



SHORT TERM INVESTMENT POLICY

1. Background

- 1.1 The continuing uncertainties and fluctuations in the United Kingdom and world financial markets require an investment policy which focuses on protecting the investments rather than maximising interest that can be earned. The Directors will be asked to consider any new advice from the DFE which may amend the policy set out below.
- 1.2 When the Trust was established the consultants, Navigant Consulting, with the agreement of the Sponsors opened bank accounts with Lloyds TSB Plc. These remain the Trust's accounts.
- 1.3 As interest rates decline and may well fall to zero percent the amount of interest earned naturally declines. As of the 30th of September 2014 it should be noted that market expectations are of a rate rise in late 2014/early 2015, and as such the investment policy should adjust accordingly.
- 1.4 The return on overnight deposits and longer term investments is determined by the Bank of England's base rate, the credit worthiness of the institution invested in and the size of the deposit and the length of period for which it is to be deposited.

2. Approved Institutions

- 2.1 In the present circumstances it is recommended that short term investments are restricted to the following institutions:-

The Bank of England's Debt Management Office. This is an organisation which will currently invest overnight deposits of more than a million pounds. The investing organisation has to register with the Bank of England and investments are arranged by telephone transaction.

This investment is the safest form of investment but when administration costs and other expenses are taken into account it is a very low rate of return. For example:-

Short term Investments with anyone of the following United Kingdom banks:-

Lloyds TSB
Barclays
HSBC

Short term Investments with the Nationwide Building Society.

3. Investment Period

- 3.1 Short term investment for this policy are investments which will mature within six months of the deposit date. All investments in excess of a sixth month period will be reported to the DFE for prior approval.