

## TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2015/16

### Investment Instruments and Credit Criteria

Investment instruments used for the prudent investment of the Authority's cash balances are listed below under the 'Specified' and 'Non-Specified' Investments categories.

**Specified investments** - are those investments offering high security and liquidity. All such investments will be in sterling, with a maximum maturity of 364 days, meeting the minimum 'high' rating criteria where applicable. Table 1 below shows the credit rating criteria used to select whom the Authority will place fund:

**Table 1: Specified Investments and Credit Criteria**

	Minimum Credit Rating  (Fitch)	Minimum Credit Rating  (Moody's)	Maximum Deposit	Maximum Period
UK Government Debt Management Office (DMO)	N/A	N/A	£50m	3 mths
UK Local Authorities	N/A	N/A	£20m	12 mths
UK Government Gilts, Bonds and Treasury Bills	N/A	N/A	£10m	12 mths
Nationalised and semi-nationalised banks	N/A	N/A	£5m per bank	3 mths
Money Market Funds	AAA		£5m per fund	Instant Access
Deposits and Certificate of Deposit  UK Clearing Banks / Building Societies	Short Term: F1 Long Term: A- Viability: bbb- Support Rating:3	Short Term: P-1 Long Term: Aa3 Financial Support Rating: C-	£5m per bank	3 mths

**Non-specified investments** - are all sterling denominated, with maturities in excess of one year. A maximum of 25% may be held in aggregate in non-specified investments. Table 2 below shows the counterparties with whom the Authority will place funds:

**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL  
INVESTMENT STRATEGY 2015/16**

**Table 2: Non-Specified Investments**

	<b>Minimum Credit Criteria  (Fitch)</b>	<b>Minimum Credit Criteria  (Moody's)</b>	<b>Credit Criteria  Maximum Deposit</b>	<b>Credit Criteria  Maximum Period</b>
UK Local Authorities	N/A	N/A	£5m	3 years

**Credit Criteria and Rating Symbols** - The Council uses Fitch ratings to derive its counterparty criteria. Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used.

### **FITCH Ratings**

**Long Term** - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

**Short Term** - FI indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

**Support Ratings** - Support ratings do not assess the quality of a bank. Rather, they are Fitch's assessment of whether it would receive support in the event of difficulties.

### **MOODY'S Ratings**

**Long Term** - Aaa - C long term ratings are applied to bonds and other obligations with an original maturity in excess of one year. Aa obligations are judged to be of high quality by all standards. The numeric modifiers, 1, 2 and 3 in each generic classification from Aa through B are applied in its long-term rating system. Modifier 1 indicates that the security ranks in the higher end of its generic rating category, modifier 2 indicates a mid-range ranking and modifier 3 indicates the issue ranks in the lower end of its generic rating category.

**Short Term** - are opinions of the ability of issuers to repay punctually senior debt obligations, which have an original maturity not exceeding one year. Moody's employs three designations (Prime-1, Prime-2 and Prime-3) all judged to be investment grade, to indicate the relative repayment ability of

**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL  
INVESTMENT STRATEGY 2015/16**

rated issuers. Prime-1-Issuers (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations.

**Bank Financial Strength Ratings Definitions** -Moody's Bank Financial Strength Ratings (FSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's traditional debt and deposit ratings. FSRs can be understood as a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group or official institutions.