

Appendix B

Investment Classification

The classification of investments as specified and non-specified is constantly reviewed. The Chief Financial Officer ensures that investment products are fully understood and the risks and compliance with CIPFA Code of Practice on Treasury Management is full appraised and understood.

Specified Investments:

All investments which fall under the classification of specified investments will be sterling denominated and have maturities up to maximum of 364 days, meeting the Council's minimum 'high' rating criteria at the time of investment.

Organisation/Instrument	Minimum Credit Criteria										MAX PERIOD	USE
	FITCH				MOODY			STANDARD & POOR		CDS DATA		
	Fitch S/T	Fitch L/T	FITCH INDV SUPP	FITCH SUPP STATUS	M L/T	M S/T	M FRS	S&P L/M	S&P S/T			
Term deposits – banks and building societies	F1	A+	C/D	1	A1	P-1	C-	A+	A-1	In Range/Monitoring	12 months	In-house /Fund Managers
Multilateral Development Banks		AAA	N/A	N/A	Aaa		N/A	AAA	A-1		12 months	Fund Managers
Certificates of deposits issued by banks and building societies	F1	A+	C/D	1	A1	P-1	C-	A+	A-1	In Range/Monitoring	12 months	Fund Managers
Structured deposits	F1	A+	C/D	1	A1	P-1	C-	A+	A-1	In Range/Monitoring	12 months	In-house and Fund Managers
Term deposits – UK government	Government Backed - Not Credit Rated											In-house and Fund Managers
Term deposits – other Local Authorities	High Security - Although not Credit Rated											In-house
Debt Management Agency Deposit Facility	Government Back Agency – Not Credit Rated											In-house and Fund Managers
Money Market Funds		AAA mmf	N/A	N/A	Aaa/ MR1+			AAAm				In-house and Fund Managers
UK Government Gilts	AAA											Fund Managers
Gilt Funds and Bond Funds	AA											Fund Managers
UK Treasury Bills	Government Backed Instruments – Not Credit Rated											Fund Managers/In-house
Collective Investment Schemes* - such as Short Term Funds & Pooled Funds	A											In-house and Fund Managers

*Collective Investment Schemes (CIS) which meet the requirements of SI 2004 No 534 and subsequent amendments. Not all CIS are credit-rated. The investments in CIS are highly diversified.

Non-Specified Investments:

Where investments are held for longer than 365 days they are classified as Non-specified Investments. Strong credit quality is a major factor in the choice of borrower.

A maximum of 40% will be held in aggregate in non-specified investments

Organisation	Minimum Credit Criteria			Use	Max. maturity period
	Short-term	Long-term	Individual	Support Rating	Max 5 of total council investments
Term deposits – UK government (with maturities in excess of 1 year)	Govt Backed-Not Credit Rated			In-house	2 Years
					25%
Term deposits – other LAs (with maturities in excess of 1 year)	High Security – although not Credit rated			In-house	2 Years
					25%
Term deposits – banks and building societies (with maturities in excess of 1 year), including structured products	F1+	AA- or equivalent		In-house	2 Years
					1
Certificates of deposits issued by banks and building societies	F1+ or equivalent	AA-		Fund managers	2 Years
					1
UK Government Gilts with maturities in excess of 1 year	AAA			Fund Managers	3 Years
					40%
Structured deposits with variable rates and variable maturities – callable and flappable deposits, range trades and snowballs	F1+	AA or equivalent	B	In-house	2 Years
					1
Pooled Funds various				Fund Managers	
					40%
Bonds issued by multilateral development banks	AAA		Government guarantee	In-house on a 'buy-and-hold' basis. Also for use by fund managers	3 Years
					40%

Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	
			40%
Sovereign bond issues (i.e. other than the UK govt)	AAA	Fund Managers	2 Years
			40%
Bond Funds	AAA	Fund Managers	25%/2 years

Non- Specified Investments with Maturities of Any period

From time to time in periods of volatile interest rates, the Council may invest in non-specified investments with variable rates and variable maturities

Organisation	Minimum Credit Criteria			Use	Max. maturity period
	Short-term	Long-term	Individual		
Local Authority mortgage guarantee scheme	AAA		Fund Manager./ In-house		5 Years
					25%

- Key**
- Short Term Ratings – F1 – Indicates the strongest capacity for timely repayment
Long Term Ratings – A – Capacity for payment of commitments considered strong
AA – Very strong capacity for payment of commitments
AAA –Exceptionally strong capacity for payment of commitments
- Individual Rating B – Strong organisation, no major concerns.
C – Adequate organisation, some concerns regarding its profitability and Balance Sheet.
- Support Rating 2 – High probability of external support
3 – Moderate probability of support