fund Revenue Estimates 2009/10

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Appendix A

PRUDENTIAL INDICATOR	2007/08	2008/09	2009/10	2010/11	2011/12
	outturn	estimate	estimate	estimate	estimate
Capital Expenditure					
General Fund	£4,010,000	£6,361,000	£1,955,000	£1,759,000	£2,324,000
HRA	£4,399,000	£5,951,000	£5,555,000	£4,560,000	£4,384,000
TOTAL	£8,409,000	£12,312,000	£7,510,000	£6,319,000	£6,708,000
Ratio of financing costs to net revenue stream					
General Fund	-2.22%	-2.61%	0.91%	0.60%	0.23%
HRA	3.03%	1.95%	1.23%	1.34%	1.49%
Net borrowing projection					
brought forward 1 April	£6,634,000	£9,425,000	£10,131,000	£10,751,000	£11,371,000
Carried forward 31 March	£9,425,000	£10,131,000	£10,751,000	£11,371,000	£11,991,000
in year borrowing requirement	£2,791,000	£706,000	£620,000	£620,000	£620,000
Capital Financing Requirement as at 31 March					
General Fund	£6,893,000	£9,324,000	£9,572,000	£9,810,000	£10,038,000
HRA	£14,451,000	£14,451,000	£14,451,000	£14,451,000	£14,451,000
TOTAL	£21,344,000	£23,755,000	£24,023,000	£24,261,000	£24,489,000
Incremental impact of capital investment decisions					
Increase in council tax (band D)	£0.65	£0.65	£0.43	£0.32	£0.78
Authorised limit for external debt -					
TOTAL	£40,000,000	£40,000,000	£40,000,000	£40,000,000	£40,000,000
Operational boundary for external debt -					
TOTAL	£30,000,000	£30,000,000	£30,000,000	£30,000,000	£30,000,000
Upper limit for fixed interest rate exposure					
Net interest re fixed rate borrowing/ investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net interest re variable rate borrowing/ investments	50%	50%	50%	50%	50%
Maturity Structure of Fixed Rate Borrowing (Upper and Lower Limits)					
under 12 months	8.7%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
12 months and within 24 months	0.0%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
24 months and within 5 years	0.0%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
5 years and within 10 years	8.7%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
10 years and above	82.6%	20% to 100%	20% to 100%	20% to 100%	20% to 100%
Upper limit for total principal sums invested for over 364 days (per maturity date)					
	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%

Appendix B

Arlingclose's Forecast for Interest Rates (February 2009)

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Official Bank Rate									
Upside risk				+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.50	1.75
Downside risk		-0.50	-0.50	-0.50	-0.25	-0.50	-0.25	-0.25	
1-yr LIBID									
Upside risk									
Central case	2.00	1.50	1.50	1.75	2.00	2.00	2.25	2.50	2.75
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt									
Upside risk									
Central case	2.50	2.25	2.00	2.00	2.25	2.25	2.50	2.75	2.75
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt									
Upside risk									
Central case	3.25	3.00	3.00	3.25	3.50	3.75	3.75	4.00	4.00
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt									
Upside risk									
Central case	4.25	4.00	4.00	4.25	4.50	4.50	4.75	4.75	4.75
Downside risk			-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
50-yr gilt									
Upside risk			+0.10	+0.10	+0.10	+0.10	+0.10	+0.10	+0.10
Central case	3.90	3.90	4.00	4.25	4.25	4.50	4.50	4.50	4.50
Downside risk			-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10

- The UK is in the throes of a deep and long recession. Globally, economies also face a severe and synchronized downturn.
- Quantitative easing measures are under way but their effects to restore confidence, credit conditions and ultimately growth are difficult to gauge.
- **We believe we will see lower rates for an extended period.**

Underlying assumptions :

- Growth is contracting around the world. There is a deeper and longer recession in the UK than previously estimated.
- Inflation (CPI) is projected to fall below the MPC's 1% lower threshold in 2009.
- Bank recapitalisation efforts have not stabilised banks or restored market confidence. G20 Summit to aim for a "make or break" solution which could lead to nationalisation initiatives globally.
- Reductions in UK interest rates, which are now at terminal levels, are having little effect. Further rate cuts can only be symbolic, but will be sanctioned anyway.
- The Bank of England will buy gilts and corporate securities as part of its quantitative easing measures but its effectiveness and market response are uncertain.
- UK public finances are worsening, requiring a slew of gilt issuance to plug the gap. It will ultimately push gilt yields higher, although not aggressively so.
- The global downturn gathers pace as fiscal and financial packages have minimal effect. Policy rates, already near zero in the US, will reach historic lows in the Euroland as the ECB is forced to cut rates to address a sharp slowdown in its member countries.

Specified and Non Specified Investments

Specified Investments identified for use by the Council:

Specified Investments will be those that meet the criteria in the ODPM Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high” credit criteria as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing predominantly in government securities
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing in instruments issued primarily by financial institutions;
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

1. * *Investments in these instruments will be on advice from the Council’s treasury advisor.*
2. *The use of the above instruments by the Council’s fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.*

For credit rated counterparties, the minimum criteria will be the short-term / long-term ratings assigned by one or more of the following agencies (Moody’s Investors Services, Standard & Poor’s, Fitch Ratings)

example : Long-term minimum : Aa3 (Moody’s) or AA- (S&P) or AA-(Fitch).

Or : Short-term P-1 (Moody’s) or A-1 (S&P) or F1 (Fitch).

(Please note the above are examples only)

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

<u>Specified Investments</u>	<u>Credit Criteria</u>	<u>Maximum Maturity</u>
Debt Management Account Deposit Facility (DMADF)	Not applicable	1 year
Term Deposits – Local Authorities	Not applicable	1 year
Term Deposits – Banks and Building Societies	Fitch: AA category - Long Term F1 – Short Term	1 year
Callable Deposits – Banks and Building Societies	Fitch: AA category - Long Term F1 Short Term	1 year
Money Market Funds	AAA only	Not applicable, instant access available to all of deposit.
<u>Non-Specified Investments</u>		
Term Deposits – Local Authorities	Not applicable	2 years
Term Deposits – Banks and Building Societies	Fitch: AA - Long Term F1– Short Term	2 years

NB – all Investments are limited to a maximum amount of, the lesser of £2m or 20%, of investment portfolio, per Counterparty. Reference will be made to individual and support ratings.