



To **Audit and Procurement Committee**

Date 14th December 2015

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 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 August, there has been a change to the term limits on the lending list. This is due to improvements in the global economic situation and the receding threat of another Eurozone crisis. In summary, 3 new counterparties have been added to the lending list with a term limit of 35 days, Deutsche Bank, National Westminster Bank & Royal Bank of Scotland and several counterparties have had their term limit increased to 6 or 13 months. Full details can be seen in the lending list in Appendix 1.

2.4 The total level of investment balances held by the Council stood at £142.1m as at 20th November 2015 compared with £113.6m as at 21st November 2014 and £150.7m reported to Audit and Procurement Committee as at 17/07/2015. The breakdown of these balances is shown below.

	21/11/2014	17/07/2015	20/11/2015
	£m	£m	£m
Bank Deposits	62.4	80.9	64.3
Local Authority Deposits	15.5	0.0	0.0
Money Market Funds	19.8	24.3	19.1
Long Term Investments	15.9	23.7	28.7
Corporate Bonds	0.0	21.8	30.0
Total	113.6	150.7	142.1

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							26 November 2015			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	£8m	3 years	2	2	1			
HSBC Bank plc (* See note below)	UK	AA-	Aa2	AA-	£7.2m	13 Months	4	3	4			
Lloyds Bank Group												
Bank of Scotland plc (** See note below)	UK	A+	A1	A	£4.4m	13 Months	5	5	6			
Barclays Bank plc	UK	A	A2	A-	£8m	100 Days	6	6	7			
Coventry BS	UK	A	A2		£8m	6 Months	6	6				
Close Brothers Ltd	UK	A	Aa3		£8m	6 Months	6	4				
Lloyds Bank Group												
Lloyds Bank plc (** See note below)	UK	A+	A1	A	£4.4m	13 Months	5	5	6			
Nationwide BS	UK	A	A1	A	£8m	6 Months	6	5	6			
Santander UK Plc (Abbey)	UK	A	A1	A	£8m	6 Months	6	5	6			
Standard Chartered Bank	UK	A+	Aa2	A+	£8m	6 Months	5	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				
National Westminster Bank	UK	BBB+	A3	BBB+	£4m	35 Days	8	7	8			
Royal Bank of Scotland plc	UK	BBB+	A3	BBB+	£4m	35 Days	8	7	8			
CUMBERLAND BUILDING SOCIETY	UK				£1m	100 Days						
DARLINGTON BUILDING SOCIETY	UK				£1m	100 Days						
FURNESS BUILDING SOCIETY	UK				£1m	6 Months						
HARPENDEN BUILDING SOCIETY	UK				£1m	100 Days						
HINCKLEY & RUGBY BUILDING SOCIETY	UK				£1m	6 Months						
LEEK UNITED BUILDING SOCIETY	UK				£1m	6 Months						
LOUGHBOROUGH BUILDING SOCIETY	UK				£1m	100 Days						
MANSFIELD BUILDING SOCIETY	UK				£1m	6 Months						
MARKET HARBOROUGH BUILDING SOCIETY	UK				£1m	6 Months						
MARSDEN BUILDING SOCIETY	UK				£1m	6 Months						
MELTON MOWBRAY BUILDING SOCIETY	UK				£1m	6 Months						
NATIONAL COUNTIES BUILDING SOCIETY	UK				£1m	6 Months						
NEWBURY BUILDING SOCIETY	UK				£1m	6 Months						
SCOTTISH BUILDING SOCIETY	UK				£1m	100 Days						
STAFFORD RAILWAY BUILDING SOCIETY	UK				£1m	6 Months						
TIPTON & COSELEY BUILDING SOCIETY	UK				£1m	6 Months						
VERNON BUILDING SOCIETY	UK				£1m	100 Days						
Australia and New Zealand Banking Group Ltd	AU	AA-	Aa2	AA-	£8m	6 Months	4	3	4			
Commonwealth Bank of Australia	AU	AA-	Aa2	AA-	£8m	6 Months	4	3	4			
Westpac Banking Corporation	AU	AA-	Aa2	AA-	£8m	6 Months	4	3	4			
Bank of Montreal	CA	AA-	Aa3	AA-	£8m	13 Months	4	4	4			
Bank of Nova Scotia	CA	AA-	Aa2	AA-	£8m	13 Months	4	3	4			
Canadian Imperial Bank of Commerce	CA	AA-	Aa3	AA-	£8m	13 Months	4	4	4			
Royal Bank of Canada	CA	AA	Aa3	AA	£8m	13 Months	3	4	3			
Toronto Dominion Bank	CA	AA-	Aa1	AA-	£8m	13 Months	4	2	4			
Danske Bank A/S	DK	A	A2	A	£8m	100 Days	6	6	6			
Pohjola Bank PLC-A Shs	FI	A+	Aa3	A+	£8m	6 Months	5	4	5			
Deutsche Bank AG - Registered	GE	A	A3	BBB+	£4m	35 Days	6	7	8			
LANDESBANK HESSEN-THURINGEN	GE	A+	A1	A	£8m	6 Months	5	5	6			
Bank Nederlandse Gemeenten	NE	AA+	Aaa	AAA	£8m	13 Months	2	1	1			
Cooperative Centrale Raiffe (Rabobank)	NE	AA-	Aa2	A+	£8m	13 Months	4	3	5			
ING Bank NV	NE	A	A1	A	£8m	100 Days	6	5	6			
DBS Bank Ltd	SI	AA-	Aa1	AA-	£8m	13 Months	4	2	4			
Oversea-Chinese Banking Corp	SI	AA-	Aa1	AA-	£8m	13 Months	4	2	4			
United Overseas Bank Ltd	SI	AA-	Aa1	AA-	£8m	13 Months	4	2	4			
Nordea Bank AB	SW	AA-	Aa3	AA-	£8m	13 Months	4	4	4			
Svenska Handelsbanken AB	SW	AA-	Aa2	AA-	£8m	13 Months	4	3	4			
Credit Suisse	SZ	A	A1	A	£8m	100 Days	6	5	6			
JP Morgan Chase Bank	US	AA-	Aa3	A+	£8m	13 Months	4	4	5			
MONEY MARKET FUNDS (MMFs)												
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					8 = 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 20/11/15

<u>LOAN REF.</u>	<u>LENDER NAME</u>	<u>BROKER</u>	<u>PRINCIPAL</u>	<u>START DATE</u>	<u>MATURITY DATE</u>	<u>INITIAL INT RATE</u>	<u>DAYS</u>	<u>INT DUE</u>
TEMPORARY LOAN OUT (DEPOSIT)								
200004041	POHJOLA BANK PLC	BT	5,000,000.00	10/06/15	10/12/15	0.700000	183	17,547.95
200004056	DBS BANK OF SINGAPORE LTD	SB	3,000,000.00	02/10/15	04/01/16	0.550000	94	4,249.32
200004057	DBS BANK OF SINGAPORE LTD	FP	5,000,000.00	15/10/15	15/01/16	0.550000	92	6,931.51
200004050	LANDESBANK HESSEN	FP	4,000,000.00	03/08/15	03/02/16	0.740000	184	14,921.64
200004060	CUMBERLAND BUILDING SOC	MARB	1,000,000.00	06/11/15	12/02/16	0.560000	98	1,503.56
200004059	NATIONWIDE B/SOCIETY	MARB	8,000,000.00	04/11/15	04/03/16	0.570000	121	15,116.71
200004054	NATIONAL COUNTIES B SOC	FP	1,000,000.00	25/09/15	24/03/16	0.750000	181	3,719.18
200004055	LANDESBANK HESSEN	FP	4,000,000.00	01/10/15	01/04/16	0.740000	183	14,840.55
200004058	LLOYDS TSB BANK	N/A	4,000,000.00	19/10/15	19/04/16	0.750000	183	15,041.10
			35,000,000.00					93,871.51
TEMPORARY LOAN OUT (CALL DEPOSITS)								
200003868	BARCLAYS	N/A	8,000,000.00	08/07/13		0.606000		35 Day Notice
200003948	SVENSKA HANDELSBANKEN	N/A	5,300,000.00	14/04/14		0.450000		Call Money
200004051	SANTANDER UK plc	N/A	8,000,000.00	06/08/15		0.900000		95 Day Notice
			21,300,000.00					
CERTIFICATE OF DEPOSIT								
1600000012	CDS STANDARD CHARTERED	KS	8,001,205.67	13/07/15	13/01/16	0.690000	184	27,831.04
			8,001,205.67					27,831.04
FIXED BONDS								
1700000000	DANSKE BANK	KS	3,165,210.89	19/02/15	09/12/15	0.922101	293	23,429.11
1700000008	DAIMLER AG	KS	5,042,276.71	07/05/15	10/12/15	0.883109	217	26,473.29
1700000016	INTERNATIONAL FINANCE CORP	KS	8,045,614.52	04/11/15	15/12/15	0.485252	41	4,385.48
1700000015	UNITED UTILITIES WATER PLC	KS	5,295,724.45	28/10/15	29/12/15	1.170094	62	10,525.55
1700000014	HEATHROW FUNDING LTD	KS	3,025,029.63	19/10/15	31/03/16	1.035000	164	14,067.63
1700000017	COVENTRY BUILDING SOCIETY	KS	5,398,330.00	06/11/15	19/04/18	1.272358	895	168,422.05
			29,972,186.20					247,303.12
MMF DEPOSITS								
2400000002	STANDARD LIFE LIQUIDITY	N/A	8,000,000.00	04/09/12		0.442234		
2400000003	HSBC STERLING LIQUIDITY	N/A	0.00	04/09/12		0.426000		
2400000004	FEDERATED PRIME RATE	N/A	8,000,000.00	17/09/12		0.447125		
2400000005	DEUTSCHE MANAGED STERLING	N/A	3,100,000.00	19/07/13		0.433218		
			19,100,000.00					
COLLECTIVE INVESTMENT FUNDS								
2600000004	PAYDEN & RYGEL	N/A	7,786,546.28	01/02/12				
2600000005	FEDERATED PRIME RATE C+	N/A	5,068,927.90	27/03/13				
2600000006	CCLA INVESTMENT MGT LTD	N/A	8,000,000.00	28/11/13				
2600000007	IGNIS SHORT DURATION FUND	N/A	7,823,209.01	16/03/15				
			28,678,683.19					

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.