

(Treasury Management Strategy Appendix A attachment 3 updated)

**Specified and Non-Specified Investments**

**SPECIFIED INVESTMENTS:**

(All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum ‘high’ rating criteria where applicable)

	* Minimum ‘High’ Credit Criteria
Debt Management Agency Deposit Facility	--
Instant Access Call Accounts	Short-term F1 Institutions
Term deposits – local authorities	--
Term deposits – banks and building societies **	Short-term F1+, and lower in line with the cascade below. Long-term AA-, Individual C, Support 3

The part nationalised banks in the UK are not assigned an individual rating from Fitch based on their stand alone financial strength. Accordingly, Fitch has assigned an F rating which means that at a historical point of time, this bank failed and is now owned by the Government.

These institutions were originally recipients of an F1+ short term rating as they effectively took on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. In October 2011, a review of the perceived level of government support, resulted in a downrating in Fitch rating to F1 status. This was despite the affected banks being stronger than before.

The order of term deposit investments (excluding instant access call accounts rating F1) in line with council policy are :



**Investment Grade - Top Rated:** We would invest with institutions in this order:

F1+ : The highest possible short term investment rating

F1 (part nationalised): Just below the highest possible rating. However the RBS group is 84% owned by Government and Lloyds Group more than 40% Government owned.

Other F1: Just below the highest possible rating but without perceived additional support.

**Investment Grade - Next Tiers:** We would not invest with:

F2 & F3 : Highly rated and sound institutions for short term investments.

Banks eligible for support under the UK bail-out package (Credit Guarantee Scheme 2008) amended July 2011 (as at 23/1/12) are: -

Barclays  
 Skipton Building Society  
 Lloyds TSB  
 Royal Bank of Scotland  
 Tesco Personal Finance  
 Yorkshire Building Society

It should be noted that the Bail Out Package is not a blanket guarantee, but is based on specific bonds which the banks have asked to be covered. There is no guarantee that any investments undertaken by a council would be included. The cover would however make the financial institution more secure, protecting the investment by making the institution stronger.

Given the continued uncertainty around the banking sector the council will continue to treat the government's Debt Management Office as its safehaven account. As such, it is **excluded** from counterparty limits.

### Money Market funds

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -	
1. Money Market Funds	AAA rated

The restrictions placed on the use of money market funds are:

1. Preferred provider – maximum £5 million;
2. Alternative providers – maximum £2 million each; and
3. The total value invested in money market funds should not exceed 25% of the total investment portfolio.

**NON-SPECIFIED INVESTMENTS:** A maximum of £5,000,000 will be held in aggregate in non-specified investment

#### 1. Maturities of ANY period

	Minimum Credit Criteria	Max of total investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: -Structured deposits	Short-term F1+, Long-term AA-, Individual C, Support 2	£5m	5 years

## 2. Maturities in excess of 1 year

Term deposits – local authorities	--	Max of total investments	Max. maturity period
Term deposits – banks and building societies	Short-term F1+, Long-term AA-, Individual C, Support 2	£2m	5 years

The Local Authority Mortgage Scheme is classified as capital expenditure, and not an investment. It is therefore excluded from the councils non-specified investments. This is because the deposit is for the purposes of service delivery, and not for treasury management.