WILTSHIRE COUNCIL **BUDGET BOOKLET ITEM NO VII**

IMPLEMENTATION EXECUTIVE
28 JANUARY 2009

TREASURY MANAGEMENT STRATEGY 2009-10

Executive Summary

This report presents the Treasury Management Strategy for 2009-10 including:

a) the Prudential Indicators (PrIs) for the next three years;
b) other debt management decisions required for 2009-10 that do not feature within the PrIs; and
c) the Annual Investment Strategy for 2009-10.

Proposals

That the Implementation Executive:

a) adopt the Prudential Indicators (Appendix A);

b) adopt the Annual Investment Strategy (Appendix B);

c) delegate to the Chief Financial Officer the authority to vary the amount of borrowing and other long term liabilities within both the Operational Boundary and the Authorised Limit Prudential Indicators;

d) authorise the Chief Financial Officer to agree the restructuring of existing long-term loans where savings are achievable;

e) agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits; and

f) agree that any long term surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Chief Financial Officer the authority to select such funds;

g) agree to amend the lower limits to 0% on the maturity structure of borrowing within Prudential Indicator 7;

h) that for 2009-10 only and in relation to investments inherited by the unitary council, those investments will be allowed to reach maturity not withstanding the Treasury Management Strategy;

i) that all five councils adopt the New Council Investment Strategy immediately.

Reasons For Proposals

The proposals are required to comply with statutory guidance and best practice.

Sandra Farrington, Chief Financial Officer

TREASURY MANAGEMENT STRATEGY 2009-10

Purpose of Report

1. This report asks the Implementation Executive to consider and recommend that the County Council approve the Prudential Indicators and a Treasury Management Strategy for 2009-10.

Background

2. The Council is required by legislation to approve a Treasury Management Strategy, which incorporates the setting of PrIs and an Annual Investment Strategy, before the start of the financial year. This year the Council is being asked to set a TMS which will apply to the new unitary Council.

3. A review of the position in the current year was reported to Cabinet in the Interim Report on Treasury Management Strategy on 16 December 2008. The anticipated cash flow position at 31 March 2009 is in line with assumptions in that interim report.

Main Considerations for the Implementation Executive

Prudential Indicators

Basis of the Prudential Indicators

4. A summary of the PrIs is shown in Appendix A. The key indicators are the Operational Boundary (5b) and the Authorised Limit (5c), which control the Council's exposure to debt.

5. The PrIs have been set on the basis of all known commitments and the effect of all known revenue and capital proposals relating to the unitary council, including those outlined elsewhere on this agenda.

6. In the interest of comparison the figures for 2007/08 and 2008/09 incorporate District Council information.

Monitoring and Reporting of the Prudential Indicators

7. Progress will be monitored against the PrIs throughout the year, particularly against the two borrowing limits. Cabinet will be kept informed of any issues that arise, including potential or actual breaches. Members will receive monthly capital monitoring reports and an Interim Report on Treasury Management Strategy in November 2009.

8. The elements within the Operational Boundary and Authorised Limit (PrI 5b and 5c in Appendix A), for borrowing and other long term liabilities require the approval of the Council. In order to give operational flexibility, Members are asked to delegate to the Chief Financial Officer the ability to effect movements between the two elements where this is considered necessary. Any such changes will be reported to Members.

Other Debt Management Issues

Debt Rescheduling

9. Opportunities will be taken to reschedule existing debt where this results in the generation of reasonable cash savings at minimum risk or to enhance the long term portfolio. Sector Treasury Services, the Council's treasury management adviser, has made previous recommendations that have generated considerable savings in the past. However, the significant change in the structure of PWLB interest rates in November 2007 makes it more expensive to redeem debt prior to its maturity date. This has reduced the ability to make savings from debt rescheduling. The current average interest rate for the Council overall is 4.291%, which is one of the lowest rates of interest when compared with other English local authorities.

10. It is proposed that the Chief Financial Officer should continue to be authorised to act on Sector's advice should rescheduling opportunities arise. All rescheduling will be reported to Cabinet Members.

Short Term Cash Deficits

11. Temporary loans, where both the borrower and lender have the option to redeem the loan within twelve months, are used to offset short term revenue cash deficits. They may also be used to cover capital requirements in the short term until longer term loans become more cost effective. The majority of these loans will be at fixed interest rates, maturing on specific dates. It is recommended that the Council continue to utilise temporary loans for any short term cash deficits that arise in respect of revenue and/or capital.

Cash Investments

Annual Investment Strategy

12. The Annual Investment Strategy for 2009-10, which sets out the policy framework for the investment of cash balances, is shown in Appendix B.

Short Term Cash Surpluses

13. It is anticipated that temporary short term cash surpluses will arise regularly during the year. Investment of these surpluses should be in specific investments (e.g. short term Sterling investments of less than one year). Such investments will normally be short term deposits to specific dates depending on cash flow requirements. However, under certain market conditions, money market funds may be used if they provide improved returns.

Longer Term Cash Surpluses

14. Some cash surpluses, for example core revenue balances, net creditors, accrued reserves and special funds such as those for insurance and PFI can be invested on a long term basis. These cash surpluses may be used for capital financing requirements, where long term interest rates mean that it is less cost effective to take out long term loans.

15. Improved returns may be obtained by placing these surpluses in money market funds. The Chief Financial Officer has delegated authority to select money market funds and appoint External Cash Managers within the current approved strategy and it is recommended that this authority is retained.

16. The proposed Investment Strategy for 2009-10 includes the use of unspecified investments (e.g. more than 12 months to maturity and for which external professional advice is required) that Sector may recommend for investment of longer term cash surpluses, such as the PFI Sinking Fund.

17. Although the Council has been well positioned in terms of the balance between both loans and investments, rates of interest paid on deposits have fallen and are expected to fall further in 2009.

18. Two districts currently have investments managed externally by a cash manager (Invesco). The six month notice period has been invoked and the contracts will be brought in house upon termination.

19. The repayment of the outstanding investments with Icelandic banks (County Council – £8 million and North Wiltshire District Council – £4 million) is actively being pursued and we are liaising with both the Local Government Association (LGA) and Ernst and Young (who are dealing with the administration of Heritable Bank) and Deloitte (Landsbanki). However, it is expected that the recovery of the investments will be a long process, dependent upon the progress of the administration of the banks involved. The latest information in terms of the deposits with Heritable is that the creditors meeting on 9th December 2008 approved the administrator's proposals and Ernst &Young will report on progress six months from the date of their appointment or at the conclusion of the administration, whichever is the sooner. The position with Landsbanki, following the creditors meeting in Iceland, attended by Kent County Council and London Borough of Barnet, is less clear and the situation is complicated by the set up of a "new" Landsbanki, in addition to the "old" Landsbanki. The bank has been granted 'moratorium' status by the Icelandic courts, which gives protection from action by creditors (similar to an administration under UK law). There is a further creditors meeting in Iceland for the old Landsbanki on 20 February 2009.

Environmental Impact of the Proposals

20. None have been identified.

Equalities Impact of the Proposal

21. None have been identified as arising directly from this report.

Risk Assessment

22. The primary treasury management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of its investment counterparties (the organisations with which the Council deposits cash surpluses).

23. The strategies in Appendices A and B take account of the forecast movement in interest rates and allow sufficient flexibility to vary strategy if actual movements in interest rates are not in line with the forecast.

24. Sector is currently predicting the following interest rate movements:

a) the Base Rate (reduced to 2% in December 2008) is expected to fall further during 2009, leading to a rate of 0.5% at the start of 2009;

b) short term rates are expected to fall from 3.85% to 2.55% during 2009 and rise to 2.85% in the second quarter of 2010;

c) medium term rates are expected to fall from 4.25% to 3.95% during the later part of 2009, rising to 4.15% in the second quarter of 2010; and

d) long term rates are expected to fall to 3.80% (from 4.10%) during 2009 and then rise to 3.85% at the start of 2010.

25. Significant decreases in interest rates, linked with the economic crisis, have been experienced during the latter part of 2008. Further significant movements in interest rates are not anticipated in the next financial year and Sector are predicting that the Bank Rate will reduce to 0.5% in the first quarter of 2009 and remain at that rate until the end of quarter one 2010 (when it is anticipated that the rate will increase to 1%).

26. The risk that counterparties are unable to repay investments could jeopardise the Council's ability to meet payments. Investment counterparty risk is controlled by using suitable criteria for assessing and monitoring credit risk and the use of a lending list. The lending list categorises counterparties according to type, sector, maximum investment, and maximum duration of investment (see Appendix B). An amended list, in the light of the Icelandic investments and confidence in the market, was previously approved by County Council at its meeting on 11th November 2008 as part of the Treasury Management Strategy Update. It is recommended that this strategy is continued.

27. The district councils currently hold investments with maturity dates beyond 1st April 2009, leading to two potential risks of breaching the proposed Treasury Management Strategy when combining these with investments held by the County Council. (leading to a breach of the proposed Treasury Management Strategy):

a) in terms of maximum investment limits for individual financial institutions and/or groups of financial institutions; and

b) where the districts currently hold investments, the maturity dates of which are later than 31st March 2009, that, because of differing strategies, do not meet the proposed Treasury Management Strategy criteria.

28. In the event that the potential risks in the previous paragraph are realised, it is proposed that the investments causing the realisation are allowed to continue until maturity. In addition it is proposed that IE agree that all Councils adopt the New Council Investment Strategy immediately to mitigate and limit this risk.

Financial Implications

29. The financial implications of the strategies discussed in this report are fully reflected within the revenue and capital budget figures included elsewhere on this agenda.

Options Considered

30. The options in relation to the revenue and capital budgets in these proposals are fully consistent with the figures included elsewhere within the budget considerations.

31. The Investment Strategy in Appendix B is in line with the Treasury Management Strategy Update approved by County Council on 11th November 2008.

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The following unpublished documents have been relied on in the preparation of this Report: NONE

004/2009/IE/KS

APPENDIX A

Prudential Indicators for 2009-10, 2010-11 & 2011-12

PrI 1 – Capital Expenditure

1. This PrI shows the actual and anticipated level of capital expenditure for the five years 2007-08 to 2011-12. The three years 2009-10 to 2011-12 are discussed in detail in the Capital Resources and Programme 2009-10 to 2011-12 report elsewhere on this agenda.

Department	2007-08 Actual £ million	2008-09 Expected £ million	2009-10 Estimate £ million	2010-11 Estimate £ million	2011-12 Estimate £ million
Community Services	3.3	1.3	0.8	0.6	2.7
Children & Education	27.5	42.4	61.1	52.6	41.3
Transport, Environment & Leisure		26.0	53.2	41.3	28.2
Economic Development, Housing & Planning	27.8	0.3	5.9	3.1	1.3
Resources	3.8	8.9	3.1	0.4	0.0
Sub Total County Council	**62.4**	**78.9**	**124.0**	**98.0**	**73.6**
West Wiltshire	2.6	2.2			
North Wiltshire	5.2	11.1			
Kennet	2.7	9.5			
Salisbury	8.5	15.2			
TOTAL	**81.4**	**116.9**	**124.0**	**98.0**	**73.6**

2. The capital expenditure figures shown in PrI 1 assume a certain level of financing from borrowing each year. New and existing borrowing needs to be affordable and sustainable. There is a detailed discussion on the policy on borrowing for capital purposes in the Capital Resources & Programme 2009-10 to 2011-12 report.

PrI 2 – Ratio of Financing Costs to Net Revenue Stream

3. PrI 2 expresses the net costs of financing as a percentage of the funding receivable from the Government and council tax payers. The net cost of financing includes interest and principal repayments for long and short term borrowing, as well as similar credit arrangements, reduced by interest receivable in respect of cash investments.

	2007-08 Actual £ million	2008-09 Expected £ million	2009-10 Estimate £ million	2010-11 Estimate £ million	2011-12 Estimate £ million
Financing Costs	12.1	15.5	21.6	23.9	23.9
Net Revenue Stream (est.)	231.8	268.5	331.7	350.8	363.5
Financing Costs as a percentage of Revenue Budget	**5.2%**	**5.8%**	**6.3%**	**6.8%**	**6.6%**

Prudential Indicators for 2009-10, 2010-11 & 2011-12

4. The cost of financing will rise proportionately over this period, because new debt is expected to rise faster than old debt is repaid. Previously the rise in Financing Costs was not an affordability issue as the new borrowing taken out was supported by Revenue Support Grant. Only by the use of continued Unsupported Borrowing was there any pressure on the Council Tax.

5. However, the changes to the Revenue Support Grant mechanism that were introduced for 2006-07 and later years (specifically the grant "floor") mean that the Council may not be able to afford the Financing Costs of all the Supported Capital Expenditure indicated by the Government, because we do not receive the full grant. This has the effect of "levelling the playing field" so that support for capital borrowing has to be considered alongside all other revenue priorities in the budget process. Support for capital can no longer be "passported" automatically.

<u>PrI 3 – Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax</u>

6. PrI 3 represents the potential increase in Council Tax required to fund the planned increase in the capital budget for the forthcoming year and future years as a proportion of the tax base at Band D.

	2009-10 £	2010-11 £	2011-12 £
Effect on Band D Council Tax	3.08	8.33	5.77

<u>PrI 4 – Net Borrowing and the Capital Financing Requirement</u>

7. PrI 4 measures the so-called "Golden Rule" and focuses on prudence. Its purpose, as described in the Prudential Code, is: *"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two years".*

8. The Capital Financing Requirement (CFR) increases whenever capital expenditure is incurred. If resourced immediately (from capital receipts, direct revenue contributions or capital grant/contributions) the CFR will reduce at the same time that the capital expenditure is incurred, with no net increase in CFR.

9. Where capital expenditure is not resourced immediately, there is a net increase in CFR, represented by an underlying need to borrow for capital purposes, whether or not external borrowing actually occurs. The CFR may then reduce over time by future applications of capital receipts, capital grants/contributions or further charges to revenue.

10. This PrI is necessary, because under an integrated treasury management strategy (in accordance with best practice under the CIPFA Code of Practice

on Treasury Management in the Public Services), borrowing is not associated with particular items or types of expenditure, whether revenue or capital.

	2007-08 Actual £ million	2008-09 Expected £ million	2009-10 Estimate £ million	2010-11 Estimate £ million	2011-12 Estimate £ million
Capital Financing Requirement	216.9	237.8	275.0	272.2	274.5
Net Borrowing	29.2	81.2	137.2	134.3	136.7
CFR not funded by net borrowing	**187.7**	**156.6**	**137.8**	**137.9**	**137.8**

11. The increase in the net borrowing figure between 2007-08 and 2008-09 is as a result of a fall in the level of investments held due to increased spending.

12. No problems are foreseen in meeting the "Golden Rule" over the period under review. The table above shows a significant margin not funded by net borrowing.

<u>PrI 5a – External Debt – Actuals at 31 March 2008 and 2009</u>

13. This PrI shows the amount of gross external debt outstanding in periods prior to the budget years under consideration. Other long term liabilities relate to finance leases on certain properties, plant, vehicles and equipment. It should be noted that as these actual figures are taken at a point in time, they are not comparable with the Operational Boundary and Authorised Limit that follow, which are control limits.

	31/3/08 Actual £ million	31/3/09 Expected £ million
Borrowing	189.5	195.3
Other Long Term Liabilities	0.2	0.2
TOTAL	**189.7**	**195.5**

<u>PrI 5b – Operational Boundary for External Debt</u>

14. The Operational Boundary and the Authorised Limit (PrI 5c) are central to the Prudential Code and reflect the limits that authorities place on the amount of their external borrowing.

15. The Operational Boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cash flow purposes, which is consistent with other budget proposals. The basis of calculation for 2009-10 (£302.0 million) is:

- Capital Financing Requirement at 31 March 2009 of £237.8 million
- <u>Plus</u> the expected long-term borrowing to finance capital expenditure (supported borrowing £24.6 million and unsupported £24.4 million)
- <u>Less</u> the expected set-aside for debt repayment (£12.8 million)
- <u>Plus</u> the expected maximum level of short-term cash flow borrowing that is anticipated (£27.0 million).

Prudential Indicators for 2009-10, 2010-11 & 2011-12

Operational Boundary	2009-10 £ million	2010-11 £ million	2011-12 £ million
Borrowing	302.0	299.2	301.5
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**302.2**	**299.4**	**301.7**

16. The Operational Boundary for each year includes a provision for other long term liabilities (£0.2 million for 2009-10).

17. The Operational Boundary is a key management tool for monitoring the Authority's expected level of borrowing. It is essential to ensure that borrowing remains within the limits set and to take appropriate action where any likely breach is anticipated. Monitoring will take place through the year and will be reported to Cabinet.

PrI 5c – Authorised Limit for External Debt

18. The Authorised Limit is the Operational Boundary, including an allowance for unanticipated and irregular cash movements. This allowance is difficult to predict, 15% is proposed for 2009-10 to 2011-12 and this will be kept under review. This allows for the possibility of additional borrowing during the year as a result of Government support for further schemes and provides headroom where the projection proves too optimistic (payments made earlier or receipt of income delayed against that forecast).

Authorised Limit	2009-10 £ million	2010-11 £ million	2011-12 £ million
Borrowing	347.4	344.0	346.8
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	**347.6**	**344.2**	**347.0**

19. The Authorised Limit set by the Authority is the statutory borrowing limit under Section 3(1) of the Local Government Act 2003, a breach would be serious and therefore there is the need to build in headroom.

PrI 6a and 6b – Upper Limit on Fixed Interest Rate Exposures and Variable Interest Rate Exposures, respectively

20. Future interest rates are difficult to predict. Anticipated rates are shown in the main report, under Risk Assessment. Indications are that best value will be achieved by taking long-term loans at fixed rates in 2009-10. However, consideration of short term variable rate loans may prove to be advantageous, both in 2009-10 and future financial years.

21. Interest rates will be monitored closely, in conjunction with Sector, to take advantage of any favourable changes in circumstances. The strategy should still be flexible, the upper limit for fixed interest rate and variable interest rate exposures are set out below.

The Council's upper limit for fixed interest rate exposure for the three year period 2009-10 to 2011-12 is 100% of net outstanding principal sums.

Prudential Indicators for 2009-10, 2010-11 & 2011-12

The Council's upper limit for variable interest rate exposure is 22% for 2009-10, 21% for 2010-11 and 21% for 2011-12 of net outstanding principal sums.

PrI 7 – Upper & Lower Limits on the Maturity Structure of Borrowing

22. The Council’s policy needs to ensure that it is not forced to refinance too much of its long term debt in any year when interest rates are high. The present long-term debt of £190.3 million (December 2008) falls due for repayment over the next 51 years. LOBO (Lender Option Borrower Option) market loans are included at their earliest option dates, which may not be the actual maturity dates.

23. In addition to the main maturity indicators it is considered prudent that no more than 15% of long term loans should fall due for repayment within any one financial year. The actual maximum percentage falling due for repayment in any one year is currently 5.8% (£11 million) in 2035-36. The average interest rate on present long-term debt is 4.291%, which, according to the latest available information is one of the lowest local authority rates.

24. In order to protect the Council from this risk and to safeguard the continuity in treasury management financing costs, the following limits have been adopted, with the proposal that the lower limits are amended to 0%.

Limits on the Maturity Structure of Borrowing	Upper Limit	Lower Limit
Maturing Period:		
- under 12 months	15%	0%
- 12 months and within 24 months	15%	0%
- 2 years and within 5 years	45%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	90%	0%

PrI 8 – Principal Sums invested for periods of longer than 364 days

25. This PrI is covered by the Annual Investment Strategy, which is detailed in Appendix B.

PrI 9 – Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services (“The Code”)

26. All recommendations in this report are consistent with “The Code”, the Cabinet having adopted the latest update of the CIPFA Code of Practice for Treasury Management in the Public Services at its meeting of 22 March 2002.

APPENDIX B

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2009-10

The Main Strategy

1. The general investment policy of the Council is the prudent investment of any surplus cash balances, the priorities of which are:

   a) the security of capital and
   b) the liquidity of investments.

2. The Council will also aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.

3. The Council will not borrow purely to invest or lend-on specifically to make a return.

4. All Council investments will be in sterling. This will avoid foreign exchange rate risk.

5. Investment of the Council's normal cash flow requirements will be in specified investments, as prescribed in the Department for Communities and Local Government's (DCLG) Guidance on Local Government Investments ("The Guidance"). The categories of organisations with whom investments will be placed and the minimum high credit ratings required for each category are those set out in the minimum requirements for high credit rating below.

6. Investments in money market funds may be made if the fund has a high credit rating, as prescribed in the minimum requirements for high credit rating below.

7. In addition, using Sector's professional judgement, non specified investments may be made in UK Government Bonds (Gilts) and in multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a high credit rating, as prescribed in the minimum requirements for high credit rating below.

8. Such investments are the only non-specified investments authorised for use and will only be:

   a) in sterling

   b) in the case of UK Gilts, for a maximum of 50 years; and

   c) for investments maturing in excess of 12 months, limited to £30 million.

9. For specified investments made under Sector recommendations, the approved policy must be followed and is bound by the minimum requirements for high credit rating below.

10. Credit ratings are maintained and monitored monthly against ratings issued by Fitch Ratings Ltd. Following receipt of these ratings from Sector:

    a) any financial institutions meeting the criteria are updated on the list of authorised lenders and investments may then be placed with "qualifying" institutions immediately;

b) if funds are held by an institution that subsequently falls outside the revised credit rating criteria, all funds will be withdrawn from that institution at the earliest opportunity. This will normally be on the maturity of that deposit. If the fall is significant and there are more than three months before the maturity date, negotiations for premature repayment will be pursued;

c) whenever there is a change in the list of authorised lenders, a revised list will be provided to those authorised to deal in investments on behalf of the Council, including its authorised brokers.

The Minimum requirements for "high credit rating"

11. In accordance with the DCLG Guidance on Local Government Investments in respect of selection of counterparties with whom investments are placed, Wiltshire County Council will comply with the minimum requirements below.

12. Credit ratings will be those issued by Fitch Ratings Ltd in respect of individual financial institutions (as shown below, where F1+ is the highest short term rating and AAA the highest long term rating). An exception is made in respect of money market funds, as shown below, where a different overall AAA rating is the highest.

13. The minimum requirements for high credit rating, by type of institution, are as follows:

- **Banks incorporated inside the United Kingdom with a short term credit rating of at least F1;**
- **Banks incorporated outside the United Kingdom with a short term credit rating of at least F1+ and a long term rating of A+;**
- **United Kingdom and Irish (Eire) building societies with a short term credit rating of at least F1 or Government backed;**
- **All local authorities and public bodies (as defined in S23 of the Local Authorities Act 2003)** (ratings are not issued for these bodies);
- **Multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a short term credit rating of at least F1 and long term credit rating of AAA;**
- **All banks & building societies must have an individual rating of at least C;**
- **In addition, all banks and building societies to which the Authority may lend funds must have a support rating of no more than 3;**
- **Money market funds, which have been awarded the highest possible rating (AAA) from at least one of the following credit rating agencies, Standard and Poor's, Moody's Investor Services Ltd or Fitch Ratings Ltd.; and**

- **Deposits must only be placed in money market funds subject to individual signed management agreements.**

14. In addition to the above criteria, the following limits will be applied to the total cumulative investments placed with an individual institution (or group of institutions where there is common ownership):

    a) Up to £15 million:

    - **UK incorporated banks with a long term credit rating of at least AA;**
    - **Overseas banks that have a long term credit rating of at least AA;**
    - **Multilateral development banks;**
    - **Local authorities and other public bodies; and**
    - **Money market funds.**

    b) Up to £8 million:

    - **Other UK incorporated banks (that have a long term credit rating of less than AA but satisfy the credit rating conditions in this appendix);**
    - **Other overseas banks (that have a long term credit rating of less than AA but satisfy the credit rating conditions in this appendix); and**
    - **Building societies with long term credit rating of at least A.**
    - **Government backed UK and overseas banks and building societies**

15. The following investment duration matrix shows the maximum duration for which an investment can be placed, depending on the combination of the individual institution's long term, short term, individual and support ratings (e.g. up to five years where an institution is classified as F1+ (short term rating), AAA (long term rating), A (individual rating) and 1 (support rating) or up to one year where an institution is classified as F1, A+, A, 2).

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2009-10

<u>Investment Duration Matrix</u>

Ratings					
Short Term	**Long Term**	**Individual**	**Support**		
			1	**2**	**3**
F1+	AAA	A	1-5yrs	1-5yrs	1 yr
		A/B	1-5yrs	1-5yrs	3 mths
		B	1-5yrs	1-5yrs	3 mths
		B/C	1-5yrs	1-5yrs	3 mths
		C	1 yr	1 yr	3 mths
	AA+	A	1-5yrs	1-5yrs	1 yr
		A/B	1-5yrs	1-5yrs	3 mths
		B	1-5yrs	1-5yrs	3 mths
		B/C	1-5yrs	1-5yrs	3 mths
		C	1 yr	1 yr	3 mths
	AA	A	1-5yrs	1-5yrs	1 yr
		A/B	1-5yrs	1-5yrs	3 mths
		B	1-5yrs	1-5yrs	3 mths
		B/C	1-5yrs	1-5yrs	3 mths
		C	1 yr	1 yr	3 mths
	AA-	A	1-2yrs	1-2yrs	1 yr
		A/B	1-2yrs	1-2yrs	3 mths
		B	1-2yrs	1-2yrs	3 mths
		B/C	1-2yrs	1-2yrs	3 mths
		C	1 yr	1 yr	3 mths
F1	A+	A	1 yr	1 yr	3 mths
		A/B	1 yr	1 yr	3 mths
		B	1 yr	1 yr	3 mths
		B/C	3 mths	3 mths	n/a
		C	3 mths	3 mths	n/a
	A	A	1 yr	1 yr	3 mths
		A/B	1 yr	1 yr	3 mths
		B	1 yr	1 yr	3 mths
		B/C	3 mths	3 mths	n/a
		C	3 mths	3 mths	n/a