# Appendix B

## Historic and Proposed Counterparty Limits

**The Council's historic and proposed counterparty limits are:**

| Organisation | Credit Ratings | Individual Counterparty Limit (£000) | Sector Limit (£000) | Time Limit |
|---|---|---|---|---|
| The UK Government (Debt Management Office) | - | Unlimited | Not applicable | 50 Years |
| UK Local Authorities (including Police, Fire and similar bodies) | - | 8,000 | Unlimited | 25 Years |
| UK Building Societies (net asset size ranking 1-11) | - | 8,000 | | 13 months |
| UK Building Societies (net asset size ranking 12-21) | - | 6,500 | 14,000 | 13 months |
| UK Building Societies (net asset size ranking 22-25) | - | 5,000 | | 13 months |
| UK Banks and other financial institutions | Long term credit rating of A- or higher | 8,000 | Unlimited | 13 months |
| Money Market Funds (Sterling denominated) | AAA or equivalent | 8,000 | Unlimited | Not applicable |
| Other Non-local authority UK public sector body | - | 8,000 | Unlimited | 25 Years |
| Registered Providers, Charities | - | 2,500 | 5,000 | 12 months |
| Council owned companies | - | 5,000 | 5,000 | 2 Years |
| Council owned joint ventures | - | 5,000 | 5,000 | 2 Years |
| Strategic pooled funds (including cash plus funds) | - | 8,000 | 35,000 | Not applicable |
| Real estate investment trusts | - | 8,000 | 17,500 | Not applicable |

The above counterparty and limits remain unchanged from financial year 2024/2025.

Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. Investment decisions are never based solely based on credit ratings, and all other relevant factors including external specialist advice will be considered.

Government: loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although this investment class does not carry a zero-risk profile. Investments with the UK Government are deemed to carry zero credit risk due to the government's ability to create additional currency, and therefore may be made in unlimited amounts for up to 50 years.

Banks and building societies (unsecured): accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or is likely to fail.

Money market funds: pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. These instruments have the advantage over bank accounts of providing a wide diversification of investment risks, coupled with the provision of advisory services by a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council is mindful of the need to diversify liquid investments through a variety of providers to ensure a continual ready access to cash.

Registered providers (unsecured): loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Strategic pooled funds: bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short-term. These funds permit the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. As such funds have no defined maturity date but are available for withdrawal following the end of a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real Estate Investment Trusts (REITs): shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

The Council under Section 15(1) of the Local Government Act 2003 can choose to make loans to local enterprises, local charities, wholly owned companies, and joint ventures as part of a wider strategy for pursuing local economic growth.