

**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 ‘high’ quality criteria where applicable.

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. A maximum of 40% will be held in aggregate in non-specified investment.

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:

|  | Minimum credit criteria / colour band | £ limit per institution / Max % of total investment | Max. maturity period      |
|--|---------------------------------------|---|---------------------------|
| <b>Specified</b>                               |                                       |   |                           |
| DMADF – UK Government                          | Yellow                                | 100%  | 6 months (max set by DMO) |
| UK Government gilts                            | Yellow                                | £4 million / 50%                                    | 5 Years                   |
| UK Government Treasury bills                   | Yellow                                | £4 million / 50%                                    | 364 days (Max set by DMO) |
| Bonds issued by multilateral development banks | Yellow                                | £2m / 25%   | 5 Years                   |
| Local authorities                              | N/A                                   | £4m / 25%   | 3 Years                   |
| Council’s banker (Barclays)                    |                                       | £10 million   | 14 days                   |
| Money Market Funds CNAV                        | AAA                                   | £15 million Per fund                                | Liquid                    |
| Money Market Funds VNAV                        | AAA                                   | £15 million per fund                                | Liquid                    |
| Money Market Funds LVNAV                       | AAA                                   | £15 million per fund                                | Liquid                    |

|   |                                |                      |  |
|---|--------------------------------|----------------------|--|
| Ultra-Short Dated Bond Funds with a credit score of 1.25 *  | AAA                            | £4 million / 25%     | Liquid                                   |
| Ultra-Short Dated Bond Funds with a credit score of 1.5*  | AAA                            | £3 million / 25%     | Liquid                                   |
| Term Deposits with part nationalised banks  | Blue<br>Orange<br>Red<br>Green | Max £3 million / 25% | 1 Year<br>1 Year<br>6 Months<br>100 days |
| Term deposits with banks and building societies   | Blue<br>Orange<br>Red<br>Green | Max £3million/ 25%   | 1 Year<br>1 Year<br>6 Months<br>100 days |
| CDs or corporate bonds with banks and building societies  | Blue<br>Orange<br>Red<br>Green | Max £3million/ 25%   | 1 Year<br>1 Year<br>6 Months<br>100 days |
| <b>Non-Specified</b>  |                                |                      |  |
| Term Deposits with part nationalised banks  | Red<br>Green                   | Max £1 million / 10% | 6 months<br>100 days                     |
| Term deposits with banks and building societies   | Red<br>Green                   | Max £1 million / 10% | 6 months<br>100 days                     |
| CDs or corporate bonds with banks and building societies  | Red<br>Green                   | Max £1 million / 10% | 6 months<br>100 days                     |
| Ultra-Short Dated Bond Funds with a credit score of 1.25*   |                                | Max £3 million / 25% | Liquid                                   |
| Ultra-Short Dated Bond Funds with a credit score of 1.5*  |                                | Max £3 million / 25% | Liquid                                   |
| Property funds - The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The key exception to this is an investment in the CCLA Local Authorities Property Fund. This Authority will seek guidance on the status of any fund it may consider using. | AAA                            | £4 million / 25%     | 10 years                                 |

\*Any investments in ultra short-dated bond funds will be considered on an individual basis due to the complex nature of this type of investment. These types of funds do not always have an official rating, in the event that the Council wishes to invest in the type of fund the council will seek guidance from its treasury advisors and undertake additional due diligence prior to any decision.

**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.