

WYRE FOREST DISTRICT COUNCIL

APPROVED ORGANISATIONS FOR INVESTMENTS

- **Banks and Building Societies** – the Council will use banks and building societies which have at least the following Fitch or equivalent ratings:
 - **Short Term – F1**
 - **Long Term – A-**
 - **Individual / Financial Strength – C** (Fitch / Moody’s only)
 - **Support – 3** (Fitch only)
- **Building Societies** – in addition to societies who meet the criteria above, the Council will also use those with assets in excess of £1 billion.
- **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above.
- **Money Market Funds – AAA** rated
- **UK Government** (including the Debt Management Office)
- **Local Authorities, Parish Councils etc**

The time limits for institutions on the Council’s Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch	Moody’s	Standard & Poors	Money Limit*	Time Limit
Upper Limit Category	F1+ / AA-	P-1 / Aa3	A-1+ / AA-	£8m	3 years
Middle Limit Category	F1 / A-	P-1 / A3	A-1 / A-	£5m	2 years
Lower Limit Category	-	-	-	£3m	364 days
Other Institution Limits	-	-	-	£8m	n/a

* *These limits cover both Specified and Non-Specified Investments. The limit is also subject to no more than 25% of outstanding investments being placed with any one institution at one time.*

1. The Upper and Middle Limit categories will include both banks and building societies.
2. The Lower Limit category will be for unrated bank subsidiaries (according to criteria outlined above) and unrated building societies with assets in excess of £1bn.
3. The Other Institution Limit will be for other local authorities, the DMADF and Money Market Funds. These are all considered high quality names – although not always rated – and therefore will likely have the same limit as the Upper Category.

These limits will cover both Specified and Non-Specified Investments.

Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk Management.

The Office of the Deputy Prime Minister issued Investment Guidance on 12th March 2004, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

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 this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 28/09/2006 and will apply its principles to all investment activity. In accordance with the Code, the Director of Finance has produced its treasury management practices. This part, TMP 1(5), covering investment counterparty policy requires approval each year.

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 following:

- The strategy guidelines for decision making on investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments 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.

This strategy is to be approved by full Council.

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 – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).

2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. An investment scheme that has been awarded a high credit rating by a credit rating agency.
5. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).

For category 4 this covers a money market fund rated **AAA** by Standard and Poor's, Moody's or Fitch rating agencies.

For category 5 this covers bodies with a minimum rating of **F1** (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is...

	Fitch	Moody's	Standard & Pooors	Money Limit*	Time Limit
Upper Limit Category	F1+ / AA-	P-1 / Aa3	A-1+ / AA-	£8m	3 years
Middle Limit Category	F1 / A-	P-1 / A3	A-1 / A-	£5m	2 years
Lower Limit Category	-	-	-	£3m	364 days
Other Institution Limits	-	-	-	£8m	n/a

* These limits cover both Specified and Non-Specified Investments. The limit is also subject to no more than 25% of outstanding investments being placed with any one institution at one time.

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£)
a.	Any bank or building society that has a minimum long term credit rating of A- , for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	<i>Limit £30m/greater than 364 days</i>
b.	Any non rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company.	<i>Limits as above £3m / 364 days</i>
c.	Any non rated building society with assets in excess of £1bn	<i>Limits as above £3m / 364 days</i>

The Monitoring of Investment Counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating advice from its advisers, Butlers, on a daily basis as and when ratings change, 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 the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Head of Financial Services, and if required new counterparties which meet the criteria will be added to the list.