Division(s): N/A

CABINET – 19 NOVEMBER 2019

TREASURY MANAGEMENT MID-TERM REVIEW 2019/20

Report by the Director of Finance

RECOMMENDATION

1. **Cabinet is RECOMMENDED to**
   (a) note the report; and

   (b) recommend Council to note the Council's Mid-Term Treasury Management Review 2019/20.

Executive Summary

2. This report covers the treasury management activity for the first 6 months of 2019/20 in compliance with the CIPFA Code of Practice.

3. During the first 6 months of the year £1m of external debt was repaid bringing the total debt down to £342.38m by 30 September 2019.

4. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September was £366m. The Council achieved an average in-house return for that period of 0.93%, below the budgeted rate of 0.98% set in the strategy. This has produced gross interest receivable of £1.70m for the period to 30 September compared to budget of £1.18m due to higher than forecast average cash balances. This is £0.52m or 44% more than budgeted.

5. During the first 6 months of 2019/20 the Council maintained it's holding in external funds at £100m. Weighted by value pooled fund investments produced an annualised income return of 3.40% for the period, and an unrealised annualised gain of 1.358%. These investments are held with a long-term view and performance is assessed accordingly. Externally managed funds are performing in line with budget, and are forecast to return £3.81m for the year.

6. In October 2019 the Treasury announced an increase of an extra 100 basis points over Gilts to PWLB rates. This has led to other Local Authorities borrowing money on the money markets at significantly inflated rates. The Council has been able to benefit from these inflated rates, and the short term market over reaction, by arranging a number of longer term deposits with other Local Authorities.

Introduction

7. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management (Revised) 2011 recommends that members are informed of Treasury Management activities at least twice a year. This report

ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

8. The following annexes are attached

Annex 1	Lending List Changes
Annex 2	Debt Financing 2019/20
Annex 3	PWLB Debt Maturing
Annex 4	Prudential Indicator Monitoring
Annex 5	Arlingclose Quarter 2 Benchmarking
Annex 6	Specified & Non-Specified Investments 2019/20

Strategy 2019/20

9. The approved Treasury Management Strategy for 2019/20 was based on an average base rate forecast of 0.88% (0.75% from April to September, then 1.00 % from October to March).

10. The Strategy for borrowing provided an option to fund new or replacement borrowing up to £100m through internal borrowing.

11. The Strategy included the continued use of pooled fund vehicles with variable net asset value.

External Context – Provided by Arlingclose

12. **Economic backdrop:** UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

13. The Quarterly National Accounts for Q2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.

14. Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and has committed to leaving the EU on 31st October regardless of whether a deal is reached with the EU.
15. Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%, a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment

leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1st November.

16. The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.

17. **Financial markets:** After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

18. Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

19. Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

20. **Credit background:** Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.

21. There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

Treasury Management Activity

Debt Financing

22. The Council's cumulative total external debt has decreased from £343.38m on 1 April 2019 to £342.38m by 30 September 2019, a net decrease of £1m. No new debt financing has been arranged during the year. The total forecast external debt as at 31 March 2020, after repayment of loans maturing during the year, is £341.38m. The forecast debt financing position for 31 March 2019 is shown in Annex 1.

23. At 30 September 2019, the authority had 56 PWLB[1] loans totalling £292.38m, 9 LOBO[2] loans totalling £45m and 1 long-term fixed Money Market loan totalling £5m[3]. The combined weighted average interest rate for external debt as at 30 September 2019 was 4.43%.

Maturing Debt

24. The Council repaid £1m of maturing PWLB loans during the first half of the year. The details are set out in Annex 2.

Debt Restructuring

25. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt restructuring activity. No PWLB debt restructuring activity was undertaken during the first half of the year. Opportunities to restructure debt remain under regular review.

LOBOs

26. At the beginning of the financial year the Authority held £45m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £20m of these LOBOs had options during 2019/20, to the 30 September 2019 none had been exercised by the lender. The Authority acknowledges there is an element of refinancing risk associated with LOBOs although in the current interest rate environment lenders are unlikely to exercise their options.

[1] PWLB (Public Works Loans Board) is a Government agency operating within the United Kingdom Debt Management Office and is responsible for lending money to Local Authorities.
[2] LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.
[3] In June 2016, the Councils LOBO with Barclays PLC was converted to a fixed rate loan at its current interest rate of 3.95% to mature on the 29th May 2065 with Barclays waiving their right to change the interest rate on the loan in the future.

Investment Strategy

27. The Authority holds deposits and invested funds representing income received in advance of expenditure plus balances and reserves. The guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.

28. During the first half of the financial year short term fixed deposits of up to 12 months have been placed with banks, building societies and other Local Authorities on the approved lending list and Money Market Funds have been utilised for short-term liquidity. Yields or longer dated deposits have reduced over the last 6 months, so there has been very few opportunities to place any longer term deposits. In October 2019 the Treasury announced an increase of an extra 100 basis points over Gilts to PWLB rates. This has led to other Local Authorities borrowing money on the money markets at significantly inflated rates. The Council has been able to benefit from these inflated rates, and the short term market over reaction, by arranging a number of longer term deposits with other Local Authorities.

29. The Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 included the use of external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the Council's in-house investment performance over a rolling three year period. The strategy permitted up to 50% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds). The performance of the pooled funds will continue to be monitored by the Treasury Management Strategy Team (TMST) throughout the year against respective benchmarks and the in-house portfolio.

The Council's Lending List

30. The Council's in-house cash balances were deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is updated to reflect changes in counterparty credit quality with changes reported to Cabinet on a bi-monthly basis. Changes to the lending list in the first 6 months of 2019/20 are set out in Annex 1.

31. In the six months to 30 September 2019 there were no instances of breaches in policy in relation to the Council's Lending List. Any breaches in policy will be reported to Cabinet as part of the bi-monthly Business Strategy and Financial Monitoring report.

Investment Performance

32. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in

its Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20.

33. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September was £366m. The Council achieved an average in-house return for that period of 0.93%, below the budgeted rate of 0.98% set in the strategy. This has produced gross interest receivable of £1.70m for the period to 30 September compared to budget of £1.18m due to higher than forecast average cash balances.

34. Temporary surplus cash includes; developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average three month London Interbank Bid (LIBID) rate.

35. The Council uses the three month inter-bank sterling bid rate as its benchmark to measure its own in-house investment performance. During the first half of 2019/20 the average three month inter-bank sterling rate was 0.66%. The Council's average in-house return of 0.93% exceeded the benchmark by 0.27%. The Council operates a number of call accounts and instant access Money Market Funds to deposit short-term cash surpluses. The average balance held on overnight deposit in money market funds or call accounts in the 6 months to 30 September was £59.90m.

36. The UK Bank Rate has remained at 0.75% for the 6 months to 30th September. Arlingclose currently forecast the bank rate to remain at 0.75% for the medium term, but with significant near term downside risk. The TMST view is that there will not be another increase in base rate this financial year.

External Fund Managers and Pooled Funds

37. During the first 6 months of 2019/20 the Council maintained it's holding in external funds at £100m. Weighted by value pooled fund investments produced an annualised income return of 3.40% for the period, and an unrealised annualised gain of 1.358%. These investments are held with a long-term view and performance is assessed accordingly.

38. Gross distributions from pooled funds have totalled £1.73m in the first six months of the year.

Prudential Indicators for Treasury Management

39. The Authority confirms compliance with its Prudential Indicators for 2019/20, which were set as part of the Authority's Treasury Management Strategy Statement. The position as at 30 September 2019 for the Prudential Indicators is shown in Annex 3.

External Performance Indicators and Statistics

40. The County Council is a member of the CIPFA Treasury and Debt Management benchmarking club and receives annual reports comparing returns and interest payable against other authorities. The benchmarking results for 2018/19 showed

that Oxfordshire County Council had achieved an average total investment return of 0.91% compared with an average of 1.19% for the all member group. The member group achieved this higher return by having higher exposure to external funds and some long term deposits with maturities in excess of 5 years.

41. The average interest rate paid for all debt during 2018/19 was 4.40%, with an average of 2.98% for the comparative all member group. It should be noted that all of Oxfordshire County Council's debt is long-term, whereas the averages for the comparators include short-term debt which has a lower interest rate and so reduces the averages. Oxfordshire County Council had a higher than average proportion of its debt portfolio in PWLB loans at 86% compared to 64% for the all member group. Oxfordshire County Council had 14% of its debt in LOBO loans as at 31 March 2019 compared with an average of 13% for the comparative group.

42. Arlingclose also benchmark the Council's investment performance against its other clients on a quarterly basis. The results of the quarter 2 benchmarking to 30 September 2019 are shown in Annex 4.

43. The benchmarking results show that the Council was achieving higher than average interest on in both inhouse and externally managed funds at 30 September 2019, when compared with a group of 138 other local authorities. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality.

44. Oxfordshire had a higher than average allocation to fixed and local authority deposits when compared with other local authorities in the benchmarking exercise. Oxfordshire also had a notably lower than average exposure to money market funds and call accounts.

Training

45. Individuals within the Treasury Management Team continue to keep up to date with the latest developments and attend external workshops and conferences where relevant.

Financial and Legal Implications

46. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2019/20 is currently forecast as £2.98m, exceeding the budgeted figure of £2.36m by £0.62m. Of the forecast £2.98m interest receivable, £1.70m had been realised as at the 30 September 2019. The increased interest received is due to the achievement of higher than forecast average cash balances.

47. Dividends payable from external funds in 2019/20 are forecast as £3.81m, in line with the budget.

48. Interest payable is currently forecast to be in line with the budgeted figure of £15.22m.

LORNA BAXTER
Director of Finance

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Contact number: 07917 262935
November 2019

Annex 1

Lending List Changes from 1 April 2019 to 30 September 2019

Counterparty	Lending Limit	Maximum Maturity
Counterparties added/reinstated		
None		
Counterparties suspended		
Deutsche Global Liquidity MMF		
Lending limits & Maturity limits increased		
Federated Short Term Sterling Fund	£12m to £20m	O/N
Lending limits & Maturity limits decreased		
Coventry Building Society	£15 no change	6 months to 100 days
Development Bank of Singapore	£25m no change	13 to 6 months
Overseas Chinese Banking Corporation	£25m no change	13 to 6 months
United Overseas Bank	£25m no change	13 to 6 months

Pension Fund Lending list changes

None

Annex 2

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2019/20

Debt Profile		£m
1. PWLB	83%	293.38
2. Other Long Term Loans	14%	50.00
3. Sub-total External Debt		343.38
4. Internal Balances		9.35
5. Actual Debt at 31 March 2019	**100%**	**352.73**
6. Government Supported Borrowing		0.00
7. Unsupported Borrowing		9.35
8. Borrowing in Advance		0.00
9. Minimum Revenue Provision		-9.35
10. Forecast Debt at 31 March 2020		**352.73**
Maturing Debt		
11. PWLB loans maturing during the year		2.00
12. PWLB loans repaid prematurely in the course of debt restructuring		0.00
13. Total Maturing Debt		**-2.00**
New External Borrowing		
14. PWLB Normal		0.00
15. PWLB loans raised in the course of debt restructuring		0.00
16. Money Market LOBO loans		0.00
17. Total New External Borrowing		**0.00**
Debt Profile Year End		
18. PWLB	83%	291.38
19. Money Market loans (incl £45m LOBOs)	14%	50.00
20. Forecast Sub-total External Debt		341.38
21. Forecast Internal Balances		11.35
22. Forecast Debt at 31 March 2020	**100%**	**352.73**

Line

1 – 5 This is a breakdown of the Council’s debt at the beginning of the financial year (1 April 2019). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender’s Option/ Borrower’s Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.

6 ‘Government Supported Borrowing’ is the amount that the Council can borrow in any one year to finance the capital programme. This is determined by Central Government, and in theory supported through the Revenue Support Grant (RSG) system.

7 ‘Unsupported Borrowing’ reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.

8 ‘Borrowing in Advance’ is the amount the Council borrowed in advance to fund future capital finance costs.

9 The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.

10 The Council’s forecast total debt by the end of the financial year, after taking into account new borrowing, debt repayment and movement in funding by internal balances.

11 The Council’s normal maturing PWLB debt.

12 PWLB debt repaid early during the year.

13 Total debt repayable during the year.

14 The normal PWLB borrowing undertaken by the Council during 2019/20.

15 New PWLB loans to replace debt repaid early.

16 The Money Market borrowing undertaken by the Council during 2019/20

17 The total external borrowing undertaken.

18-22 The Council’s forecast debt profile at the end of the year.

Annex 3

<u>Long-Term Debt Maturing 2019/20</u>

Public Works Loan Board: Loans Matured during first half of 2019/20

Date	Amount £m	Rate %
13/07/2019	0.500	2.35%
31/07/2019	0.500	2.35%
Total	**1.000**	

Public Works Loan Board: Loans Due to Mature during second half of 2019/20

Date	Amount £m	Rate %
13/01/2020	0.500	2.35%
31/01/2020	0.500	2.35%
Total	**1.000**	

Annex 4

Prudential Indicators Monitoring at 30 September 2019

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. To demonstrate that the Authority has fulfilled the requirements of the Prudential Code the following indicators must be set and monitored each year.

Authorised and Operational Limit for External Debt

Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below. The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The council confirms that the Operational Boundary has not been breached during 2019/20.

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authority confirms that the Authorised limit was not breached in the first half of 2019/20.

Authorised limit for External Debt	£445,000,000
Operational Limit for External Debt	£425,000,000
Capital Financing Requirement for year	£409,372,000

	Actual 30/09/2019	**Forecast 31/03/2020**
Borrowing	£342,382,618	£341,382,618
Other Long-Term Liabilities	£ 24,000,000	£ 24,000,000
Total	**£366,382,618**	**£365,382,618**

Interest Rate Exposures

These indicators are set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures. Fixed rate investments are borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Fixed Interest Rate Exposure	
Fixed Interest Net Borrowing limit	£350,000,000
Actual at 30 September 2019	£56,382,618
Variable Interest Rate Exposure	
Variable Interest Net Borrowing limit	£0
Actual at 30 September 2019	-£75,210,740

Principal Sums Invested over 365 days

Total sums invested for more than 364 days limit	£150,000,000
Actual sums invested for more than 364 days	£ 19,000,000

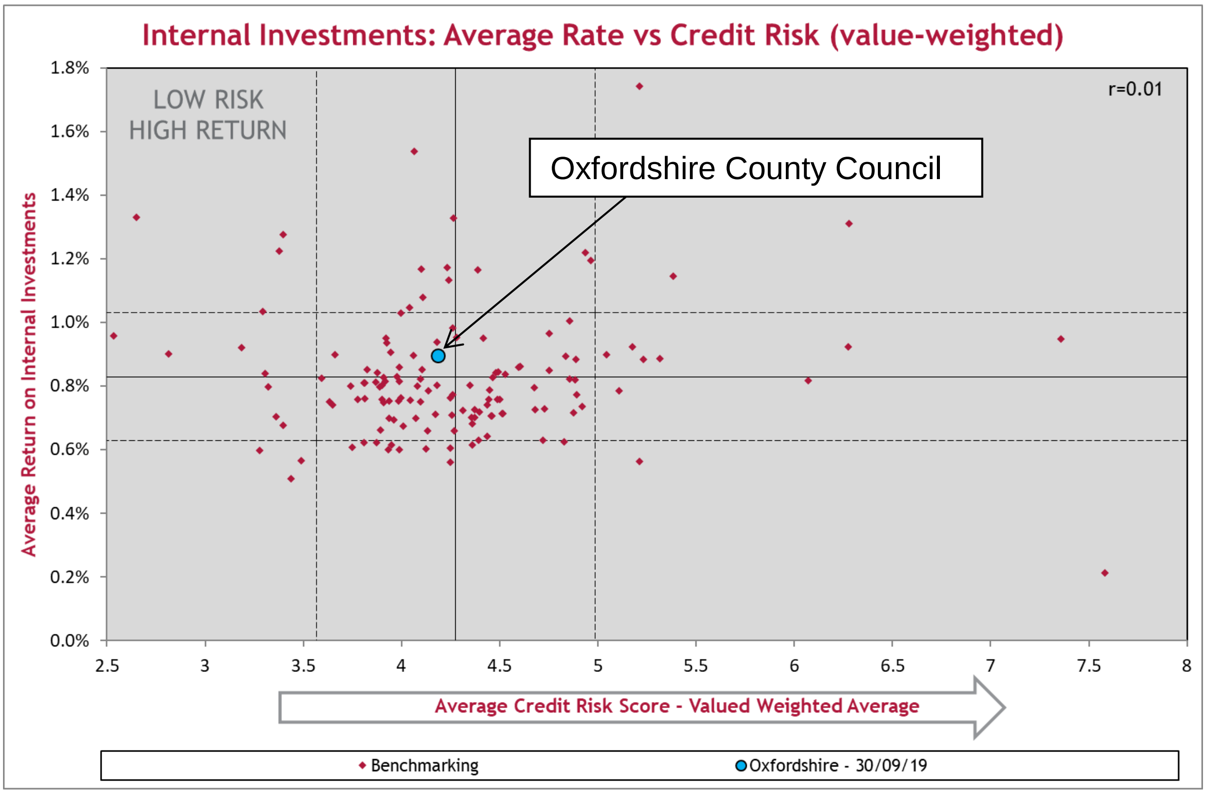
Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing and the actual structure at 30 September 2019, are shown below. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

	Limit %	**Actual %**
Under 12 months	0 - 20	6.41
12 – 24 months	0 - 25	3.20
24 months – 5 years	0 - 35	17.76
5 years to 10 years	5 - 40	20.09
10 years +	50 - 95	52.53

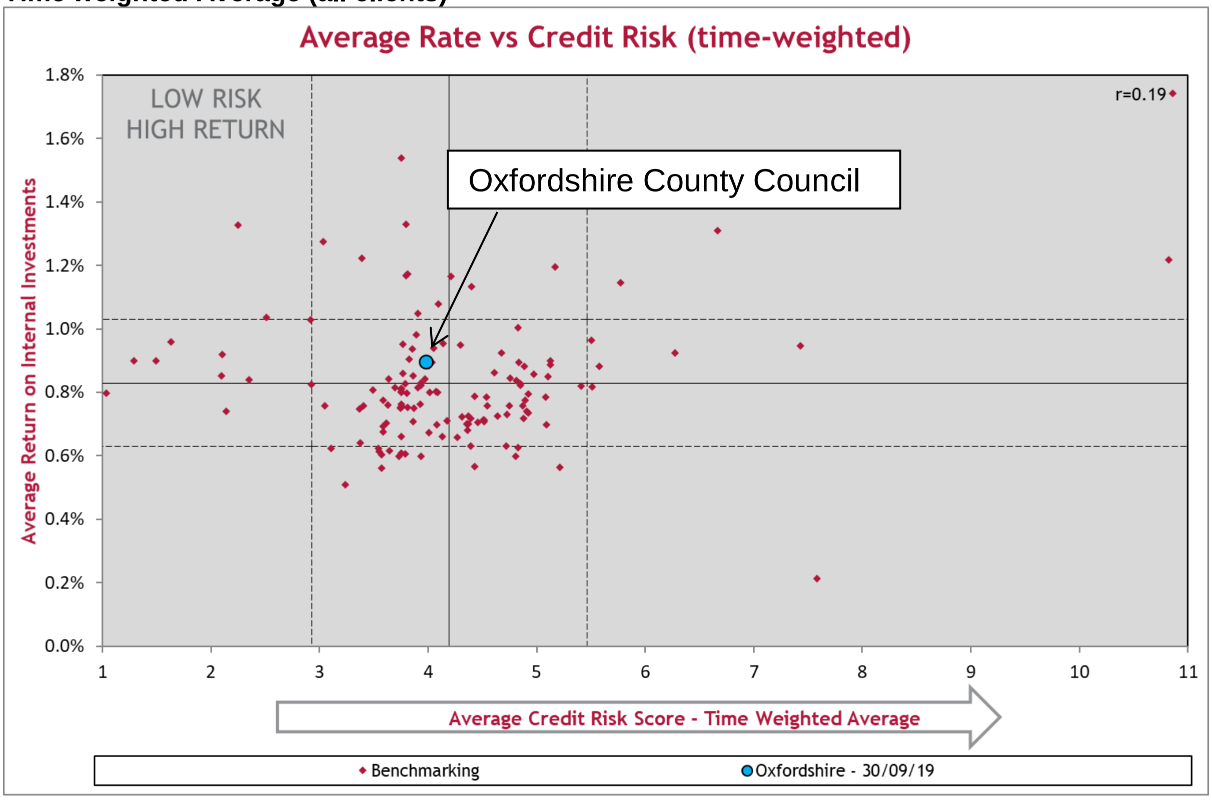
Annex 5

Value weighted average (all clients)



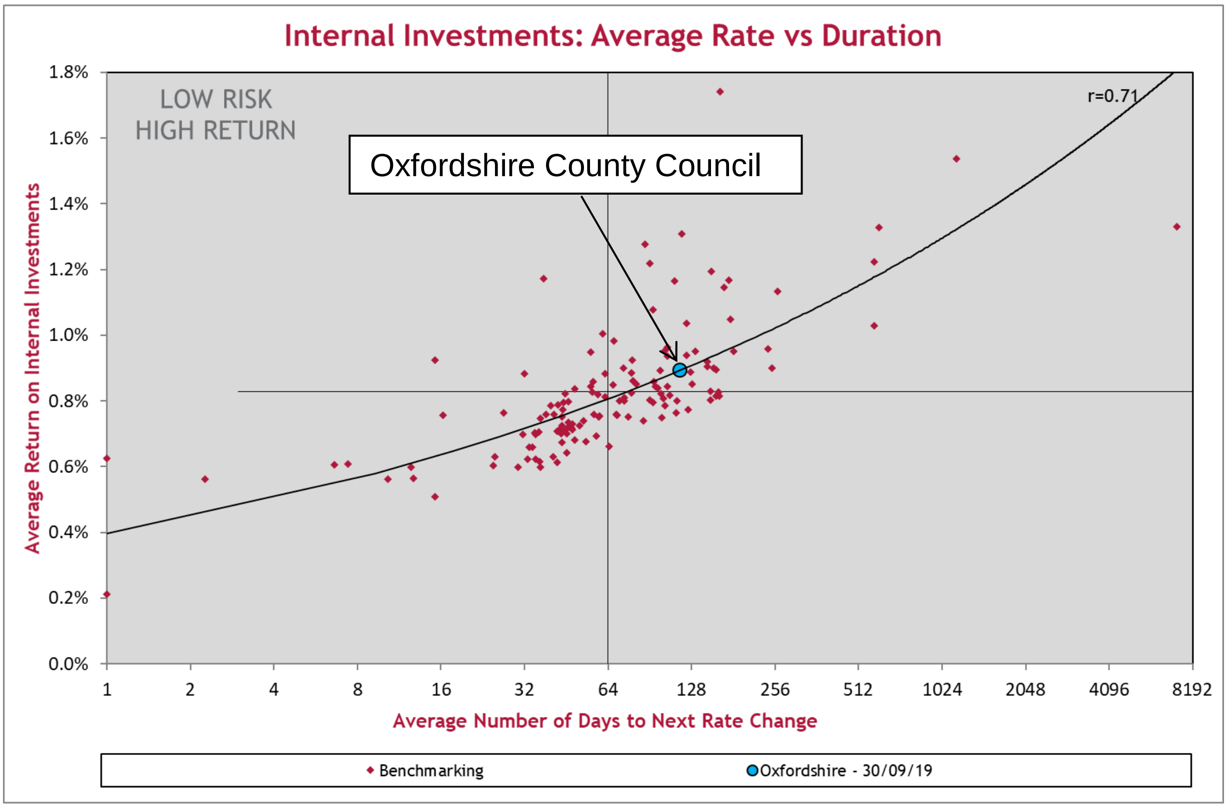
This graph shows that, at 30 September 2019, Oxfordshire achieved a higher than average return for lower than average credit risk, weighted by deposit size.

Time weighted Average (all clients)



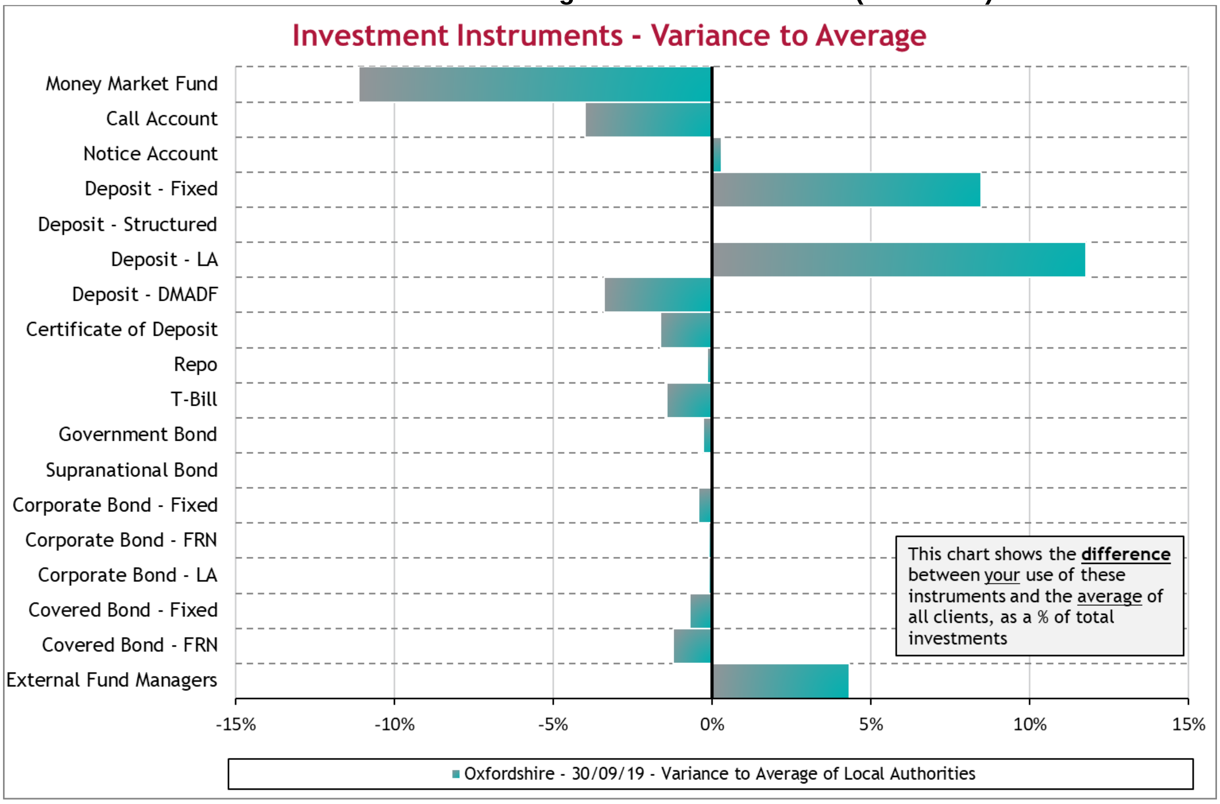
This graph shows that, at 30 September 2019, Oxfordshire achieved higher than average return for lower than average credit risk, weighted by duration.

Average Rate vs Duration (all clients)



This graph shows that, at 30 September 2019, Oxfordshire achieved a higher than average return by placing deposits for longer than average duration.

Investment Instruments – Variance to Average of Local Authorities (all clients)



This graph shows that, at September 2019, Oxfordshire had notably higher than average local authority deposits, fixed deposits and investments in Externally Managed Funds when compared with other local authorities. Oxfordshire also had notably lower exposures to money market funds and call accounts.

Annex 6

Specified and Non Specified Investments 2019/20

Specified Investments

Investment Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Term Deposits – UK Government	N/A	In-house
Term Deposits – other Local Authorities	N/A	In-house
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+	In-house and Fund Managers
Certificates of Deposit issued by Banks and Building Societies	A1 or P1	In-house on a buy and hold basis and Fund Managers
Money Market Funds	AAA	In-house and Fund Managers
Other Money Market Funds and Collective Investment Schemes[4]	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.	In-house and Fund Managers
UK Government Gilts	N/A	In-house on a buy and hold basis and Fund Managers
Treasury Bills	N/A	In-house and Fund Managers
Reverse Repurchase Agreements - maturity under 1 year from arrangement and counterparty is of high credit quality (not collateral)	Long Term Counterparty Rating A-	In-house and Fund Managers
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-	In-house and Fund Managers

[4] 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.

Non-Specified Investments

Investment Instrument	Minimum Credit Criteria	Use	Max % of total Investments	Max Maturity Period
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	50%	3 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Structured Products (e.g. Callable deposits, range accruals, snowballs, escalators etc.)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
UK Government Gilts with maturities in excess of 1 year	N/A	In-house and Fund Managers	50% in-house; 100% External Funds	5 years in-house, 10 years fund managers
Bonds issued by Multilateral Development Banks	AAA	In-house and Fund Managers	50% in-house; 100% External Fund	25 years
Bonds issued by a financial institution which is guaranteed by the UK Government	AA	In-house and Fund Managers	50% in-house; 100% External Fund	5 years in-house
Collective Investment Schemes[5] but which are not credit rated	N/A	In-house and Fund Managers	50% In-house; 100% External Funds	Pooled Funds do not have a defined maturity date

[5] Pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Investment Instrument	Minimum Credit Criteria	Use	Max % of total Investments	Max Maturity Period
Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	5 year in-house, 30 years fund managers
Reverse Repurchase Agreements - maturity in excess of 1 year, or/and counterparty not of high credit quality.	Minimum long term rating of A-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Covered Bonds	AAA	In-house and Fund Managers	50% in-house; 100% External Funds	20 years
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	50% In-house	5 years

The maximum limits for in-house investments apply at the time of arrangement.