

LOCAL GOVERNMENT INVESTMENTS (England) page1

SPECIFIED INVESTMENTS 2017/18

All “Specified Investments” listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating	Capital Expenditure?	Circumstance of use	Maximum period
<b>Debt Management Agency Deposit Facility (DMADF)</b> This facility is at present available for investments up to 6 months	No	Yes	Govt-backed	NO	In-house	364 days
<b>Term deposits</b> with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	No	Yes	High security, although Local Authorities are not credit rated.	NO	In-house	364 days
<b>Term deposits</b> with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year (364 days)	No	Yes	Adopt CAS creditworthiness methodology to assess usage, and duration of investments	NO	In-house	364 days
<b>Certificates of Deposit</b> issued by credit-rated deposit takers (banks and building societies) up to 1 yr. <i>Custodial arrangement required prior to purchase</i>	No	Yes	Adopt CAS creditworthiness methodology to assess usage, and duration of investments	NO	To be used in-house after consultation/advice from Capita Asset Services (CAS )	364 days
<b>Gilts</b> with maturities up to 1 year <i>Custodial arrangement required prior to purchase</i>	No	Yes	Govt-backed	NO	Buy and hold to maturity. To be used in-house after consultation/advice from CAS	364 days

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**SPECIFIED INVESTMENTS 2017/18 (CONTINUED)**

All “Specified Investments” listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / ‘High’ Credit Rating criteria	Capital Expenditure?	Circumstance of use	Maximum period
<b>Money Market Funds</b> Collective investment schemes as defined in SI 2004 No 534 <i>These funds do not have any maturity date</i>	No	Yes	AAA	NO	In-house	<i>The period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements</i>
<b>Treasury bills</b> Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value <i>Custodial arrangement required prior to purchase</i>	No	Yes	Govt-backed	NO	In-house	364 days
<b>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government</b> (as defined in SI 2004 No 534) with maturities under 12 months  <i>Custodial arrangement required prior to purchase</i>	No	Yes	Govt-backed	NO	Buy and hold to maturity. To be used in-house after consultation/advice from CAS	364 days
<b>Bonds issued by multilateral development banks</b> (as defined in SI 2004 No 534) with maturities under 12 months  <i>Custodial arrangement required prior to purchase</i>	No	Yes	AAA	NO	Buy and hold to maturity. To be used in-house after consultation/advice from CAS	364 days

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**NON-SPECIFIED INVESTMENTS 2017/18**

<b>Investment</b>	<b>(A) Why use it? (B) Associated risks?</b>	<b>Share/ Loan Capital?</b>	<b>Repayable/ Redeemable within 12 months?</b>	<b>Security / Minimum credit rating</b>	<b>Capital Exp?</b>	<b>Circumstance of use</b>	<b>Maximum Investment</b>	<b>Maximum maturity of investment</b>
<b>Term deposits</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	(A) (i) Certainty of rate of return over period invested. (ii) No movement in capital value of deposit despite changes in interest rate environment.  (B) (i) Illiquid - as a general rule, cannot be traded or repaid prior to maturity. (ii) Return will be lower if interest rates rise after making the investment. (iii) Credit risk - potential for greater deterioration in credit quality over longer period	No	No	Adopt CAS creditworthiness methodology to assess usage, and duration of investments	NO	In-house	£3m any ONE counterparty <b>AND £5m in TOTAL.</b> AND subject to the prevailing OVERALL maximum investment with any one counterparty	3 years
<b>Certificates of Deposit</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year <i>Custodial arrangement required prior to purchase</i>	(A) (i) Although in theory tradable, are relatively illiquid.  (B) (i) 'Market or interest rate risk' - Yield subject to movement during life of CD which could negatively impact on price of the CD.	No	Yes	Adopt CAS creditworthiness methodology to assess usage, and duration of investments	NO	To be used in-house after consultation/ advice from CAS	£3m	3 years
<b>Fixed Term Deposits with variable rates and variable maturities</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year (structured deposits)	(A) (i) Enhanced income - Potentially higher return than using a term deposit with similar maturity.  (B) (i) Illiquid – only borrower has the right to pay back deposit; the lender does not have a similar call. (ii) period over which investment will actually be held is not known at the outset. (iii) Interest rate risk - borrower will not pay back deposit if interest rates rise after deposit is made.	No	No	Adopt CAS creditworthiness methodology to assess usage, and duration of investments	NO	To be used in-house after consultation/ advice from CAS	£3m	3 years in aggregate

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NON-SPECIFIED INVESTMENTS 2017/18 (Continued)

<u>Investment</u>	<u>(A) Why use it?</u> <u>(B) Associated risks?</u>	<u>Share/</u> <u>Loan</u> <u>Capital?</u>	<u>Repayable/</u> <u>Redeemable</u> <u>within 12</u> <u>months?</u>	<u>Security /</u> <u>Minimum credit</u> <u>rating</u>	<u>Capital</u> <u>Exp?</u>	<u>Circumstance</u> <u>of use</u>	<u>Maximum</u> <u>investment</u>	<u>Maximum</u> <u>maturity of</u> <u>investment</u>
<p><b>UK government gilts</b> with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	<p>(A) (i) Excellent credit quality. (ii) Very Liquid. (iii) If held to maturity, known yield (rate of return) per annum - aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk</p> <p>(B) (i) 'Market or interest rate risk' - Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.</p>	No	Yes	Govt backed	NO	Buy and hold to maturity. To be used in-house after consultation/ advice from CAS	£3m	Maturity limit 5 years
<p><b>Sovereign issues ex UK govt gilts</b> - any maturity</p> <p><i>Custodial arrangement required prior to purchase</i></p>	<p>(A) (i) Excellent credit quality. (ii) Liquid. (iii) If held to maturity, known yield (rate of return) per annum - aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk</p> <p>(B) (i) 'Market or interest rate risk' - Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.</p>	No	Yes	AAA	NO	Buy and hold to maturity. To be used in-house after consultation/ advice from CAS	£3m	5 years

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NON-SPECIFIED INVESTMENTS 2018/18 (Continued)

<u>Investment</u>	<u>(A) Why use it?</u> <u>(B) Associated risks?</u>	<u>Share/ Loan Capital?</u>	<u>Repayable/ Redeemable within 12 months?</u>	<u>Security / Minimum credit rating</u>	<u>Capital Exp?</u>	<u>Circumstance of use</u>	<u>Maximum Investment</u>	<u>Maximum maturity of investment</u>
<p><b>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government</b> (as defined in SI 2004 No 534) with maturities in excess of 1 year <i>Custodial arrangement required prior to purchase</i></p>	<p>(A) (i) Excellent credit quality. (ii) relatively liquid (but not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum which would be higher than that on comparable gilt - aids forward planning, enhanced return compared to gilts. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity)</p> <p>(B) (i) 'Market or interest rate risk' - Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus gilts could widen</p>	Yes	Yes	AAA / government guaranteed	NO	Buy and hold to maturity. To be used in-house after consultation/ advice from CAS	£3m	5 years
<p><b>Bonds issued by multilateral development banks</b> (as defined in SI 2004 No 534) with maturities in excess of 1 year <i>Custodial arrangement required prior to purchase</i></p>	<p>(A) (i) Excellent credit quality. (ii) relatively liquid. (although not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt - aids forward planning, enhanced return compared to gilts. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity)</p> <p>(B) (i) 'Market or interest rate risk' - Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus gilts could widen</p>	Yes	Yes	AAA or government guaranteed	NO	Buy and hold to maturity. To be used in-house after consultation/ advice from CAS	£3m	5 years

## APPENDIX 4

### APPROVED COUNTRIES FOR INVESTMENT

The Council will use any UK Counterparties subject to their individual credit ratings under the CAS methodology.

The Council may also use counterparties from countries with a minimum AA sovereign rating. No more than £3m will be placed with any non-UK country at any time.

#### AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

#### AA+

- Finland
- Hong Kong
- USA

#### AA

- Abu Dhabi
- France
- Qatar