NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

COUNCIL

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

25th NOVEMBER 2015

MATTERS FOR DECISION

WARDS AFFECTED - ALL

TREASURY MANAGEMENT MID YEAR REVIEW REPORT 2015/16 AND AMENDMENT TO TREASURY MANAGEMENT PRACTICES INVESTMENT CRITERIA.

1. Purpose of the Report

1.1 To review treasury management activities for the 6 month period to 30th September 2015 and to seek Member approval to revise the Treasury Management Practices Investment Criteria.

2. Background

2.1 The Council operates a cash balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

2.3 As a consequence treasury management is defined as:

"The management of the local authority'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. "

3. Introduction

3.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council at the Council meeting in 28th February 2013.

3.2 The primary requirements of the Code are as follows:

(i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

(ii) Creation and maintenance of Treasury Management Practices set out in the manner in which the Council will seek to achieve those policies and objectives.

(iii) Receipt by the full Council of an Annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.

(iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

(v) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated bodies are the Audit and Policy and Resources Committees.

Scheme of Delegation

Area of Responsibility	**Council/ Committee**	**Frequency**
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Cabinet for approval by Full Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – mid year report	Cabinet	Mid year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Cabinet for approval by Full Council	Periodically
Annual Treasury Outturn Report	Policy and Resources Cabinet Board	Annually by 30th September after the end of the year
Treasury Management Monitoring and Performance Reports	Policy and Resources Cabinet Board and Scrutiny and Audit Committee	6 Weekly Quarterly
Treasury Management Practices	Cabinet for approval by Full Council	Annually
Scrutiny of Treasury Management Strategy	Policy and Resources Scrutiny and Audit Committee	Annually

3.3 This mid year report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:

- An economic update for 2015/16;

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2015/16;
- A review of the Council's borrowing strategy for 2015/16;
- A review of any debt rescheduling undertaken during 2015/16;
- A review of compliance with Treasury and Prudential Limits for 2015/16.
- Revised Treasury and Prudential Limits for 2015/16 to 2017/18.

3.4 There have been no changes to the approved Treasury Management and Investment Strategies for the 6 months up to 30th September 2015.

4. Economic update

4.1 Economic performance to date and outlook as per our Treasury Advisors

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets

4.2 Interest rate forecasts

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This Capita forecast includes a first increase in Bank Rate in quarter 2 of 2016 but with some commentators predicting that no interest rate rise could occur until later in 2016.

Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of Quantitative Easing (QE). Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.

- UK economic growth turns significantly weaker than we currently anticipate.

- Weak growth or recession in the UK's main trading partners - the EU, US and China.

- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.

- The European Central Bank (ECB) severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the Euro Zone (EZ).

- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.

- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields

5.0 The Council's Capital Position (Prudential Indicators)

5.1 This part of the report updates:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and

- Compliance with the limits in place for borrowing activity.

The Council's Capital Expenditure and Financing 2015/16

	2014/15 Actual £'000	**2015/16 Original Estimate £'000**	**2015/16 Current Estimate £'000**
Capital expenditure	57,902	66,821	72,516
Resourced by:			
• Capital receipts	1,250	3,400	3,971
• Capital grants & contributions	22,708	26,264	26,953
• Capital reserves + DRF	2,432	1,083	1,083
Capital Expenditure to be financed from borrowing	**31,512**	**36,074**	**40,509**

5.2 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

5.3 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

5.4 Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR.

This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

5.5 The total CFR can also be reduced by:

- The application of additional capital financing resources (such as unapplied capital receipts); or
- Charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

5.6 The Council's 2015/16 MRP Policy (as required by CIPFA Code of Practice on Treasury Management) was approved by Council as part of the Treasury Management Strategy Report for 2015/16 on the 4th February 2015.

5.7 The Council's CFR for the year is shown below, and represents a key prudential indicator.

CFR	**2014/15 Actual £'000**	**2015/16 Original Estimate £'000**	**2015/16 Current Estimate £'000**
Opening balance	219,942	234,052	242,118
Add unfinanced capital expenditure (Section 5.1)	31,512	36,074	40,509
Less MRP/Set aside receipts	(9,336)	(10,025)	(9,885)
Closing balance	**242,118**	**260,101**	**272,742**

5.8 The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

5.9 Net borrowing and the CFR – in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2015/16. The following table highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator as projected net borrowing is less than the CFR i.e. £180.685m compared to £272.742m.

	2014/15 Actual £'000	**2015/16 Estimate At 31.3.16 £'000**
External Debt (Gross) Less Investments Net Borrowing Position	194,224 (47,550) 146,674	220,685 (40,000) 180,685
CFR	242,118	272,742

5.10 The authorised limit – the authorised limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level.

5.11 The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2014/15 Actual £'000	**2015/16 Original Estimate £'000**	**2015/16 Current Estimate £'000**
Authorised Limit	249,861	281,640	280,685
Operational Boundary	229,861	261,640	260,685
Gross Borrowing *	194,224	221,640	220,685

* Maximum borrowing at any point during the year

This report confirms that during the first 6 months of 2015/16 Council has maintained gross borrowing within the Authorised Limit.

6. Investment Portfolio 2015/16

6.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate (since 5th March 2009). The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

6.2 <u>It is confirmed</u> that the approved limits within the Annual Investment Strategy have not been breached during the first six months of 2015/16.

6.3 The Council's budgeted investment return for 2015/16 has been set at £614k which is a reflection of the low level of returns anticipated on investments. It is anticipated that this level of return is on track to be delivered.

6.4 The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, sets out the Council's investment priorities as being:

- Security of Capital
- Liquidity

6.5 There has been no change in the Council's Investment Strategy aims from those approved on 4th February 2015. The aim continues to be to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate, it is considered appropriate to keep an adequate level of investments which can be instantly accessed to cover short term cash flow needs. The Council also seeks out value where available in significantly higher rates in periods up to 12 months with approved institutions that meet the Council's stringent credit rating assessment.

6.6 Investment rates available have continued at historically low levels. The average level of funds available for investment purposes during the period was affected by the timing of precept payments, receipt of grants and progress on the Capital Programme.

Investment performance to the 30th September 2015

6.7 The Council held £59.493m of investments as at 30th September 2015 (£47.550m at 31 March 2015) and the investment portfolio yield for the first six months of the year is 1.08% against a benchmark 0.45%. The Council has outperformed the benchmark by 63 (basis points). The benchmark for funds managed in-house is the 3 month LIBID uncompounded rate which is the most realistic comparison rate as advised by our treasury management consultants.

6.8 A full list of investments held as at 30th September 2015 is provided in Appendix 1.

Investment counterparty criteria and proposed amendments

6.9 The current investment counterparty criteria approved by Members earlier this year are detailed in Appendix 3 of this report.

6.10 <u>This report seeks Council Approval to amend the existing criteria</u> to allow for a maximum investment of £15m with F1 rated institutions as opposed to the current limit of £10m. Currently classified as F1 by the credit reference agencies are banks such as Lloyds Bank, Barclays Bank and Santander UK plc.

6.11 The revised investment criteria are detailed in Appendix 4 of this report.

7. Borrowing

7.1 The Council's agreed Strategy in relation to borrowing is set out in the Treasury Management Strategy Report as approved by Council on 4th February 2015. This strategy outlined the fact that consideration would be given to entering into new external borrowing if PWLB (or money market) rates became more favorable.

7.2 During 2015/16 the Welsh Government successfully negotiated an arrangement with the PWLB which allowed Welsh Local Authorities to access borrowing at a ‘project rate’ of 0.4% below the standard PWLB rate. This relates to borrowing to fund the Council’s 21st Century Schools Improvement Programme. The amount of funding available to each Local Authority, under this preferential interest rate arrangement, was capped which resulted in Neath Port Talbot receiving an allocation of £9m.

The Council took advantage of this project rate and on the 30th July 2015 entered into the following new loan with the PWLB:

Amount of Loan £’000	Type	Interest Rate %	Term of Loan
£9,000	Fixed Rate Maturity	3.12%	48 years

In addition to the above the Council has also drawn down £10.128m of borrowing from the Regional Investment Fund Wales (RIFW) to fund the Neath Town Centre Regeneration Project.

Borrowing in advance of need

7.3 The Council has not borrowed in advance of need during the six month period ended 30th September 2015. The new external borrowing referred to above still leaves sufficient headroom between the Capital Financing Requirement and level of external debt. Members should note that the total external debt projection for 31st March 2016 is as follows:

	£’000
Public Works Loans Board (PWLB)	145,258
Market Loans – LOBO Loans	62,500
Market Loans – Regional Investment Fund Wales	12,927
Total	**220,685**

8. Debt Rescheduling

8.1 Debt rescheduling opportunities have been non-existent during 2015/16 due to the penalties involved in entering into such arrangements.

9. Compliance with Treasury and Prudential Limits

9.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council’s original approved Treasury and Prudential Indicators (affordability) limits were included in the approved Treasury Management Strategy Statement as reported to Council on 4th February 2015.

9.2 During the financial year to date, the Council has operated within the Treasury Limits and Prudential Indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. The Prudential and Treasury Indicators for 2015/16 onwards have been revised and are presented in Appendix 2.

10. Other

Icelandic related investments

10.1 There are still sums outstanding from the UK subsidiaries of the two former Icelandic Banks, Heritable and Kaupthing Singer and Friedlander (KSF). The position in relation to the dividends/repayments received to date compared to the original principal invested is shown below:

Bank £'000	Principal Invested £'000	Cash Repayments to date £'000
Heritable	9,000	8,961
KSF	3,000	2,546

Information from the administrators of the above two former banks suggests that the majority of payments have now been received and any future payments will be small in value.

Whilst there are still dividends outstanding from these banks the amount still outstanding on the Council's balance sheet is actually much lower at £74k with the difference having been funded from the Treasury Management Equalization Reserve during previous financial years (in line with statutory accounting requirements). The balance of £74k represents the impaired value of the outstanding dividends based on the methodology provided by CIPFA.

It is proposed that during the closure of accounts process for 2015/16 that the remaining balance of £74k is written out of the balance sheet and funded from the aforementioned reserve. Any dividends actually received in future will then replenish the reserve and will be reported to Policy and Resources Cabinet Board upon receipt.

11. Equality Impact Assessment

There is no requirement for an equality impact assessment under the Equality Act 2010 in relation to this report as there is no direct services provided.

12. Risk Management

There are several risks associated with the treasury management activities. These include interest rate fluctuations, counter party investment, international economic and political etc. The treasury management strategy is included within the Council's Corporate Risk Register.

13. Consultation

There is no requirement under the Constitution for external consultation on this item.

14. Recommendations

14.1 It is recommended that Members:

(i) Approve the revised Prudential and Treasury Indicators for 2015/16 onwards as detailed in Appendix 2.

(ii) Approve the revised investment criteria detailed in Appendix 4.

(iii) Note the Treasury Management activities to date this financial year, and how they relate to the proposed activities within the original 2015/16 Treasury Management Strategy and Annual Investment Strategy Statements.

(iv) Approve the proposal in relation to the Icelandic bank accounting adjustments to take place at 2015/16 year end.

15. Reason for Proposed Decision

To comply with requirements of Code of Practice on Treasury Management.

Appendices
Appendix 1 – Investment Position as at 30th September 2015
Appendix 2 – Prudential Indicators
Appendix 3 – Specified Investments - Current Criteria
Appendix 4 – Specified Investments – Proposed / Revised Criteria

List of Background Papers
Capita Mid Year Reporting Template
Investment and Loan Records 2015/16

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Appendix 1

Investment Position as at 30th September 2015

Borrower	Maturity	Rate %	Total £'000
Lloyds Bank	02-Oct-15	1.000	2,000
Lloyds Bank	12-Jan-16	1.000	2,000
Lloyds Bank	21-Jan-16	1.000	5,000
Lloyds Bank	02-Feb-16	1.000	3,000
Lloyds Bank	02-Mar-16	1.000	5,000
Barclays Bank	28-Oct-15	0.495	6,000
Barclays Bank	27-Nov-15	0.505	4,000
Nationwide Building Society	27-Nov-15	0.480	5,000
Peterborough City Council	04-Dec-18	2.100	2,000
Peterborough City Council	06-Dec-18	2.100	2,000
Peterborough City Council	18-Dec-18	2.100	2,000
Eastbourne Borough Council	19-Jun-18	2.200	4,000
Herefordshire Council	30-Oct-15	0.350	3,000
Leeds City Council	30-Oct-15	0.300	5,000
Santander	Instant Access	0.500	9,000
Subtotal			59,000
Outstanding from Subsidiaries of Icelandic Banks			493
Grand Total			**59,493**

Appendix 2

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATORS	**2014/15 Actual**	**2015/16 Original Estimate**	**2015/16 Revised Estimate**	**2016/17 Estimate**	**2017/18 Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital Expenditure	57,902	66,821	72,516	36,100	20,494
Ratio of financing costs to net revenue stream	6.70%	7.20%	7.21%	7.98%	8.50%
	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement as at 31st March	242,118	260,101	272,742	281,903	282,457
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Increase in council tax (Band D) per annum	14.69	22.84	27.07	32.23	19.45

Appendix 2

PRUDENTIAL INDICATORS

TREASURY MANAGEMENT INDICATORS	**2014/15 Actual**	**2015/16 Original Estimate**	**2015/16 Revised Estimate**	**2016/17 Estimate**	**2017/18 Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Authorised Limit for External Debt:					
Borrowing and other long term liabilities	249,861	281,640	280,685	290,139	297,582
Operational Boundary for External Debt:					
Borrowing and other long term liabilities	229,861	261,640	260,685	270,139	277,582
External Debt (Gross)	194,224	221,640	220,685	230,139	237,582
Less Investments	(47,550)	(60,000)	(40,000)	(40,000)	(40,000)
Net Borrowing Position	**146,674**	**161,640**	**180,685**	**190,139**	**197,582**

Appendix 2

PRUDENTIAL INDICATORS

	2014/15 Actual	2015/16 to 2017/18 limit
	£'000	**£'000**
Upper Limit on Fixed Interest Rate Exposure	256,222	297,582
Lower Limit on Fixed Interest Rate Exposure	0	0
Upper Limit on Variable Rate Exposure	128,111	148,791
Lower Limit on Variable Rate Exposure	0	0
This above limit will be measured upon the net borrowing position.		
Upper Limit for Total Principal Sums Invested for Over 364 Days (per maturity date)	£25m	£25m

Maturity Structure of Fixed Rate Borrowing During 2015/16	2014/15 Actual	2015/16 Estimate		
	%	%	Upper Limit %	Lower Limit %
Under 12 months	**1**	0	15	0
12 months to 2 years	**2**	2	15	0
2 to 5 years	**6**	10	40	0
5 to 10 years	**12**	10	60	0
10 years and above	**79**	78	100	15

Appendix 3

Specified Investments – Current Criteria

	Minimum 'High' Credit Criteria	Funds Managed	Max Amount	Max Duration
Term deposits				
Term deposits - Debt Management Agency	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£10m	6 months
Callable deposits				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£10m plus an additional £3m for the Council's bankers Santander	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months

Appendix 4

Specified Investments – Proposed / Revised Criteria

	Minimum 'High' Credit Criteria	Funds Managed	Max Amount	Max Duration
Term deposits				
Term deposits - Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£15m	6 months
Callable deposits				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£15m *	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months

* Where necessary this limit may be temporarily exceeded with the Authority's bankers only.