Report to	Cabinet	**Item**
	16 December 2020	7
Report of	Interim Director of resources (S.151 officer)	
Subject	Treasury Management Mid-Year Review Report 2020/21	

Purpose

To consider the Treasury Management performance for the first six months of the financial year to 30 September 2020.

Recommendation

To:

1) note the contents of the report and the treasury activity undertaken in the first six months of the 2020/21 financial year; and

2) recommend that Council approve an increase in the approved counterparty limit with an individual Money Market Fund (MMF from £5m to £10m but remaining within the existing £25m maximum for that type of financial instrument (paragraph 11).

Corporate and service priorities

The report helps to meet the corporate priority of providing a healthy organisation.

Financial implications

The report details the performance of the Council in managing its borrowing and investment resources during the first half of 2020/21.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - Resources

Contact officers

Annabel Scholes, Interim Director of Resources (S.151)	01603 989201
Hannah Simpson, Strategic Finance Business Partner	01603 989569
Caroline Knott, Senior Technical Accountant	01603 987615

Background documents

None

Report

Background

1. CIPFA (the Chartered Institute of Public Finance & Accountancy) defines treasury management as: “The management of the local authority’s borrowing, 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.”
2. The report reviews the treasury management activity during the first six months of the financial year 2020/21 and reports on the prudential indicators as required by CIPFA’s Treasury Management Code of Practice.
3. The original Treasury Management Strategy (TMS) and Prudential Indicators were reported to and approved by Council on 25 February 2020.
4. This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code. This requires that the prime objective of treasury management activity is the effective management of risk, and that borrowing activities are undertaken on a prudent, affordable and sustainable basis.
5. The council’s investments in commercial property, equity shares, and lending to third parties are classified as non-financial (commercial) investments and are reviewed annually within the non-financial (commercial) investments strategy part of the budget report in February.

Investment Strategy

6. The TMS for 2020/21, which includes the Annual Investment Strategy, was approved by the council on 25 February 2020. It sets out the Council’s investment priorities as being:
    - Security of capital;
    - Liquidity; and
    - Yield
7. No policy changes have been made to the investment strategy, the Council will continue to aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.
8. The Council held £57.550m of investments as at 30 September 2020. Table 1 below shows the movement in investments for the first six months of the year.

Table 1

Investments	Actual		Actual
	31-Mar-20	Movement	30-Sep-20
	£'000	£'000	£'000
Short term investments:			
Banks	4,000	4,000	8,000
Building Societies	0	5,000	5,000
Local Authorities	10,000	(5,000)	5,000
Cash Equivalents:			
Banks	11,300	8,250	19,550
Non- UK Banks	0	0	0
Building Societies	0	0	0
Local Authorities	4,000	1,000	5,000
UK Government	0	0	0
Money Market Funds	15,000	0	15,000
Total	**44,300**	**13,250**	**57,550**

9. It is anticipated that cash balances will decrease during the second half of the year as Covid-19 business grants being administered by the council will be paid out and further capital expenditure is incurred.

10. Market rates have fallen since the pandemic across all types of investments and the Debt Management Account Deposit Facility (DMADF) is now charging local authorities to hold cash. The Council still aims to place surplus cash in investments with the most beneficial return bearing in mind the need to maintain security and liquidity.

11. In order to provide additional flexibility when holding short term cash, the report recommends increasing the approved counterparty limit within each of the Money Market Funds (MMF) in the Treasury Management Strategy Statement from £5m to £10m (see revised table in **Appendix A**). The MMF are designed to support local authorities' cash management. Each MMF allows the council to keep cash both liquid (instant access) and secure (AAA rated) whilst offering a small return on the investment. This will help cash management at a time where the council is receiving and paying out significant amounts of cash in relation to business grants and other Covid support mechanisms.

12. The Interim Director of Resources (S.151 officer) confirms that all investment transactions undertaken during the first six months of 2020/21 were within the approved limits as laid out in the Annual Investment Strategy.

BALANCE SHEET POSITION

External Borrowing

13. Table 2 below shows the Council has actual external borrowing of £219.879m, of which £179.590m relates the Housing Revenue Account (HRA). No additional borrowing has been required in the first six months of the year.

14. Table 2 shows the current and forecast borrowing position. At this stage there is not expected to be any further external borrowing taken for the remainder of the financial year. This is significantly below the estimate included in the TMS due to a halt in the planned commercial property acquisitions. This decision was taken in March 2020 in light of the launch of HM Treasury's consultation on the borrowing terms of the public works loan board.

Table 2

Long Term Borrowing	Actual 31-Mar-20	Actual 30-Sep-20	TMS Forecast 31-Mar-21	Revised Estimate 31-Mar-21
	£000	**£000**	**£000**	**£000**
Public Works Loan Board	214,107	214,107	287,431	214,107
Money Market	5,000	5,000	5,000	5,000
3% Stock (Perpetually irredeemable)	499	499	499	499
Other financial intermediaries (Salix)	262	262	0	236
Corporate Bonds and External Mortgages	11	11	11	11
Total	**219,879**	**219,879**	**292,941**	**219,853**

15. There have been no repayments of debt scheduled during 2020/21.

Future Economic forecasts

16. On 4th November the Bank of England's **Monetary Policy Committee (MPC)** voted unanimously to keep Bank Rate unchanged at 0.1%. The report from the MPC highlighted the following:

- The unemployment rate rose to 4.5% in the three months to August. The extended Coronavirus Job Retention Scheme and new Job Support Scheme will mitigate significantly the impact of weaker economic activity on the labour market. The unemployment rate is expected to peak at around 7¾% in 2021 Q2.
- Twelve-month CPI inflation increased to 0.5% in September, but remained well below the MPC's 2% target, largely reflecting the direct and indirect effects of Covid on the economy. CPI inflation is expected to remain at, or just above, 0.5% during most of the winter, before rising quite sharply towards the target as the effects of lower energy prices and VAT dissipate.
- At this meeting, the MPC judges that a further easing of monetary policy is warranted. The Committee agreed to increase the target stock of purchased UK government bonds by an additional £150 billion in order to meet the inflation target in the medium term, taking the total stock of government bond purchases to £875 billion.
- The outlook for the economy remains unusually uncertain. It depends on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It also depends on the responses of households, businesses and financial markets to these developments.

17. Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery. The November MPC report noted that GDP fell by around a quarter between February and April. Activity recovered somewhat thereafter, as lockdown restrictions were eased. GDP was 9% below its 2019 Q4 level in August, and is expected to be 9% lower over Q3 as a whole.

18. There will be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

19. The Bank's policy statement says "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". The council's treasury advisors note that this seems designed to say that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

20. The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

Interest rate forecasts

21. Table 3 below shows the interest rate forecasts from our treasury advisors through to March 2024. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 4th November. Some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2024 as economic recovery is expected to be only gradual and, therefore, prolonged.

Table 3

Link Group Interest Rate View 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Note: The Council's treasury advisor, Link Group assist the Council to formulate a view on interest rates. Following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

PWLB Rates

22. HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. At the same time it also launched a consultation with local authorities on possibly further amending these margins.
23. As part of the Spending Review announcement, the government has confirmed that it will reform the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield. Alongside the Spending Review, the Government has published revised lending terms for the PWLB and guidance to support local authorities to determine if a proposed project is an appropriate use of PWLB loans. The new terms apply to all loans arranged from 26 November 2020.
24. In response to the revised lending terms the Government has cut PWLB lending rates to gilts + 100 base points for Standard Rate and gilts + 80 base points for those authorities able to make use of the Certainty Rate.
25. The Council has previously relied on the PWLB as its main source of funding and will consider the newly released guidance in detail to inform decisions over future capital projects.
26. As the interest forecast table for PWLB certainty rates, above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.
27. The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.

28. There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Forward borrowing considerations to mitigate expected future interest rate increases

29. The Council may look to arrange forward borrowing facilities should the future borrowing risk rise or predictions of a significant rate rise is expected. This would enable the Council to lock into borrowing facilities at current low rates and draw down the cash over a period of up to 3 years subject to cash flow demands. It should be noted that some of these facilities may carry brokerage and arrangement fees that will be factored into value for money assessments.

Debt Rescheduling

30. No debt rescheduling was undertaken during the first six months of 2020/21.

31. It is not anticipated that the Council will undertake any rescheduling activity during the remainder of the financial year. However, should borrowing rates fall significantly as a result of Brexit, the Council may consider borrowing to finance its unfinanced borrowing need as well as rescheduling some of its existing debt if this proves cost effective.

Prudential Indicators

32. This part of the report is structured to provide an update on:

    - The changes to the Council's capital expenditure plans;
    - How these plans are being financed;
    - The impact of 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.

Capital Expenditure & Financing

33. The 2020/21 capital programme budgets were approved as part of the budget papers by full Council on 25 February 2020. Subsequent to this there were approved revisions to the capital budgets to include the 2019/20 capital carry forwards and new capital schemes approved during the year. The current capital programme budget is shown in Table 4 along with the mid-year estimate. A detailed breakdown of capital programme schemes can be found in the Quarter 2 budget monitoring report.

Table 4

	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Forecast Outturn
	£000	**£000**	**£000**
General Fund capital expenditure	30,727	36,563	8,007
General Fund capital loans	5,700	6,990	6,990
HRA	34,816	48,348	28,689
Capital Expenditure	**71,244**	**91,901**	**43,686**
Financed by:			
Capital receipts	17,438	16,905	6,682
Capital grant and contributions	4,422	5,361	2,956
Capital & earmarked reserves	15,394	23,864	20,592
Revenue	3,291	13,733	6,150
Total Resources	**40,544**	**59,864**	**36,380**
Net borrowing need for the year	**30,700**	**32,037**	**7,306**

34. Table 4 above shows how the revised capital programme will be financed and shows a significant reduction in the net borrowing need for the year compared to the figure anticipated when Council approved the Treasury Management Strategy. The main reason from the reduced borrowing need for the year is the halt in the planed commercial property acquisitions pending the outcome of the HM Treasury consultation on the borrowing terms of the public works loan board.

35. In addition to the approved capital programme, the TMS incorporated a number of capital ambition schemes and non-financial investments (commercial lending). Significant delays as a result of the Covid-19 pandemic mean that it's not currently forecast that these schemes will incur spend in 2020/21. The consequence of this is that the Council's forecast Capital Financing Requirement (CFR) for 2020/21 shown in Table 5, is lower than initially anticipated.

36. The forecast net lending to the council's wholly owned subsidiary, Norwich Regeneration Limited, has also reduced from the Treasury Management Strategy. During the first 6 months of the year the Council provided additional loan finance to the company of £2.250m with further loans of £3.6m in October 2020. No further loan drawdowns are expected and based on current cash flow projections for the company £1.650m will be repaid by the company before the year end. The impact of this on the CFR is shown in Table 5.

The Capital Financing Requirement

37. Table 5 below shows the Councils CFR, which is the underlying external need to borrow for a capital purpose. The second table compares the original and revised forecast debt position against the CFR, the difference representing an under borrowing position. This under borrowed position means the capital

borrowing need (the CFR) has not been fully funded with loan debt. Instead cash in hand supporting the Council's reserves, balances, and expenditure has been used as an alternative temporary measure. This strategy is prudent in the current economic climate - as returns achievable from the investment of cash are lower than the cost of raising additional loan debt, and counterparty risk remains elevated – but this will need to be reversed over time when the original requirement for that cash arrives.

Table 5

	2020/21 Original Estimate	2020/21 Revised Estimate
	£000	**£000**
Opening General Fund CFR	**125,099**	**115,511**
Movement in General Fund CFR	37,722	6,027
Closing General Fund CFR	**162,821**	**121,538**
Movement in CFR represented by:		
Borrowing need (capital programme)	25,000	47
Borrowing need (NRL lending net of repayments)	5,700	4,200
Borrowing need (NCSL lending net of repayments)		1,140
Borrowing need (Project Place capital investment)		268
Borrowing need for the year (capital ambition)	8,500	0
Appropriation of Mile Cross Depot site to HRA		(1,800)
Less MRP and other financing adj.	(1,478)	522
Movement in General Fund CFR	**37,722**	**6,027**
Opening HRA Fund CFR	**205,717**	**205,716**
Movement in HRA CFR	7,206	1,800
Closing HRA CFR	**212,923**	**207,516**
TOTAL CFR	**375,744**	**329,054**

38. The council has maintained an under-borrowed position to date in 2020/21 (Table 6). This means that the capital borrowing need has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. It is likely that the Council will need to undertake fixed rate long term borrowing during 2021/22. Any decisions will be reported to Cabinet at the next scheduled opportunity.

Table 6

	2020/21 Original Estimate	2020/21 Revised Estimate
	£000	**£000**
Gross borrowing (excluding finance leases)	292,941	219,853
CFR	375,744	329,054
Over/(Under) Borrowing	**(82,803)**	**(109,201)**

Prudential Indicators relating to Borrowing Activity

39. Authorised Limit – This represents the legal limit beyond which borrowing is prohibited, and needs to be set and revised by Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit represents the CFR (assumed fully funded by borrowing) plus a margin to accommodate any unplanned adverse cash flow movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The authorised limit has not been breached and no external borrowing has taken place so far this year.

Table 7

Prudential Indicator	2020/21
	£000
Authorised Limit for external debt	**405,744**

40. Operational Boundary – This indicator is based on the probable external debt during the course of the year; it is set deliberately lower than the authorised limit. This limit acts as an early warning indicator should borrowing be approaching the Authorised Limit. This limit may be breached on occasion under normal circumstances, but sustained or regular breaches should trigger a review of borrowing levels. The operational boundary has not been breached and no external borrowing has taken place so far this this.

Table 8

Prudential Indicator	2020/21
	£000
Operational boundary for external debt	**375,744**

Borrowing Activity

41. Due to the increase in PWLB rates in October 2019, and the subsequent consultation by HM Treasury the Authority has continued the prudent approach of utilising internal borrowing to fund its borrowing requirement and reduce external borrowing costs.
42. Long-term fixed interest rates are currently low but are expected to rise slightly over the five-year treasury management planning period. The Interim Director of Resources (S.151 Officer), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates or opportunities at the time, taking into account the associated risks e.g. counterparty risk, cost of carry and impact on the Medium Term Financial Strategy as well as risk of interest rate increases.
43. Opportunities for debt restructuring will be continually monitored alongside interest rate forecasts. Action will be taken when the Interim Director of Resources (S.151 officer) feels it is most advantageous.

Investment Performance

44. The objectives of the Council’s investment strategy are firstly the safeguarding of the repayment of the principal and interest of its investments, and secondly ensuring adequate liquidity. The investment returns being a third objective, consummate to achieving the first two.

45. The Council held £57.550m of financial investments at 30th September 2020 and the investment profile is shown in table 1 in paragraph 8 above.

Risk Benchmarking

46. The Investment Strategy for 2020/21 includes the following benchmarks for liquidity and security.

47. **Liquidity** – The Council has no formal overdraft facility and seeks to maintain liquid short-term deposits of at least £1 million available with a week’s notice.

48. Average return on investment at 30 September 2020 was 0.28% against a 7 Day LIBID benchmark average rate of -0.06% (minus). The weighted time to maturity (WAM) of investments was 26 days compared to 40 days on 30 September 2019. The slight decrease in WAM duration reflects a slightly cautious approach in holding liquid cash given the uncertainty over cash flows during the covid-19 pandemic. This has meant cash has been invested for slightly shorter periods whilst still ensuring availability for all cash flow requirements. At 30 September 2020 the Council held £57.550m of cash balances, all of which are invested for periods of less than 364 days.

49. The Interim Director of Resources (S.151 officer) can report that liquidity arrangements were adequate during the year to date.

50. **Security** – The weighted average credit risk of the portfolio at the end of the period was 3.26% (3.84% September 2019). The Council’s maximum security risk benchmark for the portfolio as at 30 September 2020 was 0.005% which equates to a potential loss of £2.9k on an investment portfolio of £57.550m. This credit risk indicator is lower than the anticipated maximum risk of 0.011% in the TMS.

51. At 30 September 2020 100% of the investment portfolio was held in low risk specified investments.

52. The Interim Director of Resources (S.151 officer) can report that the investment portfolio was maintained within this overall benchmark during the year to date.

Minimum Revenue Provision Policy

53. The Council is required to approve an MRP Statement in advance of each year. Council approved the 2020/21 on 25 February 2020.

REGULATORY UPDATE

Proposed changes to IFRS 16 Leases and likely impacts for the Local Authority Accounting Code.

54. Although the standard was issued in January 2012, authorities are expected to comply from 1 April 2022. The current classification of leases into operating and finance will no longer apply with the exceptions of leases of 12 months or less and leases of low value. This change will therefore impact the Council's CFR, but have no borrowing impact. A lot will depend on the evaluation of contracts and their implications. The potential impacts of the new standard will be covered in the 2021/22 Treasury Management Strategy.

Integrated impact assessment

NORWICH City Council

Report author to complete	
Committee:	Cabinet
Committee date:	16/12/2020
Director / Head of service	Annabel Scholes
Report subject:	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2020/21
Date assessed:	03/12/2020

	Impact			
Economic **(please add an ‘x’ as appropriate)**	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	The prudential indicators show that for the first six months of the year treasury management activity has produced positive results e.g. achieving an investment interest rate above the target.
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social **(please add an ‘x’ as appropriate)**	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an ‘x’ as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an ‘x’ as appropriate)	Neutral	Positive	Negative	Comments
Transportation	☒	☐	☐	
Natural and built environment	☒	☐	☐	
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☒	☐	☐	
(Please add an ‘x’ as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	☐	☒	☐	Managing risk is a major part of undertaking the treasury management activity. All the indicators and limits put in place to reduce the level of risk have been adhered to thus reducing the risks to an acceptable level as stated in the Treasury Management Strategy.

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

APPENDIX 1

Proposed counter-party limit amendment

<table>
<tr><th rowspan="2">Counterparty/Financial instrument</th><th rowspan="2">Minimum Credit Criteria or Equivalent</th><th colspan="2">Specified Investments</th><th colspan="2">Non-specified Investments</th></tr>
<tr><th>Maximum duration</th><th>Counterparty Limit (£m)</th><th>Maximum duration</th><th>Counterparty Limit (£m)</th></tr>
<tr><td>DMAF - UK Government</td><td>n/a</td><td>3 months</td><td>£30m</td><td>n/a</td><td>n/a</td></tr>
<tr><td>UK Government gilts</td><td>UK Sovereign rating</td><td>12 months</td><td>£15m</td><td>3 years</td><td>£5m</td></tr>
<tr><td>UK Government Treasury bills</td><td>UK Sovereign rating</td><td>6 months</td><td>£10m</td><td>n/a</td><td>n/a</td></tr>
<tr><td>Money Market Funds - CNAV</td><td>AAA</td><td rowspan="3">Liquid</td><td rowspan="3">~~£5m~~ £10m per fund £25m overall limit</td><td>n/a</td><td>n/a</td></tr>
<tr><td>Money MARKET Funds - LVNAV</td><td>AAA</td><td>n/a</td><td>n/a</td></tr>
<tr><td>Money Market Funds - VNAV*</td><td>AAA</td><td>n/a</td><td>n/a</td></tr>
<tr><td>UK Local Authority term deposits (LA)**</td><td>n/a</td><td>12 months</td><td>£10m per LA</td><td>5 years</td><td>£5m per LA</td></tr>
<tr><td>Term Deposits with UK Building Societies</td><td>ratings for banks outlined below / Asset worth at least £2.5bn or both</td><td>12 months</td><td>£5m</td><td>n/a</td><td>n/a</td></tr>
<tr><td>Banks (Term deposits, CD, Call & Notice accounts)</td><td>AAA</td><td>12 months</td><td>£15m</td><td>2 years</td><td>£10m</td></tr>
<tr><td rowspan="2">Banks (Term deposits, CD, Call & Notice accounts)</td><td>AA+</td><td rowspan="2">12 months</td><td rowspan="2">£15m</td><td rowspan="2">12 months</td><td rowspan="2">£5m</td></tr>
<tr><td>AA</td></tr>
<tr><td rowspan="3">Banks (Term deposits, CD, Call & Notice accounts)</td><td>AA-</td><td rowspan="3">12 months</td><td rowspan="3">£10m</td><td rowspan="3">n/a</td><td rowspan="3">n/a</td></tr>
<tr><td>A+</td></tr>
<tr><td>A</td></tr>
<tr><td>Banks (Term deposits, CD, Call & Notice accounts)</td><td>A-</td><td>6 months</td><td>£5m</td><td>n/a</td><td>n/a</td></tr>
<tr><td>Property Funds</td><td>credit loss analysis, financial and legal due diligence</td><td>n/a</td><td>n/a</td><td>n/a</td><td>£5m per fund</td></tr>
<tr><td>Loan Capital and other third party loans including parish councils</td><td>Subject to financial & legal due diligence</td><td>considered on individual basis</td><td>n/a</td><td>considered on individual basis</td><td>n/a</td></tr>
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