Buckinghamshire & Milton Keynes Fire Authority

MEETING	Fire Authority
DATE OF MEETING	13 February 2019
OFFICER	Mark Hemming, Director of Finance & Assets
LEAD MEMBER	Councillor Peter McDonald
SUBJECT OF THE REPORT	**Treasury Management Strategy 2019/20**
EXECUTIVE SUMMARY	This report is being presented as the Fire Authority is required to approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy. These documents (Appendix A) all support the Medium Term Financial Plan. The current strategy is operating effectively and outperforming the benchmark targets. There is one significant change from the previous strategy which is the removal of the proposal to invest in Property Funds in 2019/20. The rationale for this is due to the funding uncertainty around additional cost for pension contributions and the pending outcome of the Comprehensive Spending review. Both of these outcomes could have an adverse financial impact on the Authority which would mean we would not have sufficient funds available to commit to long term investments.
ACTION	Decision
RECOMMENDATIONS	It is recommended that the Authority approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy for 2019/20
RISK MANAGEMENT	Making investments in the Authority's own name means that the Authority bears the risk of any counterparty failure. This risk will be managed in accordance with the strategy and with advice from external treasury management advisors. The Director of Finance and Assets will act in accordance with the Authority's policy statement; treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management. There are no direct staffing implications.

FINANCIAL IMPLICATIONS	The proposed budget for 2019-20 is £150k. It is anticipated that the budget will be met. Detailed information is shown within Appendix.
LEGAL IMPLICATIONS	The Authority is required by section 15(1) of the Local Government Act 2003 to have regard to the Department for Communities and Local Government Guidance on Local Government Investments; and by regulation 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] to have regard to any prevailing CIPFA Treasury Management Code of Practice. Under section 12 of the Local Government Act 2003 the Authority has the power to invest for "any purpose relevant to its functions" and "for the purposes of the prudent management of its financial affairs". However it must exercise its investment power in accordance with its fiduciary duty, analogous to that of a trustee, owed to those who contribute to the funds of the Authority.
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	The projected income has been factored into the Medium Term Financial Plan.
PROVENANCE SECTION & BACKGROUND PAPERS	CIPFA Code of Practice for Treasury Management in the Public Services (CIPFA Code) Department for Communities and Local Government Guidance on Local Government Investments (DCLG Guidance)
APPENDICES	Appendix A – Treasury Management Policy Statement, Treasury Management Strategy Statement and Annual Investment Strategy Appendix B – Provisional Counterparty List Appendix C – Prospects for Interest Rates
TIME REQUIRED	15 minutes
REPORT ORIGINATOR AND CONTACT	Asif Hussain ahussain@bucksfire.gov.uk (01296) 744421

Appendix A – Treasury Management Policy Statement, Treasury Management Strategy Statement and Annual Investment Strategy

Treasury Management Policy Statement

This Authority defines its treasury management activities as:

The management of the 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.

This Authority regards the successful identification, monitoring and control 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, and any financial instruments entered into to manage these risks.

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 value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The investment policy objective for this Authority is the prudent investment of its treasury balances. The Authority's investment priorities are the security of capital and liquidity of its investments so that funds are available for expenditure when needed. Both the CIPFA Code and DCLG guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.

The Authority's borrowing objectives are to minimise the revenue costs of debt whilst maintaining a balanced loan portfolio. The Authority will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

Treasury Management Strategy Statement

Current Portfolio Position

The Authority's treasury portfolio position as at 30 September 2018 comprised:

Borrowing

Fixed Rate Funding: £6.797m Average Rate: 4.46%

The last repayment of £585k was made in May 2018 with the next loan maturity not due until 2022.

Investments

£22,211m Average Rate 1 April 2018 to 30 September 2018: 0.85%

It is anticipated that a number of large payments will be made before the end of the year to fund our capital programme. Therefore, projected interest receivable has been modelled on an average fund balance of £17.5m against an average rate return of 0.85%.

Prospects for Interest Rates

For 2019/20, the Authority will continue with Link as its external treasury management advisor. Link's view of the prospects for interest rates can be seen in Appendix C.

Link advise that the current benchmark rate of return on investments should be Base Rate (currently 0.75%), although the rate may be higher if the Authority is able and willing to commit funds for longer durations (up to one year). The Authority will therefore set a benchmark rate of return at Base Rate plus 10 basis points, which would give a current benchmark of 0.85%. Based on this rate the Authority would achieve an annual return of circa £150k on a balance of £17.5m (the total current projected return for 2018/19 is in the region of £190k).

This overachievement can be partly attributed to the change in the Treasury Management Strategy for 2018/19. The Authority increased the maximum lending duration for UK based counterparties, increased the number of building societies and removed the restrictions for them to be rated. This has resulted in the Authority achieving returns in the excess of 0.75% anticipated by our treasury advisors.

For any type of investment there is a downside risk to the level of return we would obtain due to the uncertainty in the markets and the negative impact they have on the interest rates and therefore historical rates of return may not always provide a realistic indication of returns for the future. This will be closely monitored and reported to Members if the position changes from what we are currently projecting.

Borrowing Strategy

The Authority's borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio
- To manage the Authority's debt maturity profile, leaving no one future year with a disproportionate level of repayments

No additional borrowing is forecast to take place during the duration of the medium term financial plan.

Investment Strategy

This Authority maintains investments that are placed with reference to cash flow requirements. Investment of the Authority's funds is in accordance with the Annual Investment Strategy.

Debt Rescheduling

The potential for debt rescheduling is monitored in light of interest rate movements.

Any rescheduling will be in accordance with the borrowing strategy. The reasons for rescheduling include:

- The generation of cash savings at minimum risk

• Fulfilment of the borrowing strategy

• Enhancement of the maturity profile of the borrowing portfolio

The level of penalties on the early repayment of borrowing make it difficult to restructure debt effectively at current interest rates.

Annual Investment Strategy (AIS)

A prudent investment policy has two objectives (as defined by the DCLG guidance):

- achieving first of all security (protecting the capital sum from loss);
- and then liquidity (keeping the money readily available for expenditure when needed);
- only once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with those priorities.

Investment Policy

In accordance with guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Authority has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Link ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support has had an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied have effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Link in producing its colour coding which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Creditworthiness Policy

This Authority applies the creditworthiness service provided by Link. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

• credit watches and credit outlooks from credit rating agencies

• CDS spreads to give early warning of likely changes in credit ratings;

• sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes have been used by the Authority to determine the suggested duration for investments. Itis recommended that the Authority continues to use Link's colour codes plus an additional six months for UK counterparties only. It would be beneficial if the Authority could lend to existing counterparties for a longer duration. This will increase the risk slightly but will offer increased returns. The Authority will therefore use counterparties within the following durational bands:

Colour Rating (UK Counterparties)	**Colour Rating (Non UK Counterparties)**
Yellow - 5 Years and 6 Months	Yellow - 5 Years
Purple – 2 Years and 6 Months	Purple – 2 Years
Blue – 1 Year and 6 Months (only applies to nationalised or semi nationalised UK Banks)	Blue – 1 Year
Orange – 1 Year and 6 Months	Orange – 1 Year
Red – 1 Year	Red – 6 Months

Colour Rating (UK Counterparties)	**Colour Rating (Non UK Counterparties)**
Green – 9 Months	Green – 3 Months
No colour not to be used (except for building societies on our counterparty list which the Authority can invest with for a maximum duration of 365 days limited to a maximum investment of £2 million per counterparty)	No colour not to be used

The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

• if a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

• in addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

Country Limits

In 2017/18, the Authority determined that it would not only use approved counterparties based within the United Kingdom but allowed any counterparty (UK or non UK based) rated at least 'Green' by Link. Although no counterparty outside UK was used during 2018/19, these will remain on the lending list for 2019/20. The primary purpose of this is not to increase yield, but to provide additional diversity to the portfolio to effectively manage risk. A number of non-UK banks are ranked higher than some of the UK banks on the Authority's current counterparty list. Therefore the Authority proposes to limit the duration of all non UK investment in line with Link's recommended limits. A list of the proposed counterparties is shown in Appendix B.

Counterparty Limits

As per the 2018/19 AIS, the Authority has determined that the maximum balance that can be invested with a single counterparty at any point in time will be no more than 30% of the portfolio, up to a limit of £5 million.

There are two exceptions to this limit in the 2018/19 AIS will continue to be Lloyds, where the maximum balance that can be invested will be a limit of £7.5 million. Of this £7.5 million, no more than £5 million will be invested in non-instant access (call) accounts.

The rationale for this is that Lloyds are the Authority's main banking provider, and as part of the contract will pay credit interest on all balances at a rate of Base Rate minus 0.10% (currently giving an effective rate of 0.65%). This means that:

- A higher rate can be achieved than on most other instant-access accounts
- The staff time taken to move money between our main bank account and other instant access account is reduced
- The banking charges associated with the movement of the money between accounts is reduced
- The additional risk exposure to the Authority is minimal as all amounts over the current £5 million limit would be available for withdrawal immediately should circumstances require

The other exception relates to non-rated building societies on our counterparty listing whereby the maximum balance that can be invested will be limited to £2 million for a maximum duration of 365 days.

Investment Security

Investments are defined as being in one of two categories:

• Specified investments – these are investments with high security and high liquidity. All specified investments are in sterling and have a maturity of no more than one year. They will be with the UK government, a local authority, a parish council or with an investment scheme or body of "high credit quality" (as judged against the Creditworthiness Policy detailed earlier in this paper)

• Non-specified investments – any type of investment that does not meet the specified investment criteria. A maximum of £5 million will be held in aggregate in non-specified investments for longer than 364 days – up to a maximum of five years and 6 months as denoted by the yellow banding on the Link creditworthiness policy detailed earlier in this paper. In addition, property funds are also classified as non-specified investments and a maximum of £3 million will be held in aggregate.

Investment Training

Relevant training and updates will be provided to relevant staff by the external treasury management advisors. This will be supplemented by additional training from CIPFA where necessary.

Investment of Money Borrowed in Advance of Need

The Authority does not currently have any money that has been borrowed in advance of need. No further borrowing is planned over the medium term.

Investment Liquidity

In consultation with external treasury advisors, the Authority will review its balance sheet position, level of reserves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

Appendix B – Provisional Counterparty List

This list is based on information provided by Link as at 28 December 2018. Please note that all colours indicated refer to Link's creditworthiness policy (see Appendix A):

UK Based Counterparties

UK Based Counterparties	Counterparty	(as rated by Link)
UK	Abbey National Treasury Services *	Red - 6 mths
UK	Bank of Scotland **	Orange - 12 mths
UK	Barclays Bank plc (NRFB)	Red - 6 mths
UK	Barclays Bank plc (RFB)	Red - 6 mths
UK	Close Brothers	Red - 6 mths
UK	Clydesdale Bank	No colour - 0 mths
UK	Co-operative Bank Plc	No colour - 0 mths
UK	Goldman Sachs International	Red - 6 mths
UK	Handelsbanken Plc	Orange - 12 mths
UK	HSBC Bank plc (NRFB)	Orange - 12 mths
UK	HSBC Bank plc (RFB)	Orange - 12 mths
UK	Lloyds Bank Coproate Markets Plc (NRFB)	Red - 6 mths
UK	Lloyds Banking Group ** (RFB)	Orange - 12 mths
UK	Nat West Markets Plc (NRFB)	No colour - 0 mths
UK	Santander UK PLC *	Red - 6 mths
UK	Standard Chartered Bank	Red - 6 mths
UK	Sumitomo Mitsui Banking Corporation Europe Ltd	Red - 6 mths
UK	UBS Ltd	Orange - 12 mths
UK	Debt Management Office	Yellow - 60 mths
UK	Other Local Authorities	Yellow - 60 mths
UK	Royal Bank of Scotland Group ***	Blue - 12 mths
UK	National Wesminster Bank ***	Blue - 12 mths

*** This is the duration suggested by Link. As per the updated Creditworthiness Policy (see page 6) these will all be extended by six months, except for building societies rated 'Green', which will have a maximum duration of 12 months for up to £2m.**

The Authority will also have the ability to invest in AAA rated money market funds (MMFs) and enhanced money market funds.

Non-UK Based Counterparties

As noted in Appendix A, the duration of all non-UK investments will be in line with Links' duration limits.

Non-UK Based Counterparties	**Country Counterparty**	**(as rated by Link)**
Australia	Australia and New Zealand Banking Group Ltd.	Orange - 12 mths
Australia	Commonwealth Bank of Australia	Orange - 12 mths
Australia	Macquarie Bank Ltd.	Red - 6 mths
Australia	National Australia Bank Ltd.	Orange - 12 mths
Australia	Westpac Banking Corp.	Orange - 12 mths
Belgium	BNP Paribas Fortis	Red - 6 mths
Belgium	KBC Bank N.V.	Orange - 12 mths
Canada	Bank of Montreal	Orange - 12 mths
Canada	Bank of Nova Scotia	Orange - 12 mths
Canada	Canadian Imperial Bank of Commerce	Orange - 12 mths
Canada	National Bank of Canada	Red - 6 mths
Canada	Royal Bank of Canada	Orange - 12 mths
Canada	Toronto-Dominion Bank	Orange - 12 mths
Denmark	Danske A/S	Red - 6 mths
Finland	Nordea Bank Abp	Orange - 12 mths
Finland	OP Corporate Bank plc	Orange - 12 mths
France	BNP Paribas	Orange - 12 mths
France	Credit Agricole Corporate and Investment Bank	Orange - 12 mths
France	Credit Agricole S.A.	Orange - 12 mths
France	Credit Industriel et Commercial	Red - 6 mths
France	Societe Generale	Red - 6 mths
Germany	BayernLB	Red - 6 mths
Germany	Commerzbank AG	No colour - 0 mths
Germany	Deutsche Bank AG	No colour - 0 mths
Germany	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	Orange - 12 mths
Germany	Landesbank Baden-Wuerttemberg	Red - 6 mths
Germany	Landesbank Berlin AG	Orange - 12 mths
Germany	Landesbank Hessen-Thueringen Girozentrale	Orange - 12 mths
Germany	Landwirtschaftliche Rentenbank	Purple - 24 mths
Germany	NRW.BANK	Purple - 24 mths
Netherlands	ABN AMRO Bank N.V.	Red - 6 mths
Netherlands	Bank Nederlandse Gemeenten N.V.	Purple - 24 mths
Netherlands	Cooperatieve Rabobank U.A.	Orange - 12 mths
Netherlands	ING Bank N.V.	Orange - 12 mths
Netherlands	Nederlandse Waterschapsbank N.V.	Purple - 24 mths
Qatar	Qatar National Bank	Red - 6 mths
Singapore	DBS Bank Ltd.	Orange - 12 mths
Singapore	Oversea-Chinese Banking Corp. Ltd.	Orange - 12 mths
Singapore	United Overseas Bank Ltd.	Orange - 12 mths
Sweden	Skandinaviska Enskilda Banken AB	Orange - 12 mths

Sweden	Svenska Handelsbanken AB	Orange - 12 mths
Sweden	Swedbank AB	Orange - 12 mths
Switzerland	Credit Suisse AG	Red - 6 mths
Switzerland	UBS AG	Orange - 12 mths
United Arab Emirates	First Abu Dhabi Bank PJSC	Orange - 12 mths
United States	Bank of America N.A.	Orange - 12 mths
United States	Bank of New York Mellon, The	Purple - 24 mths
United States	Citibank N.A.	Orange - 12 mths
United States	JPMorgan Chase Bank N.A.	Orange - 12 mths
United States	Wells Fargo Bank, NA	Orange - 12 mths

Counterparties Rated ‘No Colour’ by Link

As noted in Appendix A, sole reliance will not be placed on the use of Link ratings. The Authority will also use market data and market information, information on government support for banks and the credit ratings of that supporting government. The Authority added four building societies to its counterparty list in 2014/15, at which time they were all rated ‘No Colour’. These are all now rated by Link and appear on our Provisional Counterparty Listing above. In 2018/19 the Authority increased the number of building societies in our counterparty list to ten. The top-ten building societies (by net assets) were added to the counterparty list. The duration of investment will continue to be limited to 365 days and the maximum amount invested with any non-rated building society at any point in time will not exceed £2 million.

UK Based Counterparties	**Country Counterparty**	**(as rated by Link)**
UK	Coventry Building Society	Red - 6 mths
UK	Cumberland	No colour - 0 mths
UK	Leeds Building Society	Green - 100 days
UK	Nationwide BS	Red - 6 mths
UK	Newcastle	No colour - 0 mths
UK	Nottingham	No colour - 0 mths
UK	Principality	No colour - 0 mths
UK	Skipton Building Society	Green - 100 days
UK	West Bromwich	No colour - 0 mths
UK	Yorkshire Building Society	Green - 100 days

Appendix C – Prospects for Interest Rates

The following table gives the Link central view:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2018	0.75	2.00	2.90	2.70
Mar 2019	0.75	2.10	2.90	2.70
Jun 2019	1.00	2.20	3.00	2.80
Sep 2019	1.00	2.20	3.10	2.90
Dec 2019	1.00	2.30	3.10	2.90
Mar 2020	1.25	2.30	3.20	3.00
Jun 2020	1.25	2.40	3.30	3.10
Sep 2020	1.25	2.50	3.30	3.10

The following paragraphs provide Link’s commentary on the current economic situation:

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor’s fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.