

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of £5m will be held in aggregate in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Specified Investments –

| | Colour (and long term rating where applicable) | Money and/or % Limit | Time Limit |
|--|--|----------------------|--|
| DMADF – UK Government | N/A | 100% | 6 months |
| Term deposits with banks and building societies | Blue Orange Red Green No Colour | 100% | Up to 1 year ** Up to 1 year Up to 6 Months Up to 100 days Not for use |
| CDs or corporate bonds with banks and building societies | Blue Orange Red Green No Colour | 100% | Up to 1 year ** Up to 1 year Up to 6 Months Up to 100 days Not for use |
| Local authorities | N/A | 100% | Approval will be made based on individual circumstances without further reference to Audit Committee |
| The Council's own banker | | 100% | If the Council's own banker fails to meet the basic credit criteria balances will be minimised as far as possible. Current banking arrangements will continue with the Co-op bank for Bill Payments only. Balances in Co-op are cleared daily, |

NB: 2017/18 NCAV MMF's have been removed from Counterparty list

Non-Specified Investments –

| | Minimum credit criteria / colour band | Max % of total investments/ £ limit per institution | Max. maturity period |
|--|---------------------------------------|---|--|
| UK Government gilts | UK sovereign rating | | Separate approval will be sought for this type of investment |
| UK Government Treasury Bills | UK sovereign rating | | Separate approval will be sought for this type of investment |
| Bonds issued by multilateral development banks | UK sovereign rating | | Separate approval will be sought for this type of investment |
| Term deposits with banks and building societies | Yellow Purple | 100% | Up to 5 years * Up to 2 years |
| CDs or corporate bonds with banks and building societies | Yellow Purple | 100% | Up to 5 years * Up to 2 years |
| Enhanced cash funds | | | Separate approval will be sought for this type of investment |
| Corporate bond funds | | | Separate approval will be sought for this type of investment |
| Gilt funds | UK sovereign rating | | Separate approval will be sought for this type of investment |
| Property funds | | | Separate approval will be sought for this type of investment |
| Local authorities | N/A | 100% | Approval will be made based on individual circumstances without further reference to Audit Committee |

* The Council will only invest for over 2 years with the prior approval of Audit Committee. In all circumstances the maximum amount with any one counterparty will be £5m

** (only applies to nationalised/semi nationalised UK Banks as shown on Capita Asset Services list)

NB: The criteria are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and / or restricted time limits

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.