Division(s): N/A

# CABINET – 20 NOVEMBER 2018

# TREASURY MANAGEMENT MID-TERM REVIEW 2018/19

## Report by Director of Finance

## Introduction

1. 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.

2. The following annexes are attached
   - Annex 1 Debt Financing 2018/19
   - Annex 2 PWLB Debt Maturing
   - Annex 3 Prudential Indicator Monitoring
   - Annex 4 Arlingclose Quarter 2 Benchmarking
   - Annex 5 Specified & Non Specified Investments 2018/19

## Strategy 2018/19

3. The approved Treasury Management Strategy for 2018/19 was based on an average base rate forecast of 0.63% (0.50% from April to September, then 0.75% from October to March).

4. The Strategy for borrowing provided an option to fund new or replacement borrowing up to £50m through internal borrowing.

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

## External Context – Provided by Arlingclose

6. **Economic backdrop:** Oil prices rose by 23% over the six months to around $82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.70% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.90% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.20%, a marginal increase unlikely to have had much effect on households.

7. The rebound in quarterly GDP growth in Q2 to 0.40% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.20% also remains below trend. The Bank of England made no change to monetary policy

at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

8. Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

9. The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

10. The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

11. **Financial markets:** Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the bet change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

12. **Credit background:** Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

13. The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

14. There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

15. Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit

ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

## Treasury Management Activity

## Debt Financing

16. The Council's cumulative total external debt has decreased from £367.38m on 1 April 2018 to £346.38m by 30 September 2018, a net decrease of £21m. No new debt financing has been arranged during the year. The total forecast external debt as at 31 March 2019, after repayment of loans maturing during the year, is £343.38m. The forecast debt financing position for 31 March 2019 is shown in Annex 1.

17. At 30 September 2018, the authority had 60 PWLB[1] loans totalling £296.38m, 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 2018 was 4.44%.

## Maturing Debt

18. The Council repaid £21m of maturing PWLB loans during the first half of the year. The details are set out in Annex 2.

## Debt Restructuring

19. 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

20. 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 2018/19, to the 30 September 2018 none had been exercised by the lender. The Authority acknowledges there is an element of refinancing risk associated with LOBOs

[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.

although in the current interest rate environment lenders are unlikely to exercise their options.

## Investment Strategy

21. 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.

22. During the first half of the financial year short term fixed deposits of up to 12 months have been placed with banks and building societies on the approved lending list and Money Market Funds have been utilised for short-term liquidity. Opportunities to place longer-term deposits have been limited, however four longer term loans have been entered into with other Local Authorities where the return has been attractive.

23. The Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 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

24. 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. There were no changes to the lending list in the first half of 2018/19.

25. In the six months to 30 September 2018 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

26. 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 2018/19.

27. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September was £338m. The Council achieved an average in-house return for that period

of 0.81%, above the budgeted rate of 0.75% set in the strategy. This has produced gross interest receivable of £1.38m for the period to 30 September compared to budget of £1.20m.

28. 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.

29. 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 2018/19 the average three month inter-bank sterling rate was 0.61%. The Council's average in-house return of 0.81% exceeded the benchmark by 0.20%. 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 £51.40m.

30. The UK Bank Rate increased from 0.50% to 0.75% in August 2018, two months before the Strategy Team forecast increase in October 2018. Arlingclose currently forecast the bank rate to remain at 0.75% until rising to 1.00% in March 2019, but with 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

31. The Council continued to use pooled funds with variable net asset value. Weighted by value pooled fund investments produced an overall annualised return of 2.70% for the period. These investments are held with a long-term view and performance is assessed accordingly.

32. Gross distributions from pooled funds have totalled £0.52m in the first six months of the year. This brings total income, including gross interest receivable on in-house deposits to £1.91m for the period.

## Prudential Indicators for Treasury Management

33. The Authority confirms compliance with its Prudential Indicators for 2018/19, which were set as part of the Authority's Treasury Management Strategy Statement. The position as at 30 September 2018 for the Prudential Indicators is shown in Annex 3.

## External Performance Indicators and Statistics

34. 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 2017/18 showed that Oxfordshire County Council had achieved an average total investment return of 0.83% compared with an average of 0.81% for the all member group.

35. The average interest rate paid for all debt during 2017/18 was 4.50%, with an average of 3.80% 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 84% compared to 67% for the all member group. Oxfordshire County Council had 12% of its debt in LOBO loans as at 31 March 2018 compared with an average of 14% for the comparative group.

36. 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 2018 are shown in Annex 4.

37. The benchmarking results show that the Council was achieving higher than average interest on deposits at 30 September 2018, 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.

38. 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

39. 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

40. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2018/19 is currently forecast as £2.70m, exceeding the budgeted figure of £2.40m by £0.30m. Of the forecast £2.70m interest receivable, £1.38m had been realised as at the 30 September 2018. The increased interest received is due to the achievement of higher than forecast average interest rates.

41. Dividends payable from external funds in 2018/19 are forecast as £1.05m, £0.20m above the 2018/19 budget of £0.800m. This increase is due to higher than anticipated performance by the CCLA Property Fund.

42. Interest payable is currently forecast to be in line with the budgeted figure of £15.60m.

## RECOMMENDATION

Cabinet is **RECOMMENDED** to:-

(a) note the report.

(b) RECOMMEND to Council to note the report and the Council's Mid-Term Treasury Management Review 2018/19.

LORNA BAXTER
Director of Finance

Contact officer: Tim Chapple – Financial Manager – Treasury
Contact number: 07586 478653
November 2018

**Annex 1**

## OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2018/19

| | | |
|---|---|---|
| Debt Profile | | £m |
| 1. PWLB | 84% | 317.38 |
| 2. Other Long Term Loans | 13% | 50.00 |
| 3. Sub-total External Debt | | 367.36 |
| 4. Internal Balances | | 9.35 |
| **5. Actual Debt at 31 March 2018** | **100%** | **376.73** |
| 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 2019** | | **376.73** |
| Maturing Debt | | |
| 11. PWLB loans maturing during the year | | 24.00 |
| 12. PWLB loans repaid prematurely in the course of debt restructuring | | 0.00 |
| **13. Total Maturing Debt** | | **-24.00** |
| 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 | 78% | 293.38 |
| 19. Money Market loans (incl £45m LOBOs) | 13% | 50.00 |
| 20. Forecast Sub-total External Debt | | 343.38 |
| 21. Forecast Internal Balances | | 33.35 |
| **22. Forecast Debt at 31 March 2019** | **100%** | **376.73** |

## Line

1 – 5 This is a breakdown of the Council’s debt at the beginning of the financial year (1 April 2018). 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 2018/19.

15 New PWLB loans to replace debt repaid early.

16 The Money Market borrowing undertaken by the Council during 2018/19

17 The total external borrowing undertaken.

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

**Annex 2**

## <u>Long-Term Debt Maturing 2018/19</u>

### Public Works Loan Board: Loans Matured during first half of 2018/19

| Date | Amount £m | Rate % |
|---|---|---|
| 13/07/2018 | 0.500 | 2.35% |
| 31/07/2018 | 0.500 | 2.35% |
| 14/06/2018 | 10.000 | 3.93% |
| 31/08/2018 | 10.000 | 3.86% |
| **Total** | **21.000** | |

### Public Works Loan Board: Loans Due to Mature during second half of 2018/19

| Date | Amount £m | Rate % |
|---|---|---|
| 22/11/2018 | 1.000 | 7.00% |
| 22/11/2018 | 1.000 | 7.00% |
| 13/01/2019 | 0.500 | 2.35% |
| 31/01/2019 | 0.500 | 2.35% |
| **Total** | **12.000** | |

**Annex 3**

## Prudential Indicators Monitoring at 30 September 2018

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 2018/19.

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 2018/19.

| | |
|---|---|
| Authorised limit for External Debt | £455,000,000 |
| Operational Limit for External Debt | £435,000,000 |
| Capital Financing Requirement for year | £409,372,000 |

| | **Actual 30/09/2018** | **Forecast 31/03/2019** |
|---|---|---|
| Borrowing | £346,382,618 | £343,382,618 |
| Other Long-Term Liabilities | £ 24,000,000 | £ 24,000,000 |
| **Total** | **£370,382,618** | **£367,382,618** |

### 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 2018 | £27,382,618 |
| **Variable Interest Rate Exposure** | |
| Variable Interest Net Borrowing limit | £0 |
| Actual at 30 September 2018 | -£9,133,701 |

### 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 | £ 69,000,000 |

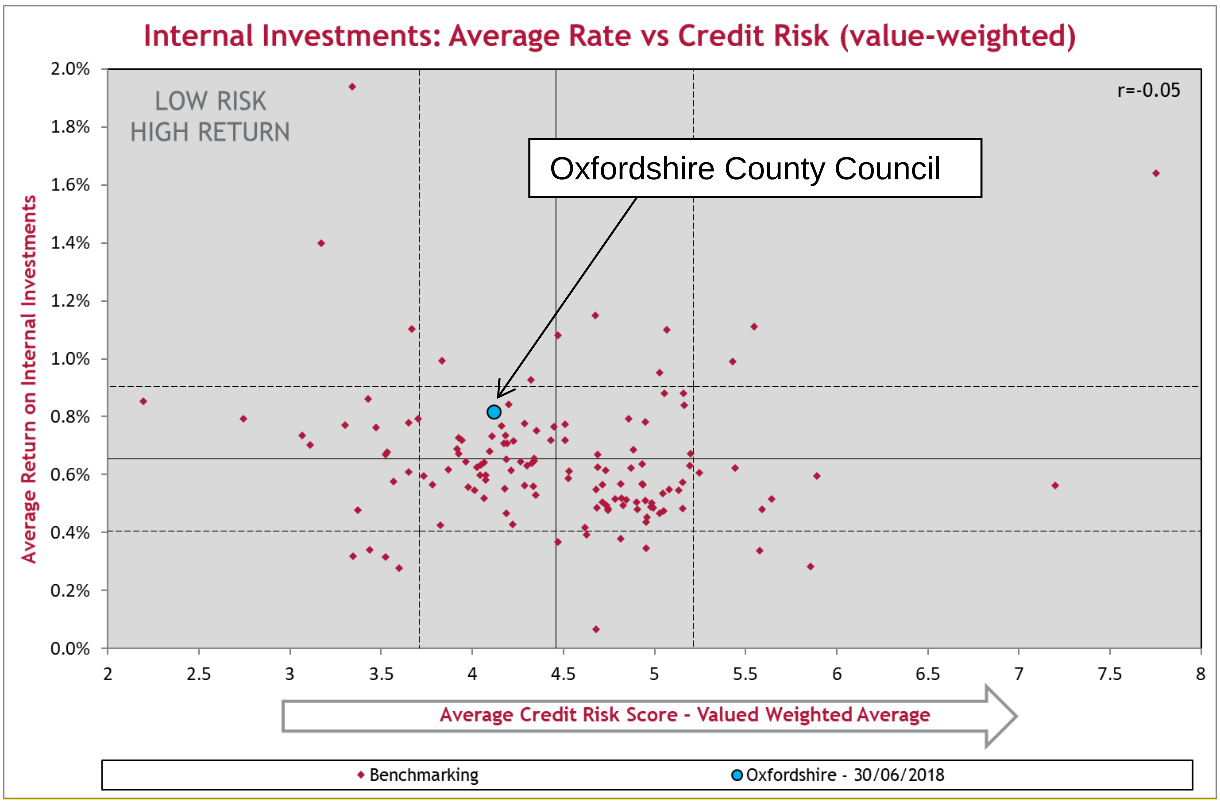
**Maturity Structure of Borrowing**

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 2018, 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 | 11.97 |
| 12 – 24 months | 0 - 25 | 1.91 |
| 24 months – 5 years | 0 - 35 | 14.97 |
| 5 years to 10 years | 5 - 40 | 19.60 |
| 10 years + | 50 - 95 | 51.55 |

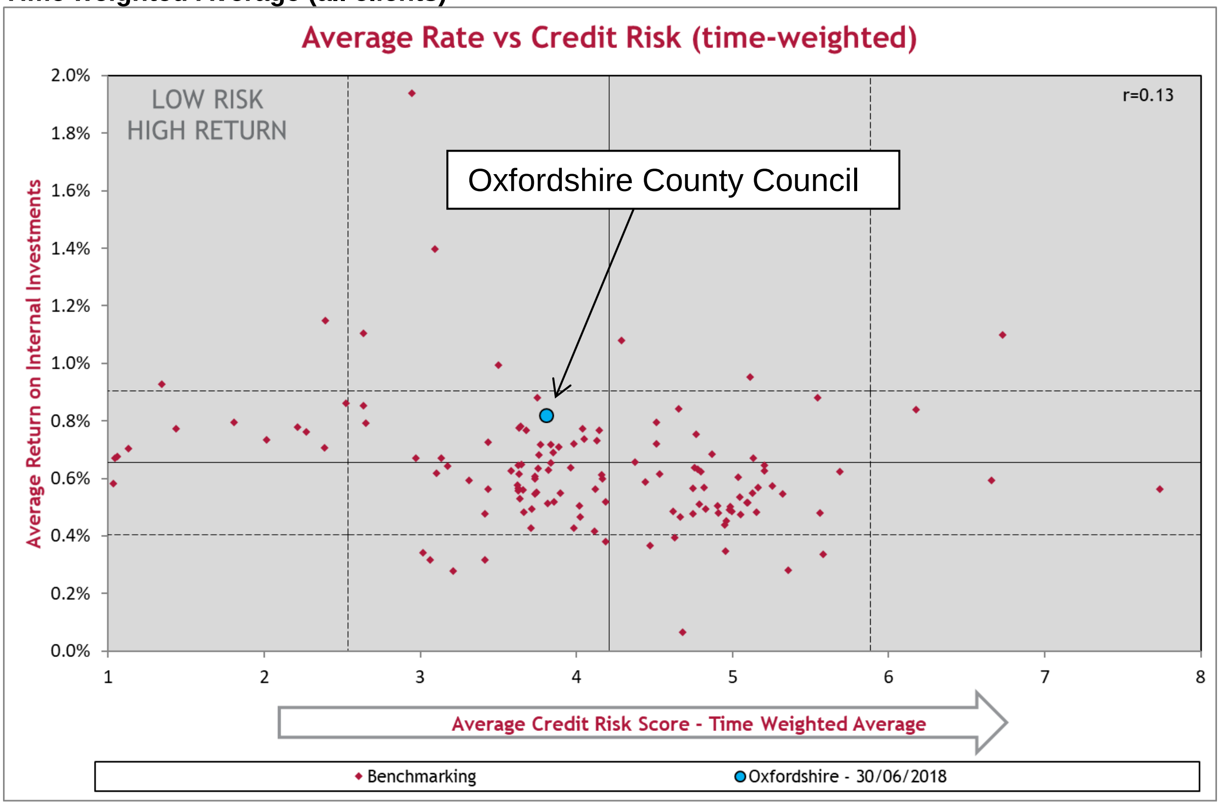
**Annex 4**

**Value weighted average (all clients)**



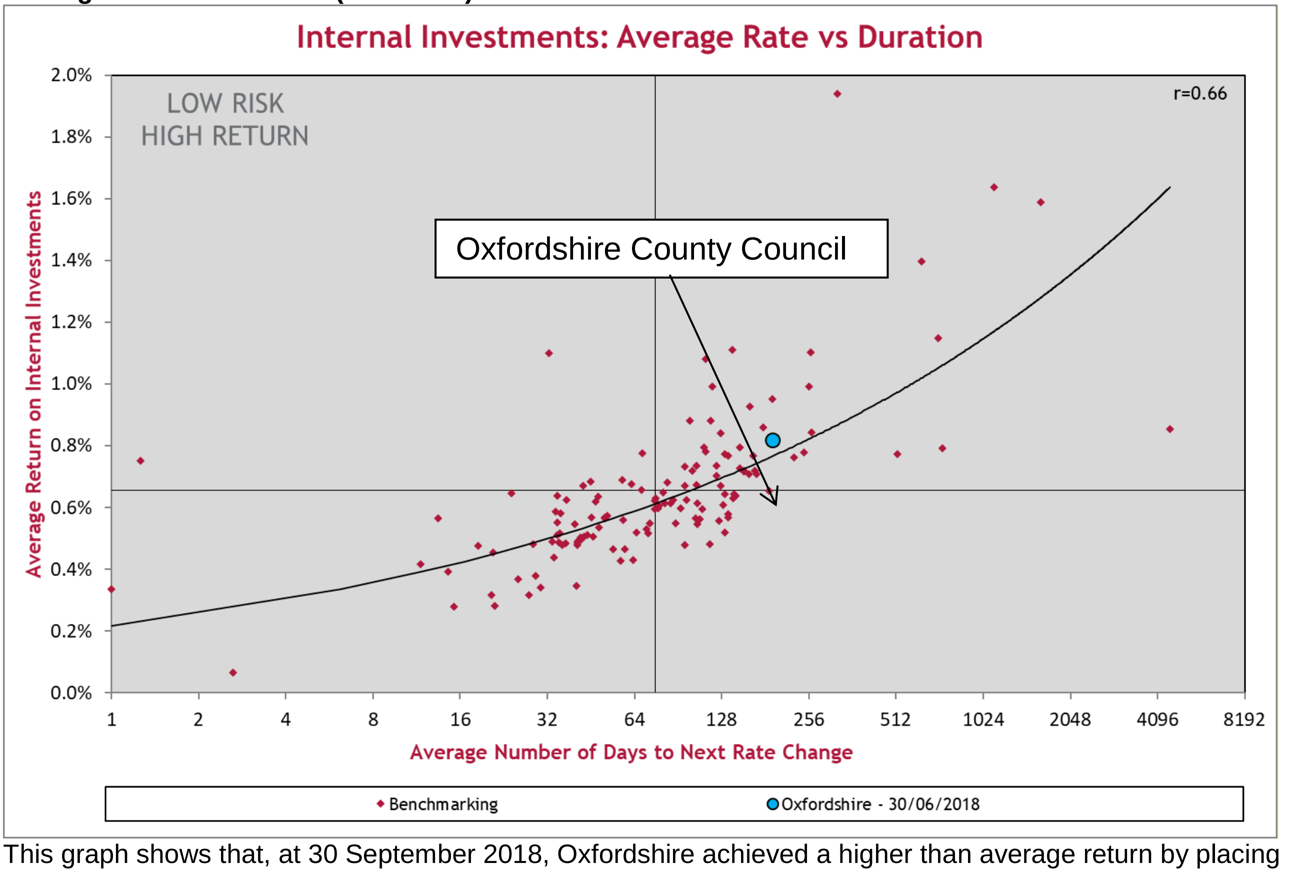

This graph shows that, at 30 September 2018, Oxfordshire achieved a higher than average return for lower than average credit risk, weighted by deposit size.

**Time weighted Average (all clients)**



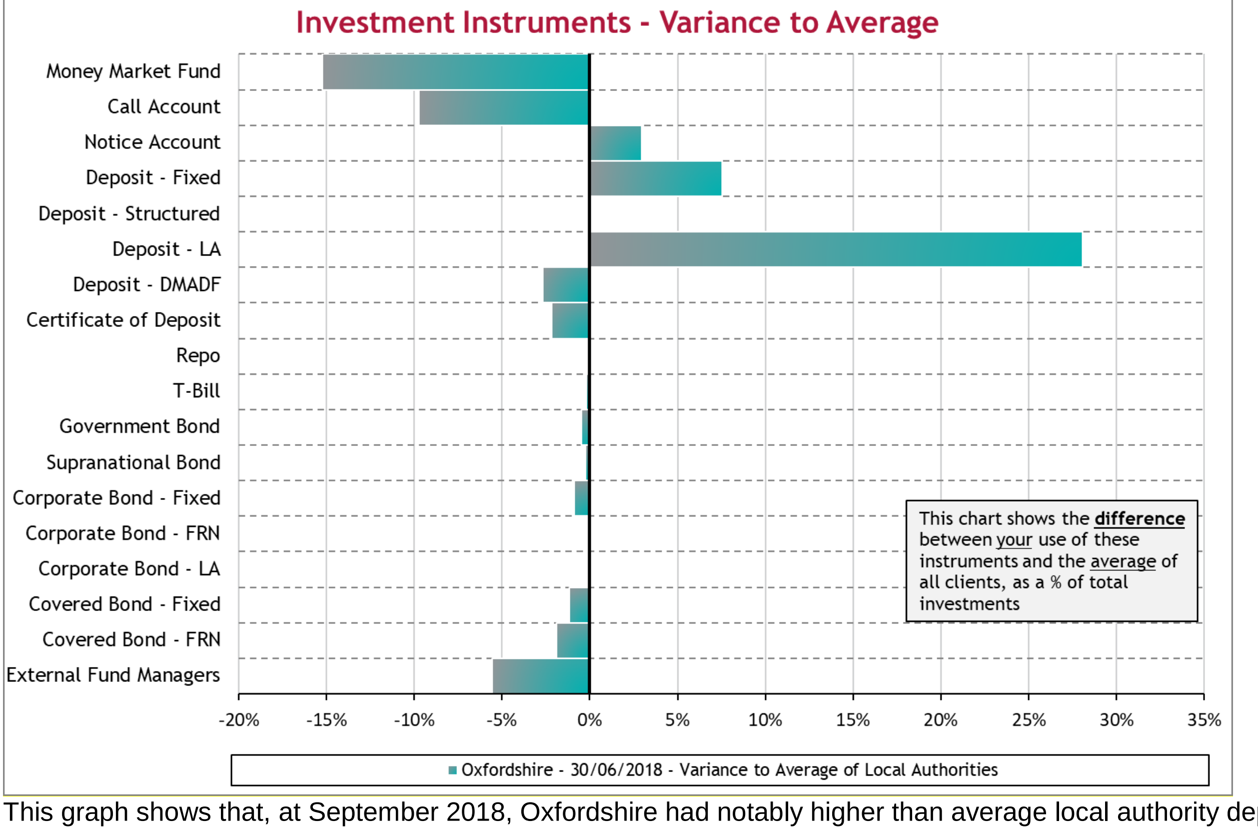

This graph shows that, at 30 September 2018, Oxfordshire achieved higher than average return for lower than average credit risk, weighted by duration.

**Average Rate vs Duration (all clients)**




This graph shows that, at 30 September 2018, 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 2018, Oxfordshire had notably higher than average local authority deposits when compared with other local authorities. Oxfordshire also had notably lower exposures to money market funds and call accounts.

**Annex 5**

Specified and Non Specified Investments 2018/19

**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+,<br>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 |

**Non-Specified Investments**

[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.

| 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;<br><br>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;<br><br>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;<br><br>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;<br><br>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.