

## INVESTMENT STRATEGY 2014

## 1) NEW PARTNERS/COUNTERPARTIES

PROPOSAL	STATUS/IMPACT	ANALYSIS	OFFICER RECOMMENDATION
Full use of existing list	No current use of foreign banks :	No increased risk suggest: National Australia Bank but not Clydesdale Bank (BBB with S & P) Sumitomu Mitsui £5m min Close Brothers Schroders Plc	Officer comment = acceptable proposal subject to credit rating and information from treasury providers
Reduce credit rating requirement	Currently A minimum – reduction to BBB	still investment grade rating. Increased risk but increased returns possible	Officer comment = not acceptable - unnecessary risk increase in view of other options
Increased targeting of investments in Local Authorities	In current use at low level	No increased risk but increased returns not likely except to reduce need for use of savings account	Officer comment = acceptable proposal – may be suitable for longer term investments subject to cashflow
Use of Money Market Funds	Not currently used	Some increased risk, uncertainty and loss of control. Currently low rates of return.	Officer comment = not acceptable, no current benefit

## 2) INCREASED £/TERM LIMITS

PROPOSAL	STATUS/IMPACT	ANALYSIS	OFFICER RECOMMENDATION
Increase £ group and individual limits	Currently £10m and £7.5m	No increased risk but potential increased losses if risk materialise. Say increases to £15m and £10m generally and £5m to smaller building societies.	Officer comment = acceptable proposal subject to credit rating and information from treasury providers
Increase £ limits connected to term limits	Development and formalisation of current practice	Develop limits for investment terms? Possibility of increase of risk but increased returns possible	Officer comment = acceptable proposal depending on actual limit values – to be agreed by Treasury Panel taking account of credit rating and information from treasury providers at the time
Increase £ limits and term limits relative to credit rating	Development of current strategy	Develop new limits based on credit ratings and outlook ratings i.e. £20m 1 year for AAA, £15m 6 months for AA, £10m A for 3 months etc	Officer comment = acceptable proposal but more risk in managing compliance

## 3) NEW APPROACH/DIFFERENT FINANCIAL PRODUCTS

PROPOSAL	EXPLANATION	ANALYSIS	OFFICER RECOMMENDATION
Different financial products	Various structured, currency, bonds etc	<p>High increased risk and uncertainty, loss of control, low probability of increased returns.</p> <p><b>SUKUK</b> = bond that complies with Islamic principles. Asset based but principal at risk.</p> <p><b>FUNDING CIRCLES</b> = lending to small businesses. Often held to be local but no Surrey Market. High risk of failure. Small scale</p> <p><b>STRUCTURED</b> = complex and variable. No certainty to rate of return.</p> <p><b>COMMODITIES/STOCKS AND SHARES</b> = probably ultra vires. Highly speculative, complex and risky.</p> <p><b>SOCIAL HOUSING BONDS</b> = issued by Housing Associations. Long term, asset secured. Bond values generally £250m so pooled entry.</p>	<p>Officer comment :</p> <p>Not acceptable – principal at risk</p> <p>Not acceptable – would not be appropriate for size of investment needed</p> <p>Not acceptable</p> <p>Not acceptable</p> <p>Possibly acceptable on an individual risk assessed basis but won't often arise in practice and unlikely to have sufficient long-term cashflow certainty.</p>
Invest in property	Lending, acquisition, development, unit trusts	<p>High potential for improved revenue streams GF and HRA particularly via acquisition route.</p> <p>Number of opportunities uncertain</p>	<p>Officer comment =</p> <p><b>recommendation to approve proposal but recognise uncertainty in opportunities. Would need to be subject to detailed business case including viability and risk analysis and separate council decision</b></p>

High risk high return fund – say £10m	Hold specific limited fund for higher risk higher returns options- say £10m	Would involve use of new lower rated counterparties – higher risk but ‘accept consequences’ approach	Officer comment = could be acceptable on an individual risk-assessed basis but would need to be in addition to £limit/term limit options above
Long term investment fund – say £10m	Hold specific fund for long-term to generate increased rates	Would involve use of either new lower rated counterparties or increased £limits or both. Increased rate risk	Officer comment = an acceptable proposal but would need to be in addition to £limit/term limit options above