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**To**            **Audit and Procurement Committee**

**Date** 3rd August 2015

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**Subject**    **City Council Investment Activity**

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**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 Appendix 1 in this report shows 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. Appendix 2 shows the most recent list of investments that the Council holds.

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

2.3 Since the last report in February, there have been two main changes to the lending list, both due to a review of systemically important UK and German banks conducted by Standard & Poor's credit rating agency. This review was carried out following these countries early adoption of the bail in regime (whereby investors bail in a failing bank rather than taxpayers bailing them out). Firstly, Deutsche Bank has been downgraded to BBB+ & as such has been removed from the Council's lending list. Deutsche Bank has not been used as a counterparty by the Council for a number of years. Secondly, Lloyds Bank, Bank of Scotland, Nationwide and Santander were downgraded from a 6 month duration limit to a 100 day duration limit.

2.4 The total level of investment balances held by the Council stood at £150.7m as at 17<sup>th</sup> July 2015 compared with £137.2m as at 18 July 2014 and £98.4m reported to Audit and Procurement Committee as at 03/01/2015. The breakdown of these balances is shown below.

	<b>18/07/2014</b>	<b>30/01/2015</b>	<b>17/07/2015</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank Deposits	67.0	62.0	80.9
Local Authority Deposits	29.0	18.0	0.0
Money Market Funds	24.0	2.5	24.3
Long Term Investments	17.2	15.9	23.7
Corporate Bonds	0.0	0.0	21.8
<b>Total</b>	<b>137.2</b>	<b>98.4</b>	<b>150.7</b>

2.5 Since the last report no short term borrowing has been undertaken, due to the high levels of investment balances held by The Council.

**Appendix 1**



**COVENTRY CITY COUNCIL LENDING LIST**

**10 June 2015**

Institution	Country	Long Term Rating			Limit £m	Term Limit	Position number in 'Investment 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	£8m	3 years	2	2	1	
HSBC Bank plc (* See note below)	UK	AA-	Aa2	AA-	£7.2m	6 Mths	4	3	4	
Lloyds Bank Group										
Bank of Scotland plc (** See note below)	UK	A+	A1	A	£4.4m	100 days	5	5	6	
Barclays Bank plc	UK	A	A2	A-	0	100 Days	6	6	7	
Coventry BS	UK	A	A2		£8m	100 Days	6	6		
Close Brothers Ltd	UK	A	Aa3		£8m	100 Days	6	4		
Lloyds Bank Group										
Lloyds Bank plc (** See note below)	UK	A+	A1	A	£4.4m	100 days	5	5	6	
Nationwide BS	UK	A	A1	A	0	100 Days	6	5	6	
Santander UK Plc (Abbey)	UK	A	A2	A	£8m	100 days	6	6	6	
Standard Chartered Bank	UK	AA-	Aa2	A+	£8m	6 Mths	4	3	5	
Goldman Sachs International Bank	UK	A	A1	A	£8m	100 Days	6	5	6	
Leeds Building Society	UK	A-	A2		£8m	100 Days	7	6		
CUMBERLAND BUILDING SOCIETY	UK				£1m	100 Days				
DARLINGTON BUILDING SOCIETY	UK				£1m	100 Days				
FURNESS BUILDING SOCIETY	UK				£1m	100 Days				
HARPENDEN BUILDING SOCIETY	UK				£1m	100 Days				
HINCKLEY & RUGBY BUILDING SOCIETY	UK				£1m	100 Days				
LEEK UNITED BUILDING SOCIETY	UK				£1m	100 Days				
LOUGHBOROUGH BUILDING SOCIETY	UK				£1m	100 Days				
MANSFIELD BUILDING SOCIETY	UK				£1m	100 Days				
MARKET HARBOUROUGH BUILDING SOCIETY	UK				£1m	100 Days				
MARSDEN BUILDING SOCIETY	UK				£1m	100 Days				
MELTON MOWBRAY BUILDING SOCIETY	UK				£1m	100 Days				
NATIONAL COUNTIES BUILDING SOCIETY	UK				£1m	100 Days				
NEWBURY BUILDING SOCIETY	UK				£1m	100 Days				
SCOTTISH BUILDING SOCIETY	UK				£1m	100 Days				
TIPTON & COSELEY BUILDING SOCIETY	UK				£1m	100 Days				
VERNON BUILDING SOCIETY	UK				£1m	100 Days				
Australia and New Zealand Banking Group Ltd	AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4	
Commonwealth Bank of Australia	AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4	
Westpac Banking Corporation	AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4	
Bank of Montreal	CA	AA-	Aa3	AA-	£8m	6 Mths	4	4	4	
Bank of Nova Scotia	CA	AA-	Aa2	AA-	£8m	6 Mths	4	3	4	
Canadian Imperial Bank of Commerce	CA	AA-	Aa3	AA-	£8m	6 Mths	4	4	4	
Royal Bank of Canada	CA	AA	Aa3	AA	£8m	6 Mths	3	4	3	
Toronto Dominion Bank	CA	AA-	Aa1	AA-	£8m	6 Mths	4	2	4	
Pohjola Bank PLC-A Shs	FI	A+	Aa3	A+	£8m	6 Mths	5	4	5	
LANDESBANK HESSEN-THURINGEN	GE	A+	A2	A	£8m	100 Days	5	6	6	
Bank Nederlandse Gemeenten	NE	AA+	Aaa	AA+	£8m	6 Mths	2	1	2	
Cooperative Centrale Raiffe (Rabobank)	NE	AA-	Aa2	A+	£8m	6 Mths	4	3	5	
ING Bank NV	NE	A	A1	A	£8m	100 Days	6	5	6	
DBS Bank Ltd	SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4	
Oversea-Chinese Banking Corp	SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4	
United Overseas Bank Ltd	SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4	
Nordea Bank AB	SW	AA-	Aa3	A-	£8m	6 Mths	4	4	4	
Svenska Handelsbanken AB	SW	AA-	Aa3	A-	£8m	6 Mths	4	4	4	
Credit Suisse	SZ	A	A1	A	£8m	100 Days	6	5	6	
JP Morgan Chase Bank	US	AA-	Aa3	A+	£8m	6 Mths	4	4	5	
<b>MONEY MARKET FUNDS (MMFs)</b>										
Deutsche Bank Advisors	Ireland		Aaa	AAA	£8m			1	1	
Federated Investors	UK	AAA	Aaa	AAA	£8m		1		1	
HSBC Asset Management	Ireland		Aaa	AAA	£8m			1	1	
Ignis Asset Management	Ireland	AAA		AAA	£8m		1		1	
HSBC Bank plc * - (Reduced limit)	uk	£0.5m School balances at HSBC						7 = Borderline rating		
Lloyds Banking Group										
Bank of Scotland plc ** - (Reduced limit)	uk	£3.5m School balances at Lloyds TSB								
Lloyds Banking Group										
Lloyds Bank plc ** - (Reduced limit)	uk	£3.5m School balances at Lloyds TSB								

## Appendix 2

### TEMPORARY LOANS BOOK

Balances as at the 17/07/15

LOAN REF.	LENDER NAME	BROKER	PRINCIPAL	START DATE	MATURITY DATE	INITIAL INT RATE	DAYS	INT DUE
<b>TEMPORARY LOAN OUT (DEPOSIT)</b>								
200004035	GOLDMAN SACHS INTER BANK	BT	5,000,000.00	16/04/15	24/07/15	0.555000	99	7,526.71
200004036	GOLDMAN SACHS INTER BANK	BT	3,000,000.00	17/04/15	24/07/15	0.555000	98	4,470.41
200004037	NATIONWIDE B/SOCIETY	MARB	8,000,000.00	17/04/15	24/07/15	0.510000	98	10,954.52
200004038	CUMBERLAND B SOCIETY	MARB	1,000,000.00	22/04/15	31/07/15	0.510000	100	1,397.26
200004039	LANDESBANK HESSEN	FP	8,000,000.00	01/05/15	03/08/15	0.500000	94	10,301.37
200004040	LEEDS BUILDING SOCIETY	CDB	5,000,000.00	01/05/15	07/08/15	0.500000	98	6,712.33
200004042	NATIONAL COUNTIESB SOCIETY	FP	1,000,000.00	25/06/15	25/09/15	0.550000	92	1,386.30
200004043	POHJOLA BANK PLC	BT	3,000,000.00	03/07/15	02/10/15	0.650000	91	4,861.64
200004044	DBS BANK LTD	FP	5,000,000.00	15/07/15	15/10/15	0.520000	92	6,553.42
200004045	LLOYDS TSB BANK	N/A	4,000,000.00	17/07/15	19/10/15	0.570000	94	5,871.78
200004041	POHJOLA BANK PLC	BT	5,000,000.00	10/06/15	10/12/15	0.700000	183	17,547.95
			<b>48,000,000.00</b>					<b>77,583.70</b>
<b>TEMPORARY LOAN OUT (CALL DEPOSITS)</b>								
200003868	BARCLAYS	N/A	8,000,000.00	08/07/13		0.603810		35 Day Notice
200003948	SVENSKA HANDELSBANKEN	N/A	3,900,000.00	14/04/14		0.450000		Call Money
			<b>11,900,000.00</b>					
<b>CERTIFICATE OF DEPOSIT</b>								
1600000009	CDS CREDIT SUISSE	KS	3,000,224.09	01/05/15	31/07/15	0.530000	91	3,964.41
1600000010	CDS CREDIT SUISSE	KS	5,000,332.51	11/05/15	31/07/15	0.500000	81	5,548.31
1600000011	CDS NORDEA AB	KS	5,000,385.81	15/05/15	17/08/15	0.490000	94	6,310.08
1600000012	CDS STANDARD CHARTERED	KS	8,001,205.67	13/07/15	13/01/16	0.690000	184	27,831.04
			<b>21,002,148.08</b>					<b>43,653.84</b>
<b>FIXED BONDS</b>								
1700000003	VOLKSWAGEN INTERNATIONAL	KS	1,642,232.47	13/04/15	20/08/15	0.687886	129	3,992.53
1700000009	RABOBANK NEDERLAND NV	KS	1,191,972.35	07/05/15	10/09/15	0.726082	126	2,987.65
1700000010	RABOBANK NEDERLAND NV	KS	2,204,687.03	07/05/15	10/09/15	0.698092	126	5,312.97
1700000011	RABOBANK NEDERLAND NV	KS	1,097,855.68	07/05/15	10/09/15	0.650241	126	2,464.32
1700000004	VOLKSWAGEN INTERNATIONAL	KS	3,164,105.97	13/04/15	23/10/15	0.727644	193	12,174.03
1700000005	VOLKSWAGEN INTERNATIONAL	KS	1,059,813.62	15/04/15	23/10/15	0.729620	191	4,046.38
1700000007	VOLKSWAGEN INTERNATIONAL	KS	502,933.79	27/04/15	23/10/15	0.837730	179	2,066.21
1700000012	ANGLIAN WATER SERVICES	KS	2,695,824.93	18/05/15	30/10/15	0.833093	165	10,152.57
1700000000	DANSKE BANK	KS	3,165,210.89	19/02/15	09/12/15	0.922101	293	23,429.11
1700000008	DAIMLERAG	KS	5,042,276.71	07/05/15	10/12/15	0.883109	217	26,473.29
			<b>21,766,913.44</b>					<b>93,099.06</b>
<b>MMF DEPOSITS</b>								
2400000002	STANDARD LIFE LIQUIDITY	N/A	8,000,000.00	04/09/12		0.428619		
2400000003	HSBC STERLING LIQUIDITY	N/A	8,000,000.00	04/09/12		0.406000		
2400000004	FEDERATED PRIMERATE	N/A	2,500,000.00	17/09/12		0.398142		
2400000005	DEUTSCHE MANAGED STERLING	N/A	5,750,000.00	19/07/13		0.407997		
			<b>24,250,000.00</b>					
<b>COLLECTIVE INVESTMENT FUNDS</b>								
2600000004	PAYDEN & RYGEL	N/A	7,775,105.12	01/02/12				
2600000005	FEDERATED PRIMERATE C+	N/A	5,061,985.51	27/03/13				
2600000006	CCLA INVESTMENT MGT LTD	N/A	3,000,000.00	28/11/13				
2600000007	IGNIS SHORT DURATION FUND	N/A	7,812,951.15	16/03/15				
			<b>23,650,041.78</b>					

## **Investment Type Glossary**

Temporary Loan Out (Deposit) – These are investments with a counterparty where the start date, maturity date, principal & interest rate is all agreed in advance and cannot be changed until maturity.

Temporary Loan Out (Call Deposits) – These are investments with banks whereby the money is held by the bank for an indefinite amount of time until the Council chooses to have the money back. Once the Council calls the money back, different accounts have different notice periods. The longer the notice period, the higher the interest rate.

Certificate of Deposit – These are similar investments to Temporary Loan Out (Deposits). However, there is a secondary market for them, meaning they can be sold before the maturity date for a profit or loss. This makes them more liquid.

Fixed Bonds – These are similar to Certificates of deposit in that maturity date and interest rates are agreed in advance & there is a secondary market to sell them if required. However, whereas Certificates of Deposits are with banks, Fixed Bonds are with banks and private companies.

Money Market Fund (MMF) Deposits – Funds whereby the authorities money is managed by an external fund manager. The Council invests in the fund along with several other organisations and money is pooled together & invested in a number of different counterparties. As the investments made by the fund manager vary daily, the rate of interest fluctuates daily, usually within 0.05% of 0.4%. Money can be paid into and withdrawn instantly from these accounts & so they are used to manage the Council's day to day cashflow.

Collective Investment Funds – Similar to MMF Deposits, these are investments whereby we give our money to a fund manager and they pool our money with other organisations to make investments on our behalf. The rate of interest is higher on these tends to fluctuate more & as such need to be viewed as long term investments in order to smooth out peaks & troughs, even though the Council can withdraw from these accounts with only a week's notice if required.