

Report to: **Cabinet**

Date: **26 January 2009**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Treasury Management Strategy for 2009/10**

Purpose of report: **To determine the County Council's Authorised Limit for borrowing, adopt the prudential indicators and limits, to approve the Minimum Revenue Provision (MRP) Statement and to approve the treasury management strategy and policy statement for the remainder of 2008/09 and 2009/10.**

RECOMMENDATIONS

To Cabinet is recommended to recommend the County Council to:

- (i) determine that for 2009/10 the Authorised Limit for borrowing shall be £338m.;**
 - (ii) adopt the prudential indicators and limits as set out in the attached appendix;**
 - (iii) approve the Minimum Revenue Provision (MRP) Statement for 2009/10 as set out in the attached appendix paragraph 6;**
 - (iv) approve the treasury management strategy and policy statement for 2009/10 as set out in the attached appendix.**
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1. Financial Appraisal

1.1 This report contains recommendations about the borrowing limits, the prudential indicators and limits, and strategy and policy changes. The proposed Strategy and Policy for the remainder of 2008/09 and 2009/10 follows previous changes, in the light of the turmoil in financial markets, agreed by the Cabinet in January, the Lead Member in May, and the Cabinet in November. The changes proposed in this report will assist in providing as much safety as possible, and maximum efficiency in that context, in the Council's Treasury Management activities and allow the borrowing necessary to finance the capital programme. The strategy is consistent with the proposed capital programme and revenue budget dealt with elsewhere on the agenda and aims to secure investment income of at least base rate on the Council's general cash balances. As will be clear from the recent events globally and nationally, and recent experiences of some local authorities, it is impossible in practical terms to eliminate all credit risk. This Council seeks to be as prudent as possible.

2. Supporting Information

Introduction

2.1 East Sussex County Council defines its treasury management activities as the management of the organisation's cash flows, its banking, money market and capital market transactions, the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2.2 Under Section 3 (1) of the Local Government Act 2003 and the Prudential Code for Capital Finance 2004, the County Council is required to determine its authorised borrowing limit, to adopt treasury management prudential indicators and limits and to agree its treasury management strategy and policy statement.

2.3 The key driver remains the prudent approach to Treasury Management taken by this authority. The main issue is to receive an investment income on general balances of at least base rate whilst ensuring, so far as possible in the current climate, the security of principal and the minimisation of potential risk exposure.

The list of organisations used for investment

2.4 It is necessary to continually review the list of approved organisations used and amounts able to be lent to the organisations used for investment of surpluses. In the last year, there have been regular changes to the list of approved organisations used for investment of short term surpluses. The proposals for the remainder of 2008/09 and 2009/10 are set out in the Appendix (paragraph 3.5).

Current risks and their management

2.5 The situation on the investment of surplus funds changed substantially at the beginning of 2008. The money markets became extremely volatile with Banks reluctant to lend to each other and the rates varying substantially from day to day and from Bank to Bank. Ensuring the security of investments has become even more difficult and extreme caution has had to be taken on where surplus funds are invested. The proposals set out in the Appendix continue with this prudent approach and ensure that all new investments outside the Government's Debt Management Account will be on immediate access (24 hour maximum).

Operational Boundary and Authorised Limit for borrowing

2.6 The background information and the calculation of the revised limits for 2009/10 of £318m (Operational Boundary) and £338m (Authorised Limit) are set out in the attached appendix (paragraph 4).

Prudential indicators and limits for Treasury Management

2.7 These are self-imposed prudential indicators and limits that are set on an annual basis. The indicators which relate to treasury management are set out in paragraph 5 of the appendix.

Capital Financing Requirement and Minimum Revenue Provision statement

2.8 This is set out in paragraph 6 of the appendix to comply with best practice.

Treasury management strategy and policy statement for 2009/10

2.9 The policy statement remains virtually unchanged from the current year and is set out in paragraph 7 of the attached appendix. The strategy proposed for the remainder of 2008/09 and 2009/10 is as set out in paragraph 3 of the attached appendix.

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BACKGROUND DOCUMENTS

Cabinet – 29 January 2008- Agenda Item No 11 Treasury Management Strategy for 2008/09

Lead Member of Corporate Resources 27 May 2008-Agenda Item 6 Treasury Management Strategy for 2008/09

Cabinet – 25 November 2008- Agenda Item No 7 Further Revisions to the Treasury Management Strategy for 2008/09

CIPFA Treasury Management in the Public Services- Code of Practice

Prudential Code for Capital Finance 2004

Local Government Act 2003

Local Government Investments – Guidance from the former Office of the Deputy Prime Minister.

Appendix to Cabinet Report - Treasury Management Strategy for 2009/10

1. Background information

1.1 Cabinet receive an annual Treasury Management Strategy report, normally in January or February, which sets out the proposed strategy for the year ahead. This strategy includes the limits and criteria for organisations to be used for the investment of cash surpluses and has to be approved by the County Council.

1.2 This Council has always adopted a prudent approach on its investment strategy and in the last few years, there have been regular changes to the list of the approved organisations used for investment of short term surpluses. This list is regularly reviewed to ensure that the Council is able to invest in the best available rates consistent with low risk; the organisations are regularly monitored to ensure that their financial strength and low risk has been maintained.

1.3 The situation on the investment of surplus funds changed substantially early in 2008. The money markets became extremely volatile with Banks reluctant to lend to each other and the rates varying substantially from day to day and from Bank to Bank. In this climate ensuring the security of investments become even more difficult and extreme caution had to be taken on where surplus funds were invested.

Strategy and amendments to strategy for 2008/09 to date

1.4 The strategy for 2008/09, agreed in January 2008, included two changes to the investment arrangements to take account of the increased risk. The first change related to the credit ratings used to gauge the financial viability and strength of banks and other organisations, the second was to further restrict the period of some investments.

1.5 Due to the worsening situation in the financial markets further changes were put into place and were approved by the County Council in July 2008 following a report to the Lead Cabinet Member for Corporate Resources in May 2008. As a result of the continuing deterioration of the banking sector, the reduced ratings of some banks and the collapse of the Icelandic banks, further changes were endorsed by Cabinet in November 2008.

1.6 As the money markets had been particularly volatile it was necessary to review and adjust the investment tactics on a daily, sometimes hourly basis.

The following revisions were made in November and are still current (but see 3.2):

- Except for existing term investments or those with the Government Debt Management Account Deposits Facility (DMADF) at the Bank of England all new investments were to be on daily access terms.
- Only UK banks which are eligible for the Government's Credit Guarantee Scheme and meet the following minimum rating criteria to be used:

<u>Ratings agency</u>	<u>Long term</u>	<u>Short term</u>
Fitch	AA-	F1+
Moody	AA3	P-1
Standards and Poors	AA-	A-1+

- All new investments of surplus funds to be limited to Nat West, HBOS, and Abbey (maximum £25m exposure to each) with the balance at DMADF. Reinvestment of the current term deposits will be in accordance with this strategy (which means they will be invested with DMADF)

2 Formulating a Strategy for the remainder of 2008/09 and for 2009/10

Borrowing

2.1 The County Council has had a strategy to borrow to support the Capital Programme and it lends out other cash (rather than using internal borrowing). Historically this meant that the interest

rate earned on cash balances was higher than the interest rate paid on loans from the Public Works Loans Board (PWLB). In the current financial climate, this interest rate differential has been removed. No new PWLB borrowing has taken place since January 2008 and is unlikely in the current climate unless long term PWLB rates reach a very low level (where the long term benefit would exceed the short term costs). Indeed, as well as using the existing cash balances to finance capital spending (rather than new borrowing) it is also considered prudent to repay early some £13m of relatively expensive PWLB loans which are due to mature in the next 5 years. This would reduce the overall counterparty risk on lending, and give some modest savings (even after paying the PWLB premium for early redemption).

Investment

2.2 There are fixed deals taken before our change to a mainly overnight investment strategy that will continue into 2009/10. These six deals amounting to £30m. are deposited with Lloyds HBOS (£15m.), HSBC (£5m.) and Toronto Dominion (£10m.) and are currently considered as an acceptable risk.

2.3 It is important to take account of the current and predicted future state of the financial sector. The state of the money markets has not improved over the last few months. The following factors must be taken into account:

- The economy has fallen into recession after a period of sustained growth.
- House prices have dropped in the past year and the inflation rate will fall further in 2009/10.
- The Banking sector still has serious problems and there is still uncertainty of lending within and between banks.
- The bank base rate which started 2008/09 at 5.25% has reduced five times and now stands at 1.5% (the lowest rate it has ever been).
- The base rate may not be at its lowest point and future rate cuts may occur.
- Borrowing rates have fallen but not as quickly as the bank base rate.
- The County Council is now receiving a lower rate of interest on its lending than it is paying on its borrowing.

2.4 If the current strategy for 2008/09 agreed in November was continued into 2009/10, the vast majority of the County Council's investments would be with the Government Debt Management Account Deposits Facility (DMADF). The rate of interest on these deposits for all periods quoted (overnight to six months) has been consistently lower than the bank base rate by 0.5% to 1.25%. The reluctance of the DMADF to pay a reasonable rate of interest and the impact of the fall in base rates from 5.25% at the start of the financial year to a current figure of 1.5% has serious consequences on the budget for Treasury Management. This is dealt with in the Reconciling Policy and Resources report elsewhere on this agenda.

2.5 The strategy going forward must continue with the policy of ensuring minimum risk but will also need to deliver more than DMADF rates if the aim is to secure investment income of at least base rates on the Council's cash balances. Different types of investments have been appraised including their positive and negative merits, how they work and rates and periods of their deposits. Details of the following types of investment are set out in Annex 1:

- DMADF deposits
- Government securities – Gilts
- Treasury backed money market funds
- British banks and types of deposits
- Other banks
- Other local authorities
- Money market funds
- Use of external managers

Other approaches to investment will continue to be kept under review.

2.6 As Annex 1 shows the achievement of base rate will require the level of deposits in acceptable investments paying in excess of base rate to be up to twice the level of deposit in the DMADF account which pays less than base rate and the proposed strategy set out later reflects this requirement.

2.7 The existing Treasury Management Strategy treats the whole cash balance as one fund whereas the balance is made up of a number of different elements:

- 1) Fire Authority cash balances
- 2) Certain reserves which receive interest (e.g. Schools LMS balances, corporate waste reserve, insurance reserve)
- 3) Other County Council balances and reserves

It is proposed to treat these three groups differently in the future. The Fire Authority deposits will be invested in line with its own separate Treasury Management Policy (rather than being subsumed within the limits contained in the County Council Policy). The deposit of the interest earning reserves (based on their opening balance for the year) will all be with DMADF and the rate paid on those reserves will accordingly be the DMADF rate earned (below base rate). The balance of County Council funds will be invested in line with the Treasury Management Strategy set out below with the aim of achieving interest of at least base rate.

3 Proposed Strategy for the remainder of 2008/09 and for 2009/10

3.1 In the current economic climate it is essential that a very prudent approach is maintained. This will be primarily achieved through investing with DMADF and on an overnight basis with selected banks and funds which meet the Council's rating criteria.

3.2 It is also important to recognise that movements within the money markets can happen with no notice and the Deputy Chief Executive and Director of Corporate Resources may have to amend this strategy in order to safeguard Council funds. As in the past any such actions will be reported to the next Cabinet meeting. An example of that is exercising a judgement to place more weight on UK Government's moral guarantee to high street banks if there are marginal movements in credit rating for the same high street banks.

3.3 It is not expected that any new external borrowing will be undertaken in the next 15 months however the limits set out in paragraph 4 would allow such borrowing. External borrowing will only take place if the rates available are so low that the long term benefits will significantly exceed the short term cost.

3.4 As well as using internal borrowing to finance new capital investment it is further proposed to repay some £13m of existing PWLB loans. Further cost effective repayment opportunities will be taken if and when they emerge.

3.5 The different elements of the total cash balances to be invested will be dealt with as follows:

- 1) Fire Authority – invested in line with their own specific policy and in the first instance assumed to mirror County Council policy at 3 below (estimated average £11m)
- 2) Interest on specific Council reserves – invested solely in DAMDF (estimated average £85m)
- 3) Balance of Council funds (estimated average £180m)
 - Up to £120m maximum deposited on an overnight basis only with any of the following to the individual limits shown:

Bank / Fund	Proposed Maximum Investment
Barclays	£35m
Lloyds HBOS	£35m
Nat West (call account maximum)	£35m
Abbey	£35m
Treasury backed money market funds (AAA rated)	£35m
Money Market Funds (AAA rated)	£35m

Only banks which are eligible for the Government's Credit Guarantee Scheme and meet the following minimum rating criteria to be used (with the exception of Nat West, the Council's existing bankers, which currently fall below this criteria on the Standard and Poors rating only – but this will be kept under close review).

Ratings Agency	Long Term	Short Term
Fitch	AA-	F1+
Moody	AA3	P-1

- The balance in excess of £120m to be deposited with DMADF.

4 Authorised Limit for borrowing in 2009/10

4.1 The Government introduced a new system for capital finance from 1st April 2004. An objective of this new system was to move away from controlling borrowing through the issue of borrowing approvals, towards a system of self-regulation. This is based on a code of practice developed by CIPFA- the Prudential Code.

The Authorised Limit for borrowing determined for 2009/10 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

4.2 The Prudential Code for Capital Finance allows capital borrowing to be planned over the same timescale as capital spending. The code states:

“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 external 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 financial years”.

The limits set out later in this report have been based upon the amount of capital spending to be financed through borrowing in 2009/10 and following financial year. Whilst the Prudential Code would allow a higher limit than this (2009/10 and next two financial years) it is considered prudent at this stage to base the limits upon 2 years. This approach was agreed by the County Council in July 2004 and has worked well.

4.3 For 2009/10 it is estimated that the Authorised Limit for borrowing should be determined as usual although, as stated earlier, additional external borrowing is not expected to be undertaken,

		£m.
	Opening Balance at 1 st April 2009	286
	New borrowing for capital programme	22
	Less repayment of debt	<u>-11</u>
A	Closing balance (no borrowing in advance)	297
B	Advance borrowing allowed (£10m plus net borrowing for following year)	<u>21</u>
A + B	Operational Boundary	318
C	Short term borrowing	<u>20</u>
A + B + C	Authorised Limit	<u>338</u>

5 Prudential indicators and limits

5.1 There are self-imposed prudential indicators and limits that are set on an annual basis. The indicators which relate to treasury management are included below:

- Operational Boundary and Authorised Borrowing Limit (which also include short term borrowing) (see paragraphs 5.2 and 5.3 below)
- Interest rate exposures (see paragraph 5.4 below)
- Maturity structure of debt (see paragraph 5.5 below)
- Compliance with the treasury management code of practice (see paragraph 5.6 below)
- Maturity structure of investments (see paragraph 5.7 below)

Operational Boundary and Authorised Limit for Borrowing

5.2

	Actual 2007/08	Near Actual 2008/09	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12
	£m	£m	£m	£m	£m
Opening Balance	260	274	286	297	306

	New borrowing for capital programme	25	23	22	21	21
	Less repayment of debt	-11	-11	-11	-12	-12
A	Closing balance (no borrowing in advance)	274	286	297	306	315
B	Advance borrowing allowed (£10m plus net borrowing for following year)	21	20	21	21	21
A+B	Operational Boundary	295	306	318	327	336
C	Short Term (£20m)	20	20	20	20	20
A+B+C	Authorised Limit	315	326	338	347	356
D	Borrowing to date	270	277			
D-A	Remainder of planned borrowing	4	9			

The proposed Operational Boundary for borrowing is based on the same estimates as the Authorised Limit but without the additional amount for short term borrowing included to allow, for example, for unusual cash movements. The Operational Boundary represents a key management tool for in year monitoring and long term borrowing control.

5.3 The Authorised Limit is consistent with the Council's current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of the prudent but not worst case scenario plus sufficient headroom (short term borrowing) over and above this to allow for day to day operational management, for example unusual cash movements or late receipt of income.

Interest rate exposure

5.4 The Council will continue the current practice of seeking to secure competitive fixed interest rate exposure. It is proposed to continue to set limits which would allow variable rate borrowing and lending in case that becomes a more effective approach. The table below shows both borrowing and lending and a combined borrowing and lending table.

<u>Borrowing</u>	2008/09 Projected <u>Outturn</u>	2009/10 <u>Estimate</u>	2010/11 <u>Estimate</u>	2011/12 <u>Estimate</u>
Fixed Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit *	100%	87%	85%	82%
Variable Rate Exposure				
Upper Limit	0%	13%	15%	18%
Lower Limit *	0%	0%	0%	0%

(* assumes all new borrowing is variable)

Lending

Fixed Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	0%	0%	0%	0%

Variable Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	0%	0%	0%	0%

Borrowing and Lending combined

Fixed Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	46%	42%	41%	40%
Variable Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	0%	0%	0%	0%

Maturity structure of debt

5.5 The Council has set upper and lower limits for the maturity structure of its borrowings as follows.

	<u>Lower limit</u>	<u>Upper limit</u>	<u>Current</u>
Under 12 months	0%	25%	0%
12 months and within 24 months	0%	40%	1%
24 months and within 5 years	0%	60%	4%
5 years and within 10 years	0%	80%	8%
10 years and above	0%	100%	87%

Compliance with the treasury management code of practice

5.6 East Sussex County Council has adopted the *CIPFA Code of Practice for Treasury Management in the Public Services*

Maturity structure of investments – Investment of surpluses for a period of up to 5 years.

5.7 Investments will be made in line with the strategy set out in paragraph 3 and are unlikely to be for any periods beyond 6 months (the current maximum length DMADF deal). The table below shows the maximum amount that could be lent out for over 1 year if DMADF do provide such a facility.

Year	Opening balance	Net movement Addition or (reduction)	Closing balance	Waste Maximum Over 1 year	Limit Over 1 year
	£m	£m	£m	£m	£m
2009/10	67	4	71	71	75
2010/11	71	(1)	70	70	75
2011/12	70	4	74	74	80
2012/13	74	6	80	80	85
2013/14	80	7	87	87	90

6 Capital Financing Requirement and Minimum Revenue Provision (MRP) Statement

The Council's Borrowing Need (the Capital Financing Requirement)

6.1 The prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need.

6.2 The Council is asked to approve the CFR projections below:

£m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Total CFR	286	297	306	315
Movement in CFR	12	11	9	9

Movement in CFR represented by				
Net financing need for the year (above)	23	22	21	21
MRP/VRP and other financing movements	-11	-11	-12	-12
Movement in CFR	12	11	9	9

6.3 The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), and also allowed to undertake additional voluntary payments (VRP), i.e., £200,000 in 2009/10.

6.4 CLG Regulations have been issued which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

6.5 For capital expenditure incurred before 1 April 2008 or which in the future will Supported capital Expenditure, the MRP policy will be:

- Based on based on the non-housing CFR, i.e., The Council currently set aside a Minimum Repayment Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR.

6.6 From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option will be applied for any expenditure capitalised under a Capitalisation Direction).

7 Treasury Management Policy Statement for 2009/10

It is recommended that the Treasury Management Policy Statement for 2009/10 should be unchanged. The Statement is set out below

East Sussex County Council defines its treasury management activities as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions, the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The County Council regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Different types of investments

Type of deposit	Merits	Drawbacks	How they work	Counterparty	Indicative Rates (Assumed base rate of 1.5%)	Periods
DMADF	Safety as Government backed Minimum risk	Below base rate returns No automatic rollover of deals which increases the administration and bank charges	Deposit to DMADF for agreed period	DMADF	0.6% -0.85%	Up to 6 months
Gilts	Safety as Government backed Very low risk	Issued via auction and then traded therefore risk of capital loss Dealing through a manager and therefore high admin costs Custodian fees to pay Considered long term investment and therefore potential for loss to achieve immediate access	Deal through a manager (agreed policy on period, amount etc.)		<u>Butlers Yield Information</u> 2 Year 0.90% 3 Year 1.50% 4 Year 2.10% 5 Year 2.40%	Assumed between 2-5 years
Treasury backed money market funds	Funds invested in Government Securities UK Government securities (e.g. Treasury Bills) Rated AAA Immediate Access	May include European Government Securities Only recently set up so no history on returns Only three providers in the market Northern Trust, Barclays and Aviva Risk of high fund manager fees	Deposit to Fund direct Daily withdrawals possible		0.85% - 0.9%	Daily withdrawals
UK Banks Call accounts	Able to withdraw on daily basis Low risk due to daily call option but ratings vary	Not all UK banks competitive as Lloyds, Barclays and HSBC below base returns NatWest currently below credit ratings criteria Risk of downgrading of credit ratings Risk of policy change as a result of Lloyds takeover of HBOS HBOS the most competitive but risk this will change due to takeover	Deposit or withdraw on daily basis	Lloyds, Barclays, HSBC	Base - 1% (0.5%)	Overnight
			Deposit or withdraw on daily basis	NatWest	2.00% (0.5% over base)	Overnight
			Deposit or withdraw on daily basis	HBOS	2.00% (0.5% over base)	Overnight
Other banks Call accounts	Able to withdraw on daily basis Low risk due to daily call option but ratings vary	Not many banks are in this market Abbey or Alliance as both part of Santander Group Clydesdale (NAB) could be used if required	Deposit or withdraw on daily basis	Abbey Clydesdale	1.8% (0.3% above base) 1.8% (0.3% above base)	Overnight Overnight
UK Banks Fixed term deposits	Fairly safe deposit Ratings vary - some acceptable Rates exceed base	Not all are interested in our deposits Funds not immediately available NatWest currently below credit ratings criteria Amalgamation of Lloyds and HBOS cannot invest to both	Fixed term deposits		One month 1.71% Three months 2.53% Six months 2.77% Twelve months 3.00%	As invested between 2 days to 1 year
Foreign Banks Fixed term deposits	Ratings vary - some acceptable	Risk of changes to credit ratings and government policy Funds not immediately available	Fixed term deposits		One month 1.25% Three months 2.19% Six months 2.32% Twelve months 2.33%	As invested between 2 days to 1 year
Irish banks	Covered by Irish Govt guarantee until 29 September 2010	Risk that the guarantee would not hold good S&P Ratings Outlook for Republic of Ireland changed from Stable to Negative (Jan 09)	Call account Fixed Term Deposits	Bank of Ireland	1.75% (0.25% above base) One month 1.60% Three months 2.24% Six months 2.37% Twelve months 2.51%	Overnight As invested between 2 days to 1 year
Money Market Funds	Highly rated (AAA) Credit Rating agencies monitor fund regularly Rates less volatile to base rate changes Funds immediately available	AAA rated but underlying investments are not AAA securities Fund Managers Fees Not all funds have a constant net asset value. Shares in constant NAV are issued with an unchanged face value (£1 per share)	Deposit or withdraw on daily basis		1.85% to 2.0%	Overnight
Other local authorities	Minimum risk Better rates than DMADF	Administration of deal Only available if OLA wants to borrow Only limited opportunities most LA's are lenders	Short term only up to one month Deal through third party		0.85% - 0.90%	As required
External fund managers	Safety depends on where they invest Ratings vary - some acceptable Funds immediately available	Fees Past record of interest paid poor (even excluding fees) Erratic returns to a benchmark (7 day LIBID)	Depends on the manager's brief and limits		Marginally better returns than 7 Day LIBID - currently 1.58%	Usually assessed over 12 month period

