

SELBY DISTRICT COUNCIL ANNUAL INVESTMENT STRATEGY 2019/20 – SPECIFIED INVESTMENTS

| Investment | Security / Minimum Credit Rating | Circumstances of Use |
|---|--|---|
| Term Deposits with the UK Government or with UK Local Authorities (as per Local Government Act 2003) with maturities up to 1 year | High security as backed by UK Government | In-house |
| Term Deposits with credit rated deposit takers (Banks and Building Societies), including callable deposits with maturities less than 1 year | Organisations assessed as having “high credit quality” plus a minimum Sovereign rating of AA- for the country in which the organisation is domiciled | In-house |
| Certificate of Deposits issued by credit rated deposit takers (Banks and Building Societies) up to 1 year | | Fund Manager or In-house “buy and hold” after consultation with Treasury Management Advisor |
| Forward deals with credit rated Banks and Building Societies less than 1 year (i.e. negotiated deal plus period of deposit) | | In-house |
| Money Market Funds i.e. collective investment scheme as defined in SI2004 No 534 (<i>These funds have no maturity date</i>) | Funds must be AAA rated | In-house After consultation with Treasury Management Advisor Limited to £20m |
| Gilts (with maturities of up to 1 year) | Government Backed | Fund Manager or In-house buy and hold after consultation with Treasury Management Advisor |
| Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI 2004 No 534) with maturities under 12 months (<i>Custodial arrangements required prior to purchase</i>) | Government Backed | After consultation with Treasury Management Advisor |

SELBY DISTRICT COUNCIL ANNUAL INVESTMENT STRATEGY 2018/19 – NON-SPECIFIED INVESTMENTS

| Investment | A) Why use it? B) Associated Risks? | Security / Minimum Credit Rating | Circumstances of Use | Max % of overall investments or cash limits in cash category | Maximum investment with any one counterparty | Maximum Maturity Period |
|--|--|---|--|--|---|--|
| <p>Term Deposit with credit rated deposit takers (Banks & Building Societies), UK Government and other Local Authorities with maturities greater than 1 year</p> | <p>A) Certainty of return over period invested which could be useful for budget purposes</p> <p>B) Not Liquid, cannot be traded or repaid prior to maturity</p> <p>Return will be lower if interest rates rise after making deposit</p> <p>Credit risk as potential for greater deterioration of credit quality over a longer period</p> | <p>Organisations assessed as having “high credit quality”</p> <p>Plus</p> | <p>In-house</p> | <p>100% of agreed maximum proportion (20%) of core cash funds that can be invested for more than 1 year (estimated £20m)</p> | <p>£5m</p> | <p>2 years subject to potential future review with a maximum of no longer than 5 years</p> |
| <p>Certificate of Deposit with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year <i>Custodial arrangements prior to purchase</i></p> | <p>A) Attractive rates of return over period invested and in theory tradable</p> <p>B) Interest rate risk; the yield is subject to movement during life of CD which could negatively impact on its price</p> | <p>Where non UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled</p> | <p>Fund Manager or In-house “buy & hold” after consultation with Treasury Management Advisor</p> | <p>25% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)</p> | <p>£3m</p> | <p>2 years subject to potential future review with a maximum of no longer than 5 years</p> |
| <p>Callable Deposits</p> | <p>A) Enhanced Income – potentially higher return</p> | <p>Organisations</p> | <p>To be used in-</p> | <p>50% of agreed</p> | <p>£5m</p> | <p>2 years</p> |

| Investment | A) Why use it? B) Associated Risks? | Security / Minimum Credit Rating | Circumstances of Use | Max % of overall investments or cash limits in cash category | Maximum investment with any one counterparty | Maximum Maturity Period |
|--|--|--|--|---|---|--|
| with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year | <p>than using a term deposit with a similar maturity</p> <p>B) Not liquid – only borrower has the right to pay back the deposit; the lender does not have a similar call</p> <p>Period over which the investment will actually be held is not known at outset</p> <p>Interest rate risk; borrower will not pay back deposit if interest rates rise after the deposit is made</p> | <p>assessed as having “high credit quality”</p> <p>Plus</p> <p>Where non UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled</p> | <p>house after consultation with Treasury Management Advisor</p> | <p>proportion (20%) of core cash balance that can be invested for more than 1 year (£12.5m)</p> | | <p>subject to potential future review with a maximum of no longer than 5 years</p> |
| <p>Forward Deposits with a credit rated Bank or Building Society > 1 year (i.e. negotiated deal period plus period of deposit)</p> | <p>A) Known rate of return over the period the monies are invested – aids forward planning</p> <p>B) Credit risk is over the whole period, not just when monies are invested</p> <p>Cannot renege on making the investment if credit quality falls or interest rates rise in the interim period</p> | <p>Organisations assessed as having “high credit quality”</p> <p>Plus</p> <p>Where no UK domiciled - a minimum Sovereign rating of AA- for the country in which an organisation is domiciled</p> | <p>To be used in-house after consultation with the Treasury Management Advisor</p> | <p>25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)</p> | <p>£3m</p> | <p>2 years subject to potential future review with a maximum of no longer than 5 years</p> |
| | | <p>AA or</p> | <p>In-house on a</p> | | | <p>2 years</p> |

| Investment | A) Why use it? B) Associated Risks? | Security / Minimum Credit Rating | Circumstances of Use | Max % of overall investments or cash limits in cash category | Maximum investment with any one counterparty | Maximum Maturity Period |
|---|--|--|--|--|---|---|
| Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI2004 No534) with maturities in excess of 1 year Custodial arrangements required prior to purchase | A) Excellent credit quality Relatively Liquid If held to maturity, yield is known in advance Enhanced rate in comparisons to gilts B) Interest rate risk; yield subject to movement during life off bond which could impact on price | Government backed | "buy and hold" basis after consultation with Treasury Management Advisor or use by Fund Managers | 25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m) | n/a | subject to potential future review with a maximum of no longer than 5 years |
| Bonds issued by Multilateral development banks (as defined in SI2004 No534) with maturities in excess of 1 year Custodial arrangements required prior to purchase | A) Excellent credit quality Relatively Liquid If held to maturity, yield is known in advance Enhanced rate in comparison to gilts B) Interest rate risk; yield subject to movement during life off bond which could negatively impact on price | | | | £3m | |
| UK Government Gilts with maturities in excess of 1 year Custodial arrangements required prior to purchase | A) Excellent credit quality Liquid - If held to maturity, yield is known in advance Liquid - If traded, potential for capital appreciation B) Interest rate risk; yield subject to movement during life if the bond which could impact on price | Government backed | Fund Manager | 25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m) | n/a | 2 years subject to potential future review with a maximum of no longer than 5 years |
| | | | | | | |

| Investment | <p>A) Why use it?</p> <p>B) Associated Risks?</p> | Security / Minimum Credit Rating | Circumstances of Use | Max % of overall investments or cash limits in cash category | Maximum investment with any one counterparty | Maximum Maturity Period |
|-------------------------------|--|--|---|---|--|---|
| Collateralised Deposit | <p>A) Excellent credit quality</p> <p>B) Not liquid, cannot be traded or repaid prior to maturity</p> <p>Credit risk as potential for greater deterioration of credit quality over a longer period</p> | Backed by collateral of AAA rated Local Authority LOBO's | In-house via money market broker or direct | 100% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£20m) | £5m | |
| Property Funds | <p>A) Attractive rates of return over period invested and in theory very liquid</p> <p>B) Period over which the investment will actually be held is not known at outset</p> <p>Credit risk as potential for greater deterioration of credit quality over a longer period</p> | Organisations assessed as having "high credit quality" | To be used in-house after consultation with the Treasury Management Advisor | 100% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£20m) | £5m | 5 years subject to potential future review with a maximum of 10 years |

APPROVED LENDING LIST 2019/20

Maximum sum invested at any time (The overall total exposure figure covers both Specified and Non-Specified investments)

| | Country | Specified Investments (up to 1 year) | | Non-Specified Investments (> 1 year £20m limit) | |
|--|---------|--------------------------------------|-----------------------|---|--------------|
| | | Total Exposure £m | Time Limit * | Total Exposure £m | Time Limit * |
| UK "Nationalised" banks / UK banks with UK Central Government involvement | | | | | |
| Royal Bank of Scotland | GBR | 75.0 | 364 days | - | - |
| Natwest Bank | GBR | | | | |
| UK "Clearing Banks", other UK based banks and Building Societies | | | | | |
| Santander UK plc (includes Cater Allen) | GBR | 40.0 | 6 months | - | - |
| Barclays Bank | GBR | 75.0 | 6 months | - | - |
| Bank of Scotland | GBR | 75.0 | 6 months | - | - |
| Lloyds | GBR | | | | |
| HSBC | GBR | 30.0 | 364 days | | |
| Goldman Sachs International Bank | GBR | 40.0 | 6 months | | |
| Standard Chartered Bank | GBR | 40.0 | 6 months | - | - |
| Nationwide Building Society | GBR | 40.0 | 6 months | - | - |
| Leeds Building Society | GBR | 20.0 | 6 months | - | - |
| High quality Foreign Banks | | | | | |
| National Australia Bank | AUS | 20.0 | 364 days | - | - |
| Commonwealth Bank of Australia | AUS | 20.0 | 364 days | | |
| Canadian Imperial Bank of Commerce | CAN | 20.0 | 364 days | - | - |
| Deutsche Bank | DEU | 20.0 | Temporarily suspended | - | - |
| Nordea Bank Finland | FIN | 20.0 | 364 days | - | - |
| Credit Industriel et Commercial | FRA | 20.0 | 6 months | - | - |
| BNP Paribas Fortis | FRA | 20.0 | 6 months | - | - |
| Nordea Bank AB | SWE | 20.0 | 364 days | - | - |
| Svenska Handelsbanken | SWE | 40.0 | 364 days | - | - |
| Local Authorities | | | | | |
| County / Unitary / Metropolitan / District Councils | | 20.0 | 364 days | 5.0 | 2 years |
| Police / Fire Authorities | | 20.0 | 364 days | 5.0 | 2 years |
| National Park Authorities | | 20.0 | 364 days | 5.0 | 2 years |
| Other Deposit Takers | | | | | |
| Money Market Funds | | 20.0 | 364 days | 5.0 | 2 years |
| UK Debt Management Account | | 100.0 | 364 days | 5.0 | 2 years |

* Based on data as 31 December 2017

SCHEDULE D**APPROVED COUNTRIES FOR INVESTMENTS**

Based on the lowest available rating

| Sovereign Rating | Country |
|-------------------------|---|
| AAA | Australia Canada Denmark Germany Luxemburg Netherlands Norway Singapore Sweden Switzerland |
| AA+ | Finland USA |
| AA | Abu Dhabi (UAE) France UK Hong Kong |
| AA- | Belgium Qatar |