



To **Audit Committee**

Date 6th January 2014

Subject **City Council Investment Activity**

1 Background and Purpose of the Note

This note provides an update on the Council's Treasury Management activity.

2 Treasury Management Activity

2.1 The appendix in this report includes the Council's Lending List – a list of those banking and government institutions that the Council's Investment Strategy allows us to invest cash balances with.

2.2 The current lending list is maintained from advice provided by our Treasury Management advisors (Arlingclose) which bases its judgement on information from credit rating agencies.

2.3 Since March 2013, there have been three changes to the lending list.

- Firstly, Royal Bank of Scotland has been removed as a consequence of long term restructuring plans, which include the creation of an internal bad bank to house its riskiest assets.

- Similarly, as National Westminster Bank is part of the RBS banking group, it has also been removed from the lending list.


- Finally, Goldman Sachs International Bank has been added to the lending list. Goldman Sachs International Bank is the largest European bank subsidiary of The Goldman Sachs Group Inc. The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm.

2.4 The total level of investment balances held by the Council stood at £103.4m as at 29th of November 2013 compared with the £66.4m reported to Committee in March. The breakdown of these balances is shown below.

	March 2013 £m	November 2013 £m
Bank Deposits	20.4	41.7
Local Authority Deposits	11.3	23.0
Money Market Funds	15.5	21.6
Long Term Investments	19.2	17.1
Total	66.4	103.4

2.5 Due to severe troughs in cash flow throughout November, December & January £30m borrowing from other public sector organisations was carried out in order to maintain a liquid investment portfolio to enable us to cover large periods of cash outflows. Borrowing was required as most of the investments in the table in 2.4 are for fixed terms & cannot be redeemed early to cover these cash flow troughs. All borrowing undertaken has been at a lower rate than the return on our fixed term deposits.

Appendix

 COVENTRY CITY COUNCIL LENDING LIST							25 Nov 2013			Position number in 'Investment Grade'		
USING MINIMUM ACCEPTABLE CREDIT QUALITY Institution		Country	Long Term Rating			Limit £m	Term Limit	Grade				
			Fitch	Moody's	S & P			Fitch	Moody's	S&P		
Debt Management Office		UK	AA+	Aa1	AAA			2	2	1		
Local Authorities		UK	AA+	Aa1	AAA	£12m	12Mths	2	2	1		
HSBC Bank plc (* See note below)		UK	AA-	Aa3	AA-	£11.2m	12Mths	4	4	4		
Lloyds Bank Group												
Bank of Scotland plc (** See note below)		UK	A	A2	A	£6.5m	6Mths	6	6	6		
Barclays Bank plc		UK	A	A2	A	£12m	12Mths	6	6	6		
Close Brothers Ltd		UK	A	A3		£12m	100Days	6	7			
Lloyds Bank Group												
Lloyds Bank plc (** See note below)		UK	A	A2	A	£6.5m	6Mths	6	6	6		
Nationwide BS		UK	A	A2	A	£12m	12Mths	6	6	6		
Santander UK Plc (Abbey)		UK	A	A2	A	£6m	6Mths	6	6	6		
Standard Chartered Bank		UK	AA-	A1	AA-	£12m	12Mths	4	5	4		
Goldman Sachs International Bank		UK	A	A2	A	£12m	100 Days	6	6	6		
MONEY MARKET FUNDS (MMFs)												
Deutsche Bank Advisors		Ireland		Aaa	AAA	£12m			1	1		
Federated Investors		UK	AAA	Aaa	AAA	£12m		1		1		
HSBC Asset Management		Ireland		Aaa	AAA	£12m			1	1		
Ignis Asset Management		Ireland	AAA		AAA	£12m		1		1		
HSBC Bank plc * - (Reduced limit)		UK	£0.6m School balances at HSBC					7 = Borderline rating				
Lloyds Banking Group												
Bank of Scotland plc ** - (Reduced limit)		UK	£5.4m School balances at Lloyds TSB									
Lloyds Banking Group												
Lloyds Bank plc ** - (Reduced limit)		UK	£5.4m School balances at Lloyds TSB									