

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management – Specified and Non-Specified Investments and Limits

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires the council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

Annual investment strategy – The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the council will use. These are high security (i.e. high credit rating, although this is defined by the council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments - All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

Non- specified investments - Any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments are set out below. Non-specified investments include:

- (a) Any investment with an institution on the council's approved list which is for over a year;
- (b) The Council's own banker, Lloyds bank, if it fails to meet the basic credit criteria. The Council's former banker Co-op bank, for receipt of PayPoint and Post Office transactions only. The balance of these to be transferred to Lloyds on a daily basis.

- (c) Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The council may use such building societies if they have a minimum asset size of £1bn, but will restrict these types of investments to £2m.

Within categories (b) and (c), and in accordance with the Code, the council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. Additional criteria for category (b) are to minimise the balances held subject to cash flow and operational necessity. For category (c) regard will be given to rating trends and advice from the council's treasury advisors.

Criteria for both specified and non-specified investments

	Short Term	Long Term	Maximum Maturity Period
DMADF – UK Government	n/a	n/a	6 months
Money market funds	F1+	AAA	liquid
Local authorities	n/a	n/a	2 years
Term deposits with banks and building societies	F1	A	2 years
Council's own banker (for transactional purposes if it falls below criteria for bank and building societies)	n/a	n/a	liquid