

Specified and Non Specified Investments

Specified investments:

The MHCLG Guidance defines specified investments as those:

- Denominated in pound sterling, due to be repaid within 12 months of arrangement,
- Not defined as capital expenditure by legislation, and invested with one of
- The UK Government
- A UK local Authority, parish Authority or community Authority, or A body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

Table 1: Specified Investments

| Instrument | Institution Type | Instrument Minimum 'High' Credit Criteria | Limit | Max. Maturity Period |
|---|--|---|------------|-------------------------|
| Accounts, deposits, certificates of deposit and senior unsecured bonds with banks other than multilateral development banks, UK Government Gilts. | UK Banks and UK Banking Groups ¹ | per Appendix 5, Table 1 | £15m | per Appendix 5, Table 1 |
| | UK Building Societies | per Appendix 5, Table 1 | £15m | per Appendix 5, Table 1 |
| | Non UK Banks | Sovereign Rating of AA+ and above and meet Credit Criteria in Appendix 5, Table 1 | £15m | per Appendix 5, Table 1 |
| Covered bonds, floating rate notes, reverse repurchase agreements and other collateralised arrangements with banks and building societies | UK Banks and Building Societies and Non UK Banks | Per Appendix 5, Table 1 (and Sovereign Rating of AA+ minimum for Non UK Banks) | See Note 2 | per Appendix 5, Table 1 |
| Term Deposits | Local Authorities and other Public Institutions | UK Sovereign Rating | £15m | per Appendix 5, Table 1 |
| Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing. | Registered Social Housing Providers | per Appendix 5, Table 1 | | per Appendix 5, Table 1 |
| Money Market Fund | | AAA ³ | £15m | |
| Enhanced Cash Funds | | AA/Aa ⁴ | £15m | |
| 1. £15m Limit per bank / banking group. | | | | |
| 2. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments. | | | | |
| 3. Investments will be made with those MMF's which have a rating of AAA | | | | |
| 4. Minimum of Fitch / Standard & Poor's AA or Moody's Aa rating | | | | |

Table 2: Non specified investments

| Instruments | Non Specified Investments | Institution Type | Minimum Credit Criteria | Maximum Duration | Cash limit |
|---|---|---|-------------------------|------------------|------------|
| Accounts, deposits, certificates of deposit, structured deposits and senior unsecured bonds with banks other than multilateral development banks. Covered bonds, reverse repurchase agreements, and other collateralised arrangements with banks and building societies. Short Dated Bond Funds, Diversified Growth Funds, Absolute Return Funds and Property Funds. Unrated Bonds. | Total long-term investments (investments over 1 year) | UK and Non UK Banks and Building Societies, Rated Registered Social Housing Providers (RSP) | Per Appendix 5, Table 1 | 10 yrs. | £50m |
| | Total investments without credit ratings or rated below A- (except UK Government and local authorities) | Unrated Registered Social Housing Providers (RSP), Unrated Banks and Building Societies | N/A | 5 yrs. | £5m |
| | Total Investments made in pooled investment vehicles. | | | 7 yrs. | |
| | Total Investments made in un-rated bonds. | | | | |
| | Total non-specified investments | | | | £55m |
| | | | | | |

Non-specified investments:

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any treasury investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

| | Cash Limit £m |
|---|---------------|
| Total long-term investments | 100 |
| Total Investments without credit ratings or rated below A- (subject to due diligence) | 0 |
| Total non-specified investments | 100 |