

Creditworthiness Policy

1. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.
2. To minimise the risk to investments, the Council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which will provide security of investments, enable diversification and minimise risk. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. The Treasury Management Adviser monitors counterparty ratings on a real time basis with knowledge of any changes advised electronically as the agencies notify modifications.
3. Further, the officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to assess continually 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 Council will engage with its adviser to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
4. The Head of Finance and Commercial will maintain a counterparty list in compliance with the criteria set out in the table at paragraph 7. The counter parties must meet the minimum criteria from all the three rating agencies. Any revision to the criteria will be submitted to Council for approval as necessary.
5. Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria listed in the table below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in the light of market conditions.
6. Due care will be taken to consider the country, group and sector exposure of the Council's investments. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in the table below. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy

Schedule of Credit Criteria for investments

7. The criteria for providing a pool of high-quality investment counterparties both specified and non-specified investments is:

Investments	Minimum Credit Rating Required (S&P/Moody's/Fitch)	Maximum Counterparty Limit (£m)	Maximum Tenor
Debt Management Office (DMO) and Gilts	Government Backed	Unlimited	25 years
Supra-nationals and Multilateral development Banks & European Agencies	Government Backed	£6m each £3m each	1 year 2 years
UK Local Authorities	N/A	£7.5m each	3 years
Money Market Funds (MMF) (LVNAV & CNAV)	LT:AAA/Aaa/AAA	£7.5m per fund £40m in aggregate	Up to 7 day notice
Pooled Property Funds	Internal and External due diligence	£7.5m per single fund	Up to 5 years
UK Banks and Building Societies	LT:A+/A1/A+ & above LT:A-/A3/A- & above	£3m each £6m each	>1 Year to 5 Years Up to 1 Year
Nationalised and Part Nationalised Banks		£4m each	1 Year
Non-UK Bank Maximum of £10m per country	LT:A+/A1/A+ & above SR:AAA LT:A/A2/A & above SR:AA	£3m each £6m each	>1 Year to 5 Years Up to 1 Year
Direct Property Investments	Internal and External due diligence	£7.5m	Up to 5 years
<p>Minimum sovereign credit rating AA: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Netherlands, Qatar, Singapore, Sweden, Switzerland, United Arab Emirates, United States</p>			