

Extract of Investment Strategy 2007/08 – 2009/10

As Approved by Council 28 February 2007

1 Main Principles

- 1.1 The main principles governing the Council's investment criteria are the security and liquidity of its investments before yield, although the yield or return on investment will be a consideration, subject to adequate security and liquidity. The Council will ensure that:
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
 - It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and the monitoring of their security.

2 Counterparty Criteria

- 2.1 The Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them for approval as necessary. These criteria are separate to those which determine Specified and Non-Specified Investments. Instead they determine which counterparties the Council can choose, rather than defining what the nature of the investments are.
- **Banks** – the Council will use banks which have at least the following Fitch or equivalent ratings:
 - **Short Term – F1** – *Indicates the strongest capacity for timely payment of financial commitments, may have an added '+' to denote any exceptional strong credit feature.*
 - **Long Term – A** – *denotes a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.*
 - **Individual / Financial Strength – C** – *an adequate bank. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects (Fitch / Moody's only)*
 - **Support – 3** – *A bank for which there is a moderate probability of support because of the uncertainties about the ability or propensity of the potential provider of support to do so. (Fitch only)*
 - **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above.
 - **Building Societies** – the Council will use all Societies with assets in excess of £ 1bn.
 - **Money Market Funds**
 - **UK Government** (including gilts and the DMO)
 - **Local Authorities, Parish Councils etc**
 - **Supranational institutions**

Monitoring of Investment Counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating advice from its treasury management consultants, on a daily basis, in respect of any changes in ratings, and counterparties are checked promptly. On occasion, ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Head of Financial Services. New counterparties which meet the criteria will, similarly, be added to the list.