BRECKLAND DISTRICT COUNCIL

Report of: Mark Finch, Assistant Director Finance

To: Audit Committee 13 December 2013

(Author: Mark Finch, Assistant Director Finance)

Subject: Mid Year Treasury report

Purpose: This report requests Audit Committee to note the update on the Treasury Management Strategy, Policy and Prudential Indicators

Recommendations
It is recommended that the Committee:
1.0 Note the report and the information on the treasury activity.
2.0 Allow the use of non-UK counterparties (in line with the approved counterparty criteria)

1. BACKGROUND/INTRODUCTION

1.0 Introduction

1.1 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."

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations 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.

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.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) has been adopted by this Council. The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council (delegated to the Audit Committee for this Council) of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid Year Review report (this report) and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of the scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2013/14 financial year to 30th September 2013;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2013/14;
- A review of the Council's borrowing strategy for 2013/14;
- A review of compliance with Treasury and Prudential Limits for 2013/14.

1.2 The underlying economic environment remains difficult for the Council, foremost are the concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with high quality counterparties. The downside of such a policy is that investment returns remain low.

1.3 Appendix A to this report highlights the key changes to the Council's capital activity (the prudential indicators {PIs}), the economic outlook and the actual and proposed treasury management activity (borrowing and investment). Appendix B provides an update on the investment strategy for 2013/14 and Appendix C is an economic update from our advisors.

2.0 Summary of key issues/changes

2.1 The Council's Treasury Advisory Contract expired on 30/11/2013. The Council led a joint procurement with South Norfolk and Broadland Councils to procure a new advisor and following a competitive exercise, Capita Asset Services (formerly Sector) have been re-appointed on a 3 year 4 month contract (to align end dates with the other Councils). The new contract includes a new benchmarking service where the Council will receive quarterly reports that allow performance to be assessed relative to peers within the same benchmarking group. The Capita Asset Services offer is within budget and the new contract offers some enhancements aimed at making the service more personal to our circumstances.

Officers have explored a number of investment options which are set out in Appendix D and will continue to explore ways of maximising interest whilst maintaining security and liquidity.

The Council continues to face particular challenges regarding the capital programme which affect cash flow, however at this stage the proposed capital programme includes projects which may form part of the councils LABV project. Until this project is further developed it is not known definitively which capital programme items will be included and therefore the need for borrowing will be further addressed in 2014-15 when the LABV project stages have progressed.

3.0 Options

3.1 Note the report and the information on the treasury activity
Allow the use non-UK counterparties (in line with the approved counterparty criteria)

3.2 Note the report and information on the treasury activity
Not allow the use of non-UK counterparties

4.0 REASONS FOR RECOMMENDATION

To comply with the Local Government Act 2003 and to safeguard the Council's financial assets whilst maximising returns

5.0 EXPECTED BENEFITS

To ensure that Members are updated regularly on the Treasury Management service so that they can adequately scrutinise treasury management activity

6.0 IMPLICATIONS

6.1 **Legal -** To comply with the Local Government Act 2003.

6.2 **Risks-** I have completed the Risk Management questionnaire and can confirm that risk has been given careful consideration. Risk is addressed in TMP1 within the Treasury Management Policy Statement 2013/14.

6.3 **Financial -** The report is of a financial nature and financial details are included throughout the report and within the appendices.

6.4 **Equality and Diversity -** None

6.5 **Stakeholders / Consultation -** None

6.6 **Contracts -** None

6.7 **Section 17, Crime & Disorder Act 1998 -** None

6.8 **Other -** None

7.0 WARDS/COMMUNITIES AFFECTED

Background papers:- None

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Director/Officer who will be attending the Meeting
Mark Finch, Assistant Director Finance

Appendices attached to this report:
Appendix A - Prudential Indicators
Appendix B - Investment strategy 2013/14
Appendix C – Economic Update
Appendix D – Investment options

Appendix A

Prudential Indicators

1.0 Key Prudential Indicators

1.1 This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the Prudential Indicators (PI) the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.0 Capital Expenditure (PI)

2.1 This table shows the revised estimates for capital expenditure and the changes since the capital programme budget was agreed (as per 2012/13 outturn report and subsequent approvals)

Capital Expenditure by Portfolio	2013/14 Original Estimate	2013/14 Original Estimate & new approvals	Current spend @ 30/09/2012	2013/14 Revised Estimate *
Place and Governance	378,229	378,229	29,120	378,229
Commissioning	10,111,456	11,732,085	2,357,580	5,560,413
Total	**10,489,685**	**12,110,314**	**2,386,700**	**5,938,642**

** The revised estimate is NOT the approved change but the forecast outturn recommended for approval at Cabinet 29/10/2013 (qtr 2 Governance report).*

3.0 Changes to the Financing of the Capital Programme

3.1 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). The Council's current CFR for borrowing purposes remains nil.

Capital Expenditure	2013/14 Original Estimate	2013/14 Revised Estimate *
Supported	10,489,685	5,938,642
Unsupported	-	-
Total spend	10,489,685	5,938,642
Financed by:		
Capital receipts	0	1,980,000
Capital grants	553,800	1,086,115
Capital Reserves	9,935,885	2,872,527
Total Financing	10,489,685	5,938,642
Borrowing Need	**Nil**	**Nil**

** The revised estimate is NOT the approved change but the forecast outturn recommended for approval at Cabinet 29/10/2013 (qtr 2 Governance report).*

4.0 Changes to Prudential Indicators (PI's) for the CFR, External Debt and the Operational Boundary

4.1 **Prudential Indicator – Capital Financing Requirement (CFR)**
The table shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

4.2 The CFR is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The Council has financed it's capital expenditure and are on target to achieve the original forecast Capital Financing Requirement as shown below

Prudential Indicator – External Debt / the Operational Boundary

	2013/14 Original Estimate	2013/14 Revised Estimate
Prudential Indicator – Capital Financing Requirement		
Total CFR	0	0
Net movement in CFR	0	0
Prudential Indicator – External Debt / the Operational Boundary		
Total Debt 31 March 2014	0	0

The Leisure PFI is on balance sheet and increases the CFR. This is a long term liability but it does not affect the Council's debt position, which remains nil, as the debt facility embedded in the PFI will be repaid over the life of the scheme. As a consequence it has been omitted from the table.

The Prudential Indicator demonstrates that in 13/14 there is no current requirement to borrow. The table below is an extract from the draft capital strategy being presented to Council in February as part of the budget setting process and shows the position should that budget be approved. More detail will be provided in the budget report.

Summary of Estimated Capital Resources*

Resources	2013/14 (£'000s)	2014/15 (£'000s)	201516 (£'000s)	2016/17 (£'000s)	2017/18 (£'000s)
Opening CFR Movement in year	(2,227) 3,050	646 8,302	8,762 962	9,528 873	10,194 884
CFR as per prudential code	823	8,948	9,724	10,401	11,078
PFI Liability	(9,492)	(9,315)	(9,129)	(8,933)	(8,726)
Underlying Borrowing requirement	(8,669)	(367)	595	1,468	2,352

* based on assumed levels of activity at October 2013 (not yet approved)

5.0 Limits to Borrowing Activity

5.1 The first key control over the treasury activity is a PI to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross 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 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2013/14 Original Estimate £'000	Current Position £'000	2013/14 Revised Estimate £'000
Gross Borrowing	0	0	0
Plus Other Long Term liabilities*	9,315	9,315	9,315
Less Investments	11,000	23,680	23,000
Gross Borrowing	(11,000)	(23,680)	(23,000)
CFR* (year end position)	0	0	0

* The Leisure PFI is on balance sheet and increases the CFR. This is a long term liability but it does not affect the Council's debt position, which remains nil, as the debt facility embedded in the PFI will be repaid over the life of the scheme.

5.2 The Assistant Director Finance reports that no difficulties are envisaged for the current year in complying with this PI and future years pressures will be managed through the budget process. However, approximately £3m of the investment balance is dependent on Icelandic balances being repaid.

5.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2013/14 Original Indicator £'000	Current Position £'000	2013/14 Revised Indicator £'000
Borrowing	1,000	1,000	1,000
Other long term liabilities*	9,315	9,315	9,315
Total	10,315	10,315	10,315

* The Leisure PFI is on balance sheet and shown as a long term liability, and as a consequence the Authorised Limit has been revised upwards. This does not alter the underlying finances of the Council, but ensures current activity is within the required limits.

Appendix B

Investment Strategy 2013/14

The Treasury Management Strategy, Policy and Prudential Indicators for 2013/14 were approved at Audit Committee on 15th February 2013. There are no policy changes to the Treasury Management Strategy; the details in this report update the position in the light of the updated economic position and budgetary changes already approved

Prudential Indicator 2013/14	2013/14 Original Indicator £'000	2013/14 Revised Indicator £'000
Authorise Limit	0	0
Operational Boundary	0	0
CFR	0	

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 Appendix C, 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.

Current Investment Position

Excluding Icelandic balances due, the Council held £30,231k of funds at 30/09/2013 (£27,791k at 31/03/13) and the portfolio yield for the first six months of the year is 0.702%, which compares favourably with the benchmark (3 month LIBID rate) of 0.392%.

The Assistant Director Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2013/14.

The Council's budgeted investment return for 2013/14 is £334,620 and performance for the year to date is in line with the budget.

The current investment counterparty criteria selection approved in the Treasury Management Strategy is currently meeting the requirement of the treasury management function. However the Council is heavily reliant on Money Market Funds (MMFs) whose returns have reduced over the last 12 months. This report recommends the use of non-UK counterparties (providing they continue to meet the credit ratings within our approved policy and strategy) to allow a spread of investments away from MMF's and achieve a higher yield. Approval is sought from Audit Committee as although the current policy allows the use of non-UK counterparties, we have only been using UK counterparties over recent years. Examples of eligible non-UK counterparties include Deutsche bank and Handelsbanken.

Borrowing

The Council does not have any borrowing currently, details on the PFI and the CFR are detailed in sections 4 and 5 of Appendix A.

Appendix C

Economic Update (provided by Capita Asset Services as at 01/10/2013)

During 2013/14 economic indicators suggested that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations.

The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0% y/y, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income.

The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008.

Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. Bank Rate remained at 0.5% and quantitative easing also stayed at £375bn. In August, the MPC provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC will review Bank Rate, not necessarily take action to change it. The three month to July average rate was 7.7%.

CPI inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015.

Financial markets sold off sharply following comments from Ben Bernanke (the Fed chairman) in June that suggested the Fed. may 'taper' its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was replicated in the UK. Equity prices fell initially too, as Fed purchasing of bonds has served to underpin investor moves into equities out of low yielding bonds. However, as the market moves to realign its expectations, bond yields and equities are likely to rise further in expectation of a continuing economic recovery. Increases in payroll figures have shown further improvement, helping to pull the unemployment rate down from a high of 8.1% to 7.3% and continuing house price rises have helped more households to escape from negative equity. In September, the Fed surprised financial markets by not starting tapering as it felt the run of economic data in recent months had been too weak to warrant taking early action. Bond yields fell sharply as a result, though it still only remains a matter of time until tapering does start.

Tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a renewed flare-up. Economic survey data improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of Eurozone recession.

3.2 Outlook for the next six months of 2013/14

Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds. Downside risks to UK gilt yields and PWLB rates include:

- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against 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.
- The Italian political situation is frail and unstable: the coalition government fell on 29 September.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

Upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- Increased investor confidence that sustainable robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a further flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- In the longer term - a reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth, causing the ratio of total Government debt to GDP to rise to levels that provoke major concern.

The overall balance of risks to economic recovery in the UK is now weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, there is some residual risk of further QE if there is a dip in strong growth or if the MPC were to decide to take action to combat the market's expectations of an early first increase in Bank Rate. If the MPC does take action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years, such action could cause gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The tension in the US over passing a Federal budget for the new financial year starting on 1 October and raising the debt ceiling in mid October could also see bond yields temporarily dip until agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed. will cause bond yields to rise.

3.3 Interest rate forecasts

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB rate	3.70%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB rate	4.40%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB rate	4.50%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%

(The Capita Assets Services forecasts above are for PWLB certainty rates.) Expectations for the first change in Bank Rate in the UK are now dependent on how to forecast when unemployment is likely to fall to 7%. Financial markets have taken a very contrary view to the MPC and have aggressively raised short term interest rates and gilt yields due to their view that the strength of economic recovery is now so rapid that unemployment will fall much faster than the Bank of England forecasts. They therefore expect the first increase in Bank Rate to be in quarter 4 of 2014. There is much latitude to disagree with this view as the economic downturn since 2008 was remarkable for the way in which unemployment did not rise to anywhere near the extent likely, unlike in previous recessions. This meant that labour was retained, productivity fell and now, as the MPC expects, there is major potential for unemployment to fall only slowly as existing labour levels are worked more intensively and productivity rises back up again. The size of the work force is also expected to increase relatively rapidly and there are many currently self employed or part time employed workers who are seeking full time employment. Capita Asset Services take the view that the unemployment rate is not likely to come down as quickly as the financial markets are currently expecting and that the MPC view is more realistic. The prospects for any increase in Bank Rate before 2016 are therefore seen as being limited. However, some forecasters are forecasting that even the Bank of England forecast is too optimistic as to when the 7% level will be reached and so do not expect the first increase in Bank Rate until spring 2017.

Appendix D

Investment opportunities

Finding suitable counterparties and investment opportunities that meet the Council's criteria remains a challenge. Capita Asset Services in July issued a newsflash informing the Council that their 3 month limit had increased to 100 days. This was not a significant change and has not opened up opportunities. A number of options have been investigated or are still being explored as detailed below:

<u>Money Market Funds (MMF's)</u>

Council policy is to use Constant Net Asset MMF's. They are AAA rated and (subject to not failing) the Council will get back what it puts in, plus interest. Capita Asset Services have advised the Council of alternative MMF's called Enhanced Money Market Funds EMMF's. EMMF's are also AAA rated and Capita Asset Services has introduced these onto the lending list. However, they have a Variable Net Asset type which means there is a possibility of not getting back the amount invested so they are not in line with current policy. Capita Asset Services advise that all MMF's are heading away from Constant Net Asset type so this is something the Council needs to be mindful of and also drives the need to look for alternatives to MMF's.

<u>Marketable Instruments</u>

The Council's policy allows for investment in marketable instruments such as Certificates of Deposit, Corporate Bonds, Treasury Bills and other such instruments. To trade in these instruments it is necessary to have a custodian account. Fees are built into the rate offered. At this time Capita Asset Services advice is that it is another option if we don't have anywhere to place funds but the rates are not attractive, as rates rise, security may reduce, therefore it is necessary to carefully manage the use of such instruments.

<u>Local Authority Mortgage Scheme (LAMS)</u>

This was a scheme offered by Lloyds whereby the Council could essentially invest with Lloyds at a favourable rate in return for acting as guarantor on a percentage of a first time buyers mortgages. This investment was actually deemed to be capital expenditure and as such affected the Council's Capital Financing requirement (CFR - underlying borrowing requirement) but with the recent extension of the Governments funding for lending scheme, the LAMS with Lloyds is no longer available. Other counterparties offer a similar scheme but they need to be an eligible institution on our lending list to allow us to explore the scheme and at this time they are not.

<u>Other investment accounts</u>

We are currently exploring a number of instant access accounts because recently, instant access accounts have begun to pay better rates than some Money Market Funds so it is likely that during the remainder of 2013/14 the Council will reduce it's reliance on Money Market Funds and move to more instant access accounts (pending longer term deals becoming more attractive) subject to them meeting the Council's investment counterparty criteria. Examples being investigated are Barclays, Handelsbanken and Deutsche bank (see comments within Non UK counterparties below).

<u>Non UK Counterparties</u>

At this time the Council continues with its informal policy not to invest with non-UK counterparties even if they are eligible institutions. However this report recommends the use of non-UK counterparties whilst they still meet all other criteria within the approved strategy and policy. This will reduce our reliance on Money Market Funds and also increase yield.