



To **Audit and Procurement Committee**

Date 24th October 2016

Subject **City Council Treasury Management 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 December, there has been a change to the counterparty limits on the lending list. As a result of the large level of investment balances held in 2015/16, the standard counterparty limit is now £10m, except for institutions where schools hold their current accounts. These limits are adjusted accordingly. The limit for unrated Building Societies has stayed at £1m.
- 2.4 The treasury management landscape has also changed since the last report as a result of Brexit & the Bank of England cutting interest rates. This has meant that the interest rates available on our investments has similarly reduced.
- 2.5 Two counterparties have also been removed from our approved list since the last update, these are Standard Chartered Bank & Deutsche Bank. This is due to poor financial performance of the banks & the £11bn fine facing Deutsche. Also, as Deutsche is such a systemically important bank to the German economy, the decision has been taken locally to no longer lend to any German bank, despite them remaining on the approved Arlingclose list. Full details can be found in Appendix 1.
- 2.6 The total level of investment balances held by the Council stood at £168.9m as at 7th October 2016 compared with £136.9m as at 9th October 2015. The breakdown of these balances is shown below. The £32m increase in investment balances is due in large part to the fact that the Council has received a grant of £35m from the Department for Business, Energy and Industrial Strategy for the Whitley South Infrastructure Project which has not yet been spent.

	09/10/2015 £m	07/10/2016 £m
Bank Deposits	73.3	63.4
Local Authority Deposits	0.0	0.0
Money Market Funds	19.3	32.1
Collective Investment Funds	28.7	38.5
Corporate Bonds	15.6	34.9
Total	136.9	168.9

2.7 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 30 September 2016		Position number in 'Investment Grade'									
		Fitch	Moody's	S&P							
 USING MINIMUM ACCEPTABLE CREDIT QUALITY Institution		Country	Long Term Rating			Limit £m	Term Limit	Fitch	Moody's	S&P	
			Fitch	Moody's	S & P						
Debt Management Office		UK	AA+	Aa1	AAA		50 years	2	2	1	
Local Authorities		UK	AA+	Aa1	AAA	£10m	25 years	2	2	1	
HSBC Bank plc (* See note below)		UK	AA-	Aa2	AA-	£9.2m	13 Months	4	3	4	
Lloyds Bank Group											
Bank of Scotland plc (** See note below)		UK	A+	A1	A	£6.4m	13 Months	5	5	6	
Barclays Bank plc		UK	A	A2	A-	£10m	100 Days	6	6	7	
Coventry BS		UK	A	A2		£10m	6 Months	6	6		
Close Brothers Ltd		UK	A	Aa3		£10m	6 Months	6	4		
Lloyds Bank Group											
Lloyds Bank plc (** See note below)		UK	A+	A1	A	£6.4m	13 Months	5	5	6	
Nationwide BS		UK	A	Aa3	A	£10m	6 Months	6	4	6	
Santander UK Plc (Abbey)		UK	A	A1	A	£10m	6 Months	6	5	6	
Goldman Sachs International Bank		UK	A	A1	A +	£10m	100 Days	6	5	7	
Leeds Building Society		UK	A-	A2		£10m	100 Days	7	6		
National Westminster Bank & Royal Bank of Scotland plc		UK	BBB+	A3	BBB+	£5m	35 Days	8	7	8	
DARLINGTON BUILDING SOCIETY		UK				£1m	100 Days				
FURNESS 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 HARBOROUGH 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				
STAFFORD RAILWAY BUILDING SOCIETY		UK				£1m	100 Days				
TIPTON & COSELEY BUILDING SOCIETY		UK				£1m	100 Days				
Australia and New Zealand Banking Group Ltd		AU	AA-	Aa2	AA-	£10m	6 Months	4	3	4	
Commonwealth Bank of Australia		AU	AA-	Aa2	AA-	£10m	6 Months	4	3	4	
National Australia Bank Ltd (***) See note below)		AU	AA-	Aa2	AA-	£2m	6 Months	4	3	4	
Westpac Banking Corporation		AU	AA-	Aa2	AA-	£10m	6 Months	4	3	4	
Bank of Montreal		CA	AA-	Aa3	A+	£10m	13 Months	4	4	5	
Bank of Nova Scotia		CA	AA-	Aa3	A+	£10m	13 Months	4	4	5	
Canadian Imperial Bank of Commerce		CA	AA-	Aa3	A+	£10m	13 Months	4	4	5	
Royal Bank of Canada		CA	AA-	Aa3	AA-	£10m	13 Months	3	4	4	
Toronto Dominion Bank		CA	AA-	Aa1	AA-	£10m	13 Months	4	2	4	
Danske Bank A/S		DK	A	A2	A	£10m	100 Days	6	6	6	
OP Corporate Bank		FI		Aa3	AA-	£10m	6 Months		4	4	
LANDESBANK HESSEN-THURINGEN		GE	A+	A1	A	£10m	6 Months	5	5	6	
Cooperative Centrale Raiffe (Rabobank)		NE	AA-	Aa2	A+	£10m	13 Months	4	3	5	
ING Bank NV		NE	A+	A1	A	£10m	100 Days	5	5	6	
DBS Bank Ltd		SI	AA-	Aa1	AA-	£10m	13 Months	4	2	4	
Oversea-Chinese Banking Corp		SI	AA-	Aa1	AA-	£10m	13 Months	4	2	4	
United Overseas Bank Ltd		SI	AA-	Aa1	AA-	£10m	13 Months	4	2	4	
Nordea Bank AB		SW	AA-	Aa3	AA-	£10m	13 Months	4	4	4	
Svenska Handelsbanken AB		SW	AA-	Aa2	AA-	£10m	13 Months	3	3	4	
Credit Suisse		SZ	A	A2	A	£10m	100 Days	6	6	6	
JP Morgan Chase Bank		US	AA-	Aa3	A+	£10m	13 Months	4	4	5	
MONEY MARKET FUNDS (MMFs)											
Deutsche Bank Advisors		Ireland		Aaa	AAA	£10m			1	1	
Federated Investors		UK	AAA	Aaa	AAA	£10m		1		1	
HSBC Asset Management		Ireland		Aaa	AAA	£10m			1	1	
Ignis Asset Management		Ireland	AAA		AAA	£10m		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								
National Australia Bank Ltd *** (Reduced Limit)		AU	£7.8m School balances at Yorkshire Bank								
RBS Group											
National Westminster Bank *** - (Reduced limit)		UK	£0.5m School balances at Nat West								
RBS Group											
Royal Bank of Scotland plc *** - (Reduced limit)		UK	£0.5m School balances at Nat West								

Appendix 2

<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)								
200004077	NATIONWIDE B/SOCIETY	MARB	5,000,000.00	14/04/16	14/10/16	0.720000	183	18,049.32
200004086	GOLDMAN SACHS INTER BANK	BT	5,000,000.00	04/08/16	04/11/16	0.495000	92	6,238.36
200004087	GOLDMAN SACHS INTER BANK	BT	5,000,000.00	08/08/16	18/11/16	0.460000	100	6,301.37
200004088	ONE HOUSING LIMITED	SB	5,000,000.00	17/08/16	17/11/16	0.750000	92	9,452.05
200004082	MELTON MOWBRAY B SOCIETY	FP	1,000,000.00	23/06/16	23/12/16	0.700000	183	3,509.59
200004083	DBS BANK OF SINGAPORE LTD	SB	3,000,000.00	04/07/16	04/01/17	0.500000	184	7,561.64
200004091	NATIONAL COUNTRIES B SOCIETY	FP	1,000,000.00	03/10/16	11/01/17	0.350000	100	958.90
200004085	DBS BANK OF SINGAPORE LTD	FP	4,000,000.00	03/08/16	03/02/17	0.520000	184	10,485.48
200004089	DBS BANK OF SINGAPORE LTD	FP	3,000,000.00	15/09/16	15/03/17	0.460000	181	6,843.29
200004090	LLOYDS BANK	N/A	2,400,000.00	26/09/16	27/03/17	0.650000	182	7,778.63
200004092	NATIONWIDE B/SOCIETY	MARB	5,000,000.00	04/10/16	31/03/17	0.420000	178	10,241.10
200004078	LLOYDS BANK	N/A	4,000,000.00	19/04/16	19/04/17	1.050000	365	42,000.00
200004079	PLACES FOR PEOPLE HOME LTD	BT	5,000,000.00	25/04/16	25/04/17	1.250000	365	62,500.00
200004084	PLACES FOR PEOPLE HOME LTD	BT	5,000,000.00	04/07/16	03/07/17	1.320000	364	65,819.18
								53,400,000.00
								257,738.91
TEMPORARY LOAN OUT (CALL DEPOSITS)								
200004051	SANTANDER UK plc	N/A	10,000,000.00	06/08/15		0.650000		95 Day Notice
								10,000,000.00
FIXED BONDS								
1700000020	CENTRICA PLC	KS	1,207,267.91	21/04/16	24/10/16	0.972365	186	5,982.09
1700000021	CENTRICA PLC	KS	787,431.95	25/04/16	24/10/16	0.972411	182	3,818.05
1700000023	CENTRICA PLC	KS	1,943,288.65	04/05/16	24/10/16	0.918648	173	8,461.35
1700000032	CENTRICA PLC	KS	1,053,387.32	02/08/16	24/10/16	0.673248	83	1,612.68
1700000024	LONDON POWER NETWORKS PLC	KS	1,985,630.35	04/05/16	11/11/16	0.988875	191	10,150.90
1700000018	WALES & WEST UTILITIES	KS	1,145,532.43	19/01/16	02/12/16	1.191735	318	11,893.82
1700000022	WALES & WEST UTILITIES	KS	1,713,188.58	25/04/16	02/12/16	1.047279	221	10,863.42
1700000028	WALES & WEST UTILITIES	KS	2,095,435.18	13/07/16	02/12/16	0.868625	142	7,064.82
1700000029	DAIMLER AG	KS	2,027,259.51	14/07/16	02/12/16	0.669170	141	5,240.49
1700000037	DAIMLER AG	KS	3,681,123.95	29/09/16	02/12/16	0.431059	64	2,782.30
1700000038	DAIMLER AG	KS	558,528.60	30/09/16	02/12/16	0.424154	63	408.90
1700000031	BRITISH TELECOMM PLC	KS	1,892,765.39	01/08/16	07/12/16	0.901617	128	5,984.61
1700000035	F&C FINANCE LTD	KS	543,158.20	16/08/16	20/12/16	0.982267	126	1,841.80
1700000036	F&C FINANCE LTD	KS	818,286.00	18/08/16	20/12/16	0.893548	124	2,484.00
1700000025	SCOTTISH POWER UK PLC	KS	1,512,075.01	18/05/16	20/02/17	1.108071	278	12,761.24
1700000026	SCOTTISH POWER UK PLC	KS	1,900,917.57	18/05/16	20/02/17	1.046667	278	15,152.43
1700000034	SCOTTISH POWER UK PLC	KS	1,512,279.73	15/08/16	20/02/17	0.834715	189	4,970.27
1700000030	BRITISH TELECOMM PLC	KS	3,177,588.41	18/07/16	23/06/17	0.715000	340	21,163.59
1700000017	COVENTRY BUILDING SOCIETY	KS	5,398,330.00	06/11/15	19/04/18	1.272358	895	168,422.05
								34,933,470.74
								301,058.81
MMF DEPOSITS								
2400000002	SLI INVESTEMNTS LIQUIDITY	N/A	8,800,000.00	04/09/12		0.318900		
2400000003	HSBC STERLING LIQUIDITY	N/A	0.00	04/09/12		0.308200		
2400000004	FEDERATED PRIME RATE	N/A	10,000,000.00	17/09/12		0.365949		
2400000005	DEUTSCHE MANAGED STERLING	N/A	10,000,000.00	19/07/13		0.321638		
2400000006	MORGAN STANLEY	N/A	3,250,000.00	10/06/16		0.321419		
								30,050,000.00
COLLECTIVE INVESTMENT FUNDS								
2800000004	PAYDEN & RYGEL	N/A	7,883,613.94	01/02/12				
2800000005	FEDERATED PRIME RATE C+	N/A	5,111,484.07	27/03/13				
2800000006	CCLA INVESTMENT MGT LTD	N/A	8,000,000.00	28/11/13				
2800000007	SLI SHORT DURATION FUND	N/A	7,870,251.74	16/03/15				
2800000008	ROYAL LONDON ASSET MGT	N/A	4,800,000.00	27/09/16				
2800000009	ROYAL LONDON ASSET MGT	N/A	4,800,000.00	27/09/16				
								38,465,349.75

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.