

Appendix A

SPECIFIED INVESTMENTS

All such investments will be sterling denominated with maturities of up to a maximum of 1 year meeting the maximum high quality criteria where applicable

NON-SPECIFIED INVESTMENTS

These are investments which do not meet the specified investment criteria. A maximum of 25% will be held in aggregate in non specified investments. All such investments will be sterling denominated

Credit Rating Components

Long Term Rating

These generally cover maturities of between 1 and 5 years and assess the ongoing stability of the institution's prospective financial condition, addressing the possibility that a financial obligation will not be honoured

FITCH	A)	
Moodys	Aaa3)	Strong capacity to meet all long term financial
Standard & Poors	A)	commitments

Short Term Rating

These generally cover maturities of up to 13 months and place greater emphasis on the liquidity necessary to meet financial commitments.

FITCH	F1)	
Moodys	P-1)	Strong capacity to meet all short term financial
Standard & Poors	A-1)	commitments

A variety of investment s are available to use subject to the credit quality of the institution and depending on the type of investment will categorised as either a specified or non-specified investment.

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

	Min. Credit Criteria/colour band/ rating	Max% of Total Investments	Maximum Maturity Period	Specified/ Non specified
Debt Managmnt Agency	N/A	100%	6 months	S
UK Government Gilts	UK sovereign	20%	10 Years	S & N/S
UK Government Treasury Bills	UK Sovereign	30%	364 days	S
Bonds issued by multilateral development banks	AAA	5%	5 years	S & NS
Money Market Funds	AAA	100%	Liquid	S
Enhanced money market funds	AAA	20%	Liquid	S
Local Authorities	N/A	30%	5 years	S & N/S
Term deposits with institutions	Purple Blue Orange Red Green No colour	35%	Up to 2 years Up to 2 years Up to 1 year Up to 6 months Up to 100days Not to use	S & N/S
Negotiable instruments with institutions ***	Yellow Purple Blue Orange Red Green No colour	5%	Up to 5 years Up to 2 years Up to 2 years Up to 1 year Up to 6 months Up to 100days Not to use	S & N/S
Corporate Bond Funds	UK Sovereign	5%	5 years	S & N/S
Gilt Funds	UK sovereign	5%	5 years	S & N/S

**** (Inc, Commercial Paper, Floating rate notes, Sovereign Bonds, Collateralised deposits, Government Liquidity Funds, Certificates of Deposit)

NB - S or N/S dependent upon duration of investment eg might buy a Gilt with just 6 months to maturity

Other NON-SPECIFIED INVESTMENTS

	Use	Maximum Amount per loan £'000	Maximum maturity period
Guaranteed loans to London Luton Airport Limited where the expenditure is deemed to be of a capital nature and therefore increasing the Council's capital financing requirement for a period of up to 40 years	In house	50,000	40 years Core Cash
Secured loans to public sector bodies and housing associations where expenditure is deemed to be of a capital nature and therefore increasing the Council's capital financing requirement for a period of up to 40 years	In house	100,000	40 years Core Cash

INSTRUMENTS NOT CONSIDERED BY THIS COUNCIL AS PRUDENT INVESTMENTS FOR ITS SURPLUS TREASURY FUNDS

Investment
Equities
Deposits with un-rated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution: any maturity
Un-rated deposit takers (banks and building societies) which do not have an unconditional guarantee: any maturity
Open Ended Investment Companies (OEICS) – those which are equity based.
Derivatives

The prohibition on the use of derivatives: This prohibition effectively relies on the judgement of the House of Lords in the case of *Hazell v The Council of the London Borough of Hammersmith and Fulham and Others* in 1991. Their Lordships

held that local authorities have no power to enter into interest rate swaps and similar instruments.

