

LOCAL GOVERNMENT INVESTMENTS (England)**SPECIFIED INVESTMENTS**

Specified investments as those denominated in sterling, with a maturity of no more than a year and invested with one of the UK Government, a UK local authority, parish council or community council or a body or investment scheme of suitable credit quality.

Investment	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating	Maximum period
Debt Management Agency Deposit Facility (DMADF)	Yes	Govt-backed	1 year
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act and similar authorities in Scotland) with maturities up to 1 year	Yes	High security although most local authorities are not credit rated.	1 year
Term deposit structures with credit-rated deposit takers (banks and building societies), including structured deposits, with maturities up to 1 year	Yes	Yes, apply policy as outlined in Schedule B and minimum Country (Sovereign Rating) AA+ if not UK institution	1 year
Certificates of deposit issued by credit-rated deposit takers (banks and building societies) with maturities up to 1 year <i>Custodial arrangement required prior to purchase</i>	Yes	Yes, apply policy as outlined in Schedule B and minimum Country (Sovereign Rating) AA+ if not UK institution	1 year
Money Market Funds These are pooled investment vehicles consisting of instruments similar to those used by the Council, these funds do not have any maturity date. The maximum amount that can be invested in each money market fund and similar pooled vehicles whose lowest published credit rating is A- AAAs £20m.	Yes	Yes, A-	The period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements
Forward deals with credit rated banks and building societies < 1 year (i.e. forward deal period plus period of deposit)	Yes	Yes, apply policy as outlined in Schedule B and minimum Country (Sovereign Rating) AA+ if not UK institution	The forward deal period plus the deal period should not exceed one year in aggregate
Treasury bills <i>(Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value)</i> <i>Custodial arrangement required prior to purchase</i>	Yes	Govt-backed with yields that exceed the DMADF	1 year

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NON-SPECIFIED INVESTMENTS

Non-specified investments are long-term investments i.e. those that are due to mature 12 months or longer from the date of arrangement, unrated funds and unrated organisations. All investments listed below must be sterling-denominated, the overall limit that can be held in non-specified investments is £150m.

<u>Investment</u>	<u>(A) Why use it?</u> <u>(B) Associated risks?</u>	<u>Repayable/ Redeemable within 12 months?</u>	<u>Security / Minimum credit rating</u>	<u>Maximum value</u>	<u>Maximum period</u>
Term deposits with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act, and similar authorities in Scotland) irrespective of credit rating with maturities up to 25 years	(A) To achieve certainty over income from investments for a proportion of the portfolio	Will depend on terms of investment up to 25 years	Although most local authorities do not have credit ratings, local authorities are <u>highly creditworthy UK government security</u>	Maximum £25m per Council, up to £75m in total	>1 year, up to 25 years
Term deposits with the UK government	(A) To achieve certainty over income from investments for a proportion of the portfolio	Will depend on terms of investment up to 50 years	UK government security	Unlimited	>1 year, up to 50 years
Term deposit structures with credit-rated deposit takers (banks and building societies), including structured deposits, with maturities up to 5 years	(A) To achieve certainty over income from investments for a proportion of the portfolio (B) Credit rating risk mitigated by using rating agencies, interest rate risk will need to be considered to manage exposure to fluctuations in interest rates and liquidity risk to ensure that the Council has adequate cash resources	Will depend on terms of investment up to 5 years	Yes, apply policy as outlined in Schedule B and minimum Country (Sovereign Rating) AA+ if not UK institution	£75m	>1 year, up to 5 years
Forward deals for Term deposit structures with credit-rated deposit takers (banks and building societies) and UK local authorities, including structured deposits, with maturities up to 5 years	(A) To achieve certainty over income from investments for a proportion of the portfolio (B) Credit rating risk mitigated by using rating agencies, interest rate risk will need to be considered to manage exposure to fluctuations in interest rates and liquidity risk to ensure that the Council has adequate cash resources	Will depend on terms of investment up to 5 years	Yes, apply policy as outlined in Schedule B and minimum Country (Sovereign Rating) AA+ if not UK institution	£75m	The forward deal period plus the deal period should be >1 year, but not exceed 5 years and 3 months in aggregate

UK Building societies holding long-term credit ratings no lower than BBB or equivalent, with assets greater than £1bn	To achieve diversification	Up to 6 months	No lower than BBB or equivalent, with assets greater than £1bn	£3m per institution	6 months
UK Building societies without credit ratings, with assets greater than £1bn	To achieve diversification	Up to 6 months	No credit rating	£3m per institution	6 months
Gilts and supranational bonds <i>Custodial arrangement required prior to purchase</i>	(A) Provide a high level of security in addition to yield, tradable and can be liquidated when it is advantageous to do so.	Will depend on terms of investment up to 5 years	Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).	£75m	
Certificates of deposits issued by credit-rated deposit takers (banks and building societies) <i>Custodial arrangement required prior to purchase</i>	(A) This is a money market instrument which will be redeemed on the maturity date with interest. The difference between a certificate of deposit and a term deposit is that a certificate of deposit can be sold on in the money markets to other investors. Although in theory tradable, they are relatively illiquid. (B) Yield subject to movement during the life of a certificate of deposit which could negatively impact on its market price.	Will depend on terms of certificate up to 5 years	Yes, apply policy as outlined in Schedule B and minimum Country (Sovereign Rating) AA+ if not UK institution	£25m	> 1 year, up to 5 years
Organisations and pooled funds which do not meet the specified investment criteria, subject to an external credit assessment and a specific recommendation from the Council's treasury management adviser	These may include long-term investments with registered providers of social housing or corporate bond funds or collective investment schemes (pooled funds) including property funds where an enhanced return is paid to cover the additional risks presented. Since EU proposals are being introduced to remove the credit rating AAA wrapping that money market funds are currently assigned, some of the Council's liquidity funds could be unrated and not meet the specified investment criteria. Standard risk mitigation techniques, such as wide diversification and external credit assessments, will be employed.	5 years for an investment with a registered social housing provider. The pooled funds do not have a defined maturity date.	Subject to an external credit assessment and a specific recommendation from the Council's treasury management adviser.	£5m per individual counterparty such as a registered provider of social housing £25m per pooled fund.	5 years There is no maximum period, but it is envisaged that funds would be placed for an expected long duration, e.g 3 years minimum.