APPENDIX 4

Annual Treasury Management Strategy Statement and Investment Strategy 2006/07

APPROVED NON-SPECIFIED INVESTMENTS

A maximum of 75% will be held in aggregate in non-specified investments

Investment	(A) Why use it. (B) Associated risks.	Share/ Loan Capital	Repayable/ Redeemable within 12 months?	Minimum credit, individual and support ratings.	Capital Expend -iture	Circumstance of use	Max % of overall investments. (The aggregate of all classes must not at any time exceed 75%)	Maximum maturity of investment
Term deposits with UK government and Local Authorities. (with maturities in excess of 1 year.)	(A) High security although LAs not credit rated. (B) Interest rate risk	No	No	Government backed.	No	In-house and external cash fund manager.	10%	2 years
Certificates of Deposit banks and building societies with maturities greater than 1 year.	(A) (i) Although in theory tradable, are relatively illiquid. (B) (i) 'Market or interest rate risk': Yield subject to movement during life of CD, which could negatively impact on price of the CD.	No	Yes	F1, Individual C, Support 1,2 or equivalent	No	External cash fund managers only.	10%	3 years.
UK government gilts with maturities in excess of 1 year	(A) (i) Excellent credit quality. (ii)Very Liquid. (iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning. (iv) If traded, potential	No	Yes	Govt backed	No	(1) Buy and hold to maturity : to be used in-house only after consultation/ advice from Sector	70%	10 years

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Investment	(A) Why use it. (B) Associated risks.	Share/ Loan Capital	Repayable/ Redeemable within 12 months?	Minimum credit, individual and support ratings.	Capital Expend -iture	Circumstance of use	Max % of overall investments. (The aggregate of all classes must not at any time exceed 75%)	Maximum maturity of investment
	for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B) (i) 'Market or interest rate risk': Yield subject to movement during life of sovereign bond, which could negatively impact on price of the bond i.e. potential for capital loss.					(2) for trading : by external cash fund manager(s) only, subject to the guidelines and parameters agreed with them		
Bonds issued by a financial institution that is guaranteed by the United Kingdom Government (as defined in SI 2004 No 534) with maturities in excess of 1year *Custodial arrangement*	(A) (i) Excellent credit quality. (ii) relatively liquid. (although not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt ~ aids forward planning, enhanced return compared to gilts. (iv) If traded, potential	Yes	Yes	AAA / government guaranteed	No	(1) Buy and hold to maturity : to be used in-house only after consultation/ advice from Sector (2) for trading : by external cash fund manager(s) only, subject to the guidelines and parameters	10%	10 years

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Investment	(A) Why use it. (B) Associated risks.	Share/ Loan Capital	Repayable/ Redeemable within 12 months?	Minimum credit, individual and support ratings.	Capital Expend -iture	Circumstance of use	Max % of overall investments. (The aggregate of all classes must not at any time exceed 75%)	Maximum maturity of investment
required prior to purchase	for capital gain through appreciation in value (i.e. sold before maturity) (B) (i) 'Market or interest rate risk: Yield subject to movement during life of bond, which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus gilts could widen					agreed with them		
Bonds issued by multilateral / supranational development banks (as defined in SI 2004 No 534) with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii) relatively liquid. (although not as liquid as gilts) (iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt ~ aids forward planning, enhanced return compared to gilts. (iv) If traded, potential for capital gain through	Yes	Yes	AAA or government guaranteed	No	(1) Buy and hold to maturity: to be used in-house only after consultation/ advice from Sector (2) for trading only by external cash fund manager(s), subject to the guidelines and parameters	20%	10 years

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Investment	(A) Why use it. (B) Associated risks.	Share/ Loan Capital	Repayable/ Redeemable within 12 months?	Minimum credit, individual and support ratings.	Capital Expend -iture	Circumstance of use	Max % of overall investments. (The aggregate of all classes must not at any time exceed 75%)	Maximum maturity of investment
	appreciation in value (i.e. sold before maturity) (B) (i) 'Market or interest rate risk': Yield subject to movement during life of bond, which could negatively impact on price of the bond i.e. potential for capital loss. (ii) Spread versus gilts could widen.					agreed with them		