

Investment Criteria for 2017/18

Appendix 3

Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in the table immediately below, subject to the cash and time limits shown, AND to any other investment limits also set out in successive paragraphs below.

Approved Investment Counterparties	Specified Investments		Non-specified Investments		
	Cash limit	Time limit	Cash limit	Time Limit > 1 year	1 year +
Banks and Building Societies – Secured Deposits					
long-term credit ratings no lower than AA (or equivalent)	£5M each	364 days	£5M each	-	6 years
long-term credit ratings no lower than AA- (or equivalent)	£4M each	364 days	£4M each	-	4 years
long-term credit ratings no lower than A- (or equivalent)	£3M each	364 days	£3M each	-	2 years
long-term credit ratings no lower than BBB+ (or equivalent)	-	-	£3M each	6 months	-
long-term credit ratings of BBB or BBB- (or equivalent)	-	-	£3M each	3 months	-
Banks and Building Societies – Unsecured Deposits					
long-term credit ratings no lower than AA (or equivalent)	£5M each	9 months	£3M each	-	3 years
long-term credit ratings no lower than AA- (or equivalent)	£4M each	6 months	£2M each	-	2 years
long-term credit ratings no lower than A- (or equivalent)	£3M each	4 months	£2M each	-	18 months
long-term credit ratings no lower than BBB+ (or equivalent)	-	-	£2M each	2 months	-
long-term credit ratings no lower than BBB (or equivalent)	-	-	£2M each	next day	-
The Council's current account banker - provided long term credit rating no lower than BBB- (or equivalent)	-	-	£3M	next day	-
Corporates or Registered Providers with long-term credit ratings no lower than A- (or equivalent)	£3M each	4 months	£2M each	-	18 months
Unrated institutions , such as some building societies	-	-	£1M each	4 months	-
Company Shares where no direct service benefit arising, for the prudent management of its financial affairs - e.g. LCFC	-	-	£100,000	n/a	
Pooled funds (incl. money market funds)					
long-term credit ratings no lower than A- (or equivalent)	£5M each	n/a	-	-	-
unrated or long-term credit ratings under A- (or equivalent)	-	-	£4M each	-	n/a
UK Government	no limit	364 days	no limit	-	50 years
Other Government with long-term-credit ratings no lower than A- (or equivalent)	£5M each	364 days	£3M each	-	5 years
UK Local Authorities* (irrespective of credit rating)	£5M each	364 days	£3M each	-	5 years
* as defined in the Local Government Act 2003					

Maximum to any one organisation (other than the UK Government) £5 million

Limits also set for Foreign Countries (max £5M per country and minimum sovereign credit ratings of AA+ or better)

Specified and Non-Specified Investments

Specified Investments offer high security and liquidity, and are:

- denominated in pounds sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government, local authority, parish council or community council, OR
 - a body or investment scheme of “high credit quality”.

“High Credit Quality” defined by each authority. This Council defines “high credit quality” organisations as those having a credit rating of A- or higher, if either domiciled in the UK **or** in foreign country with a sovereign rating of AA+ or higher.

For money market funds/pooled funds “high credit quality” is defined as having a credit rating of A- or higher.

Non-specified Investments

- any investment not meeting the definition of a Specified Investment

Only be made in the following categories

- (a) shorter term investments in bodies and schemes with low or no credit ratings –
- (b) long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement (in higher rated counterparties)
- (c) treasury investments defined as capital expenditure by legislation, such as company shares, where there is a potential for a beneficial treasury impact.

Overall limits also apply on Non-specified Investments, as shown the table below.

Non-Specified Investments - Overall Limits	Cash limit
Total long-term investments	£7 M
Total investments without credit ratings or rated below A-	
Building Societies or Banks (subject to additional overview)	£7 M
Council’s current account bank (in addition to the above)	£3 M
Pooled Funds and Money Market Funds	£15 M
Total non-specified investments	£30 M

Secured and Unsecured Deposits - and Current Account Bankers

Unsecured Deposits: include accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Secured Deposits: include covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

Investment in Other Government, Corporate and Registered Providers

Other Government covers loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency.

Equivalent investments with the UK Government may be made in unlimited amounts.

Corporates covers loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Registered Providers covers loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.