APPENDIX 1

SCOTTISH BORDERS COUNCIL

TREASURY MANAGEMENT MID-YEAR REPORT 2014/15

Draft – Pending 11 November Executive

1. BACKGROUND

a) Treasury management is defined as:

"The management of the local authority's 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. "

b) The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. A primary function of treasury management is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially, before considering optimising investment return.

c) The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, where favourable conditions exist, any debt previously drawn may be restructured to meet Council risk or cost objectives.

d) **Annex A** contains a summary of the updated Prudential and Treasury Management Indicators for 2014/15 as highlighted throughout this report.

2 ECONOMIC POSITION

2.1 ECONOMIC UPDATE *(from Capita Asset Services)*

a) UK

After strong UK GDP (Gross Domestic Product) quarterly growth of during in 2013, (resulting in an annual rate of 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (year to date rate of 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging although the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance.

This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May and July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly near to 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q1 or Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

b) **U.S.**

In September, the US Federal Reserve continued with its monthly $10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from $85bn to $15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised).

The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions.

c) **Eurozone**

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all Eurozone countries and includes some countries with negative rates of inflation. Accordingly, the ECB (European Central Bank) took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

2.2 ECONOMIC OUTLOOK

a) Economic forecasting remains difficult with so many external influences weighing on the UK. Potential upside risks, especially for PWLB (Public Works Loan Board) rates include:

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Downside risks currently include:

- The situation over Ukraine poses a major threat to Eurozone and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world.
- UK strong economic growth is currently dependent on consumer spending and the unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partners - the EU and US, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and therefore heightened the potential for an increase in risks in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

2.3 INTEREST RATE FORECAST

a) Table 1 summarises the latest interest rate forecast from the Council's treasury adviser, Capita Asset Services.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
5yr PWLB rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
10yr PWLB rate	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
25yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
50yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%

***Source**: Capita Asset Services – October 2014*.

b) Capita Asset Services undertook a review of its interest rate forecasts on 24 October. During September and October, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, plus fears around Ebola and an accumulation of dismal growth news in most of the ten largest economies of the world and also on the growing risk of deflation in the Eurozone, had sparked a flight from equities into safe havens like gilts and depressed PWLB rates. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2015.

3 TREASURY MANAGEMENT POLICY STATEMENT - UPDATE

a) The Treasury Management Policy Statement (the Statement) was approved by Council in April 2010. There were no policy changes to the Statement. The details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4 COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2014/15

4.1 This part of the report is structured to update:

- The Council's capital expenditure plan.
- How these plans are being financed.
- The impact of the 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 activity.

4.2 CAPITAL EXPENDITURE
(Prudential Indicator (PI-1)

a) The original capital plan for 2014/15 was approved on 6 February 2014. **Table 2** shows the current budgets for capital expenditure compared to the original estimates used in the Treasury Management Strategy report for 2014/15.

Table 2	**2014/15 Original Budget £m**	**2014/15 Current Approved Budget £m**	**Variance Original to Current Approved £m**
Place	25.5	29.8	4.3
People	8.5	8.9	0.4
Chief Executive	7.9	7.1	(0.8)
Emergency & Unplanned Schemes	0.3	-	(0.3)
Total Capital Expenditure *(PI-1)*	**42.2**	**45.8**	**3.6**

b) The current approved budget for 2014/15 is higher than the original budget as mainly as a result of the impact of the 2013/14 out-turn in terms of re-profiling expenditure into 2014/15. Detailed explanations of the additional movements within the planned expenditure have been reported in the ongoing monitoring reports, the last of which was to the Executive on 11 November 2014.

4.3 FINANCING OF THE CAPITAL PROGRAMME

a) **Table 3** on the following page draws together the main funding elements of the capital expenditure plans (see 4.2 above), comparing the original components of the funding strategy to those of the latest approved budget for the 2014/15 capital programme.

Table 3	**2014/15 Original estimate £m**	**2014/15 Current Approved Budget £m**	**Variance - Original to Current Approved £m**
Capital Expenditure (PI-1) Other Relevant Expenditure	42.2 18.7	45.8 6.0	3.6 (12.7)
Total Expenditure	**60.9**	**51.8**	**(9.1)**
Financed by: Capital fund/Capital receipts Capital grants & other contributions Plant & Vehicle Fund	 (2.7) (29.9) -	 (1.2) (30.2) (4.0)	 1.5 (0.3) (4.0)
Total Financing	**(32.6)**	**(35.4)**	**(2.8)**
Net Financing Need for the Year	***28.3***	***16.4***	***(11.9)***

b) The reduction in overall financing need has arisen primarily due to the re-profiling the timing of the "Other Relevant Expenditure" which relates to lending to Registered Social Landlords (RSLs) and the National Housing Trust project via Bridge Homes LLP. The Scottish Government has issued guidance related to the consent to borrowing for lending to RSLs and this has lend to a delay as the RSLs are now re-evaluating their proposals to establish whether they meet the criteria within this guidance.

4.4 CAPITAL FINANCING REQUIREMENT AND EXTERNAL DEBT INDICATORS
(Prudential Indicators 2, 5 to 8)

CAPITAL FINANCING REQUIREMENT (CFR) *(PI-2)*

a) **Table 4** above shows the CFR, which is the underlying need to incur external borrowing for a capital purpose.

b) The CFR has been re-calculated in light of the changes to the capital plan and the fixed asset and reserve valuations in the Council's accounts for the year ending 31 March 2014.

Table 4	**2014/15 Original estimate £m**	**2014/15 Revised estimate £m**	**Variance £m**
CFR * *(PI-2)*	**282.6**	**266.1**	**(16.5)**

* *The CFR for this calculation includes current capital expenditure to 31 March 2014*

ACTUAL EXTERNAL DEBT *(PI-5)*

c) Projected external debt for 2014/15 is shown in **Table 5** below and is estimated to remain within the operational boundary.

d) **Table 5** also compares the current projected external borrowing estimate with the estimate in the Annual Strategy. The borrowing figure is slightly lower than originally projected as the Council has had sufficient cash balances to meet expenditure requirements without further borrowing.

e) No additional external borrowing has been undertaken during 2014/15 to date, though current cashflow estimates indicate that there will be a requirement to borrow to fund capital expenditure in the second half of the year, dependant on the timing of financing requirements for the RSLs and/or Bridge Homes LLP.

Table 5	**2014/15 Original estimate £m**	**2014/15 Current Approved Budget £m**	**Variance £m**
Borrowing	210.5	176.6	(33.9)
Other long-term liabilities	56.1	55.9	(0.2)
Total External Debt (PI-5)	**266.6**	**232.5**	**(34.1)**

(UNDER)/OVER BORROWING AGAINST CFR *(PI-6)*

f) A key control over treasury activity is a prudential indicator to ensure that, over the medium term, borrowing will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and next two financial years. This allows some flexibility for limited early borrowing for future years.

g) **Table 6** compares the prudential indicator for (under)/over borrowing against CFR versus the updated estimate for the year end and shows that the Council's actual debt levels are well within its capital financing requirement. This is primarily driven by the tactical measures which use the Council's surplus cashflows to finance capital expenditure rather than enter into new debt financing arrangements.

Table 6	**2014/15 Original estimate £m**	**2014/15 Current Approved Budget £m**	**Variance £m**
Gross External Debt	**266.6**	**232.5**	**(34.1)**
CFR *	294.8	291.5	(3.3)
(Under)/Over Borrowing against CFR *(PI-6)*	**(28.2)**	**(59.0)**	**(30.8)**

** The CFR for this calculation includes the current and two future years projected capital expenditure.*

h) No difficulties are envisaged for the current or future years in complying with this prudential indicator.

AUTHORISED LIMIT AND OPERATIONAL BOUNDARY *(PI-7 and PI-8)*

i) Two further prudential indicators control the overall level of borrowing. These are:

(i) The **Authorised Limit** represents the limit beyond which borrowing is prohibited and the expected maximum borrowing need for the Council. It needs to be set and revised by Members. The Authorised Limit is the statutory limit determined under the Local Government in Scotland Act 2003.

(ii) The **Operational Boundary** shows the expected operational debt position for the period.

j) **Table 7** below shows revised estimates for the debt indicators for the 2014/15 financial year and compares them with the original estimates shown in the 2014/15 Treasury Management Strategy Report.

Table 7	**2014/15 Original estimate £m**	**2014/15 Revised estimate £m**	**Variance £m**
Gross External Debt *(PI-5)*	**266.6**	**232.5**	**(34.1)**
Authorised Limit inc. Long Term Liabilities*(PI-8a)*	**340.6**	**308.1**	**(32.5)**
Variance to External Debt Estimate	*74.0*	*75.6*	*1.6*
Operational Boundary inc. Long Term Liabilities *(PI-7a)*	**279.8**	**258.3**	**(21.5)**
Variance to External Debt Estimate	*13.2*	*25.8*	*12.6*

4.9 DEBT RESCHEDULING

Debt rescheduling opportunities continue to have been limited in the current economic climate. No debt rescheduling was undertaken during the first six months of 2014/15. The position will continue to be monitored on an ongoing basis.

5 INVESTMENT ACTIVITY

5.1 INVESTMENTS

a) In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the introduction of the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

b) The Council held £17.6m of balances in interest bearing accounts as at 30 September 2014 (£11.8m at 31 March 2014), and the investment yield for the first six months of the year was 0.37% against a benchmark of the average 7 day LIBID rate of 0.35%. As a result of current market uncertainties, the Council has been prioritising the security of deposits by investing surplus balances with money market funds and the UK Government's Debt Management Office (DMO).

c) The Council, due to the current cashflow position and the requirement to manage the Pension Fund cash as well as the Council's, continues to explore opportunities to invest surplus balances in the short term. As part of this, and within the Treasury Management Strategy's Investment criteria officers are intending to expand the counterparty list used for operational purposes to include Svenska Handelsbanken through the use of a call account.

5.2 INVESTMENT COUNTERPARTY CRITERIA

a) The current investment counterparty criterion, approved in the Treasury Management Strategy, represents a prudent approach to risk and the Council's concerns about security of investments. These prudent limits mean there are limited investment options when operating the cash-flow on a short term management basis.

b) The Bank of Scotland is the Council's own bank for transactional receipts and payments. Although the bank only has a single 'A' long term credit rating from the main credit rating agencies, which is the lowest counterparty credit rating for investments as defined in the approved 2014/15 Treasury Management Strategy, it still remains a part-nationalised bank. On this basis, and as the Council currently only has an instant access investment account with the bank, it is proposed that the Council continue to allow the use of £5m as the daily maximum to be held with the Bank of Scotland to allow the daily cash management functions to operate effectively.

c) The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during this financial year. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

d) It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of support that has been built into ratings through the financial crisis. The eventual removal of implied Government support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

e) Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

f) As a result of these rating agency changes, the credit element of our future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, we will continue to utilise CDS prices as an overlay to ratings in our new methodology.

6 TREASURY PERFORMANCE INDICATORS

The Treasury Management Strategy for 2014/15 established certain performance indicators for the Treasury Management Function, as defined below.

6.1 DEBT PERFORMANCE INDICATORS

These indicators are additional to the prudential & treasury management indicators covered earlier in this report. The Indicators are:

i) **Average 'Pool Rate'** charged by the Loans Fund compared to Scottish Local Authority average Pool Rate. Target is to be at or below the Scottish Average for 2014/15.

ii) **Average rate movement year on year**. Target is to maintain or reduce the average borrowing rate for the Council versus 2013/14.

The Average 'Pool Rate' can only be measured at the end of the financial year, once the Scottish Treasury Indicators have been published. The Average Rate movement year on year is on target to be maintained/reduced.

6.2 INVESTMENT PERFORMANCE INDICATORS

a) SECURITY

The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is 0.02% historic risk of default when compared to the whole portfolio.

Year to Date (YTD) Performance of this indicator is **0.02% historic risk** which is equivalent to the benchmark, if overnight deposits with the Council's own bank, the Bank of Scotland, are taken into account. Excluding Bank of Scotland deposits, the risk of default on deposits was 0.01%, which is lower than the benchmark. This was achieved by investing with counterparties with higher credit ratings, especially in money market funds (AAA credit rating), which have a lower historic risk of default. Security risk was also managed by utilising only overnight or short term notice accounts.

b) LIQUIDITY

k) Liquid short term deposits should be at least £3,000,000, available with a week's notice.

Liquid deposits were maintained above £3,000,000 throughout the six months to 30 September 2014.

ii) Weighted Average Life benchmark, i.e. the average length of time over which cash is deposited, is **expected to be 0.5 years** (equivalent to a weighted average life of 6 months), with a **maximum of 1.00 years.**

The YTD weighted average life has been 0.01 years, well below the 0.5 year target. This 2014/15 figure also included money deposited in money market accounts, which could be called back at any time.

c) YIELD

i) Internal returns on cash investment above the 7 day LIBID rate.

The return for the six months to 30 September 2014 has averaged 0.37%, compared against an average seven day LIBID rate of 0.35%. This reflects the continued priority on ensuring cash is held in a secure and liquid form (as described in paragraph 5.2).

6.3 LOAN CHARGES

a) The **Loan Charges** Revenue Budget estimate contained in the Council's Financial Plans approved on 6 February 2014 was £20.76m. It is expected that charges for 2014/15 will be lower than the budgeted figure, as no additional external debt has been undertaken to date in 2014/15. Updates on the estimates will continue to be reported as part of the revenue budget monitoring process.

b) The Council approved the establishment of a Treasury Management Earmarked Balance to enable the Council to manage the movements in interest rates more effectively. At the Executive on the 11 November 2014 it was agreed to transfer some of the projected underspend on the Loans Charges in 2014/15 into this Balance.

ANNEX A

Indicator Reference	Indicator	Page Ref.	2014/15 Original estimate	2014/15 Revised estimate
PRUDENTIAL INDICATORS				
Capital Expenditure Indicator				
PI-1	Capital Expenditure Limits	6	42.2	45.8
PI-2	Capital Financing Requirement (CFR)	7	282.6	266.1
Affordability Indicator				
PI-3	Ratio of Financing Costs to Net Revenue (inc PPP repayment costs)	N/A	10.4%	9.4%
PI-3	Ratio of Financing Costs to Net Revenue (exc PPP repayment costs)	N/A	9.5%	8.5%
PI-4	Incremental (Saving)/ Cost Impact of Capital Investment Decisions on Council Tax	N/A	(0.01)	(0.03)
External Debt Indicators				
PI-5	External Debt	7	£266.6m	£232.6m
PI-7a	Operational Boundary (inc. Other Long Term Liabilities)	8	£279.8m	£258.3m
PI-7b	Operational Boundary (exc. Other Long Term Liabilities)	8	£223.7m	£194.1m
PI-8a	Authorised Limit (inc. Other Long Term Liabilities)	8	£340.6m	£308.1m
PI-8b	Authorised Limit (exc. Other Long Term Liabilities)	8	£284.5m	£252.1m
Indicators of Prudence				
PI-6	(Under)/Over Net Borrowing against the CFR	8	(£28.2m)	(£59.0m)
TREASURY INDICATORS				
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt		£279.8m	£258.3m
TI-2	Upper Limit to Variable Interest Rates based on Net Debt		£97.9m	£90.4m
TI-3	Maturity Structure of Fixed Interest Rate Borrowing		**Lower**	
	Under 12 months		0%	
	12 months to 2 years		0%	
	2 years to 5 years		0%	
	5 years to 10 years		0%	
	10 years and above		20%	
TI-4	Maximum Principal Sum invested greater than 364 days	12	20%	20%