

**LOCAL GOVERNMENT INVESTMENTS (England)**

**SPECIFIED INVESTMENTS**

*All investments listed below must be sterling-denominated.*

| <b>Investment</b>  | <b>Share/ Loan Capital?</b> | <b>Repayable/ Redeemable within 12 months?</b> | <b>Security / Minimum Credit Criteria</b>         | <b>Capital Expenditure?</b> | <b>Circumstance of use</b>                       | <b>Maximum period</b> |
|--|-----------------------------|--|---|-----------------------------|--|-----------------------|
| <b>Term deposits</b> with the UK government (e.g. DMO Account) or with 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 most LAs not credit rated. | No                          | In-house and by external fund manager            | 1 year                |
| <b>Term deposits</b> with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year  | No                          | Yes  | Yes – Minimum colour band green                   | No                          | In-house and by external fund manager            | 1 year                |
| <b>Certificates of Deposit</b> issued by credit-rated deposit takers (banks and building societies) up to 1 year.<br><br><i>Custodial arrangement required prior to purchase</i>           | No                          | Yes  | Yes – Minimum colour band green                   | No                          | In house buy and hold and External fund managers | 1 year                |
| <b>Banks nationalised by high credit rated (sovereign rating) countries – non UK</b>   | No                          | Yes  | Minimum Sovereign Rating AA-                      | No                          | In house and external fund managers              | 1 year                |



| Investment  | Share/ Loan Capital? | Repayable/ Redeemable within 12 months? | Security / 'High' Credit Rating criteria                 | Capital Expenditure? | Circumstance of use   | Maximum period |
|---|----------------------|---|--|----------------------|---|----------------|
| <b>UK Nationalised &amp; Part Nationalised banks</b>  | No                   | Yes                                     | Yes – Minimum colour band green                          | No                   | In House and external managers  | 1 year         |
| <b>Government guarantee (explicit) on all deposits by high credit rated (sovereign rating) countries</b>  | No                   | Yes                                     | Yes – Minimum Sovereign Rating AA- / UK Sovereign Rating | No                   | In house and external fund managers   | 1 year         |
| <b>Bonds issued by multilateral development banks</b> (Euro Sterling Bonds as defined in SI 2004 No 534)<br><b>Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail</b> | No                   | Yes                                     | AAA  | No                   | In-House on a buy and hold basis after consultation/advice from Link also for use by External fund manager                          | 1 year         |
| <i>Custodial arrangement required prior to purchase</i>   | No                   | Yes                                     | UK sovereign rating                                      | No                   |   |                |
| Gilt Funds and Bond Funds (including Ultra-Short Dated Bond Funds)  | No                   | Yes                                     | AAA  | No                   | In House and by external fund managers  | 1 year         |
| <b>Gilts : up to 1 year</b>   | No                   | Yes                                     | Govt-backed UK Sovereign Rating                          | No                   | In House on a buy and hold basis and for trading by external fund manager subject to the guidelines and parameters agreed with them | 1 year         |
| <i>Custodial arrangement required prior to purchase</i>   |                      |   |  |                      |   |                |



| 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 (CNAV), Enhanced Money Market Funds (LVNAV &amp; VNAV) &amp; Government Liquidity Funds (including CCLA Fund)</b>  | No                   | Yes                                     | Yes<br>AAA rated & UK sovereign rating.<br>Enhanced MMFs minimum colour Dark Pink/Light Pink & AAA rated | No                   | In-house and by external fund managers subject to the guidelines and parameters agreed with them | the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements.<br><br>Deposits are repayable at call. |
| <b>Treasury bills</b><br><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><br><br><i>Custodial arrangement required prior to purchase</i> | No                   | Yes                                     | Govt-backed<br>UK Sovereign Rating   | No                   | In House or external fund managers subject to the guidelines and parameters agreed with them     | 1 year  |

**Monitoring of credit ratings:**

All credit ratings will be monitored continuously and formally updated on a monthly basis if required. If a counterparty or investment scheme is downgraded with the result that it no longer meets the Council's minimum credit criteria, the use of that counterparty / investment scheme will be withdrawn.

Any intra-month credit rating downgrade which the Council has identified that affects the Council's pre-set criteria will also be similarly dealt with.



## LOCAL GOVERNMENT INVESTMENT (England)

### NON-SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated (with the exception of the WME US dollar account).

| <u>Investment</u>  | <u>(A) Why use it?</u><br><u>(B) Associated risks?</u>  | <u>Share/</u><br><u>Loan</u><br><u>Capital?</u> | <u>Repayable/</u><br><u>Redeemable</u><br><u>within 12</u><br><u>months?</u> | <u>Security /</u><br><u>Minimum credit</u><br><u>rating</u> | <u>Capital</u><br><u>Expen-</u><br><u>diture?</u> | <u>Circumstance of</u><br><u>use</u>   | <u>Max % of</u><br><u>overall</u><br><u>investments</u> | <u>Maximum</u><br><u>maturity of</u><br><u>investment</u>  |
|--|---|---|--|---|---|--|---|--|
| <b>Certificates of Deposit</b><br>with credit rated deposit<br>takers (banks and<br>building societies) with<br>maturities greater than 1<br>year<br><i>Custodial arrangement</i><br><i>required prior to</i><br><i>purchase</i> | (A) tradable more liquid than fixed term<br>deposits<br>(B) (i) 'Market or interest rate risk' : Yield<br>subject to movement during life of CD<br>which could negatively impact on<br>price of the CD. (ii) Although in theory<br>tradable, are relatively illiquid.   | No  | Yes  | UK Sovereign rating   | No  | In house on a buy<br>and hold basis after<br>consultation/advice<br>from Link &<br>external cash fund<br>manager(s) subject<br>to the guidelines<br>and parameters<br>agreed with them.      | 50%   | <i>Suggested</i><br><i>limit :</i><br><br>Average<br>duration in<br>the portfolio<br>not to<br>exceed 5<br>years |
| <b>Collateralised deposit</b>  | Deposits are backed by collateral of AAA<br>rated local authority   | No  | Yes  | UK Sovereign rating   | No  | In house & External<br>Manager   | 25%   | <i>5 years</i>   |
| <b>UK government gilts</b><br>with maturities in excess<br>of 1 year<br><br><i>Custodial arrangement</i><br><i>required prior to</i><br><i>purchase</i>  | (A)((i) Excellent credit quality. (ii)Very<br>Liquid).<br>(iii) If held to maturity, known yield (rate of<br>return) per annum ~ aids forward<br>planning. (iv) If traded, potential for<br>capital gain through appreciation in value<br>(i.e. sold before maturity) (v) No currency<br>risk<br><br>(B) (i) 'Market or interest rate risk' : Yield<br>subject to movement during life of<br>sovereign bond which could negatively<br>impact on price of the bond i.e. potential<br>for capital loss. | No  | Yes  | UK Sovereign rating   | NO  | In house on a buy<br>& hold basis<br>following advice<br>from Link and for<br>trading by external<br>cash fund manager<br>subject to the<br>guidelines and<br>parameters agreed<br>with them | 50%   | <i>Suggested</i><br><i>limit :</i><br><br>Average<br>duration in<br>the portfolio<br>not to<br>exceed 5<br>years |





| Investment   | (A) Why use it?<br>(B) Associated risks?   | Share/<br>Loan<br>Capital? | Repayable/<br>Redeemable<br>within 12<br>months? | Security /<br>Minimum credit<br>rating ** | Capital<br>Expen-<br>diture? | Circumstance of<br>use  | Max % of<br>overall<br>investment<br>s | Maximum<br>maturity of<br>investment   |
|--|--|----------------------------|--|---|------------------------------|---|--|--|
| <b>Term deposits</b> with UK government, other Local Authorities, and credit rated deposit takers (banks and building societies) including callable deposits 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.<br><br>(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   | Minimum colour band purple                | NO                           | In-House<br><br>For trading by external cash fund manager subject to the guidelines and parameters agreed with them | £40 million<br><br>50%                 | <i>Suggested limit:</i><br><br>3 years |
| <b>Sovereign bond issues</b> ex UK Government Gilts: any maturity  | (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<br><br>(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 | No                         | Yes  | AAA                                       | No                           | For trading by external cash fund manager only subject to the guidelines and parameters agreed with them            | 50%                                    | <i>Suggested limit:</i><br><br>5 years |
| <b>Bonds issued by multilateral development banks</b> (Euro-Sterling Bonds) or issued by a financial institution guaranteed by UK government<br><br>Custodial arrangement required prior to purchase | (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<br><br>(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           | Yes                        | Yes  | AAA                                       | No                           | In house on a buy and hold basis after consultation/advice from Link.<br><br>Also for use by external fund managers | 10%<br><br>50%                         | 5 years                                |

| Investment  | (A) Why use it?<br>(B) Associated risks?  | Share/<br>Loan<br>Capital? | Repayable/<br>Redeemable<br>within 12<br>months? | Security /<br>Minimum credit<br>rating **  | Capital<br>Expen-<br>diture? | Circumstance of<br>use   | Max % of<br>overall<br>investment<br>s | Maximum<br>maturity of<br>investment   |
|---|---|----------------------------|--|--|------------------------------|--|--|--|
| <b>Corporate Bonds &amp; Corporate Bond funds (the use of these investments would constitute capital expenditure although this is currently under review)</b> | (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<br><br>(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                        | Yes                        | Yes  | Minimum Sovereign rating AA-   | Yes                          | To be used by external fund managers only                        | 50%                                    | <i>Suggested limit:</i><br><br>5 years |
| <b>Jersey Property Unit Trust (JPUT)</b>  | Required to facilitate the acquisition of the Shrewsbury Shopping Centres via a Jersey based Property Unit Trust – required only subject to full Council approval of the acquisition method on 14 <sup>th</sup> December 2017.  | No                         | No   | No Minimum Credit rating – assets held within the fund to undergo annual valuation to determine value of Units within the Trust. | Yes                          | In House use following specialist technical and legal advice.    | £60m                                   | 5 years                                |
| <b>Pooled property funds – including CCLA Local Authorities Property Fund</b>   | Enhanced return but increased risk, only to be used following advice from Link  | No                         | Yes  | No Minimum Credit rating need to assess underlying assets within fund following advice taken from Link                           | No                           | In House Use & External Fund managers following advice from Link | 20%                                    | 5 years                                |
| <b>Floating Rate notes</b>  | (A)(i) Rate of return tied to some measure of current interest rates, so when interest rates are expected to go up they offer protection to investors against such rises (ii) In some circumstances may have access to banks which meet minimum credit criteria but generally don't take small fixed term deposit cash amounts<br><br>(B)(i) Credit quality : if financial health of issuer deteriorates, investors will demand a greater yield and the price of the bond will fall | Yes                        | Yes  | Minimum Colour band green  | No                           | In House Use & External Fund managers following advice from Link | 10%                                    | 3 years                                |
| <b>US Dollar Deposits (WME Only)</b>  | US dollar account to be utilised as a part of West Mercia Energy prudent management of income and expenditure, ensuring that ongoing US dollar commitments can be hedged, thus extinguishing any adverse risk of  | No                         | Yes  | Minimum Colour band green  | No                           | West Mercia Energy Only  | N/A                                    | 3 Months                               |

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|--|--|--|--|--|--|--|--|--|
|  | exposure to movements in the exchange rate and guaranteeing a known cashflow for West Mercia Energy. The account is only to be used for this purpose and not for the purpose of speculative or trading transactions. |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|