



To: Leader: Cllr Ian Nimmo-Smith
Report by: David Horspool
Relevant scrutiny committee: Strategy & Resources Scrutiny Committee 19/1/2009

INCREASE IN INVESTMENT LIMIT - HSBC BANK PLC Key Decision

1. Executive summary

- 1.1 This report outlines the need to increase our Investment Limit with our bankers, HSBC Bank plc from £10m to £12m.
- 1.2 Our current Annual Investment Strategy indicates those banks that can be used for the investment of surplus funds and the limits attached to those individual banks.

2. Recommendations

The Executive Councillor is recommended:

- (a) to increase the maximum sum that can be invested with HSBC Bank Plc, the Council's bankers, from £10m to £12m.

3. Background

- 3.1 On 12 January 2009 Standard & Poor announced that it had revised the Outlook for Ireland to Negative (from Stable), with the potential for a cut in the country's Sovereign debt rating from AAA. The key concern highlighted was the danger that ongoing fiscal measures to recapitalise the banks and boost the economy might fail to improve competitiveness, diversity and growth prospects, thereby leaving a more difficult-to-manage debt burden.
- 3.2 Although the Irish Government's existing commitment to guarantee deposits offers a degree of comfort, in light of the continued uncertainty regarding the Council's investments in Iceland, it was agreed that the Council would seek to obtain early repayment of the remaining investments.

- 3.3 Although there is no requirement for any counterparty to agree to early repayments, agreements have been achieved to recover the investments placed with Allied Irish Bank, totalling £4m. Discussions are ongoing with Anglo Irish Bank and EBS, although their initial response was to decline.
- 3.4 The action has required this decision to increase the maximum sum that can be invested with HSBC Bank Plc, the Council's bankers, from £10m to £12m. This is necessary as it cannot be guaranteed that the amounts involved can be immediately reinvested.

4. Implications

- 4.1 The early recovery of these investments will result in a further reduction in the investment income projections in 2008/09 (£58,000) and 2009/10 (£9,000), reflecting penalties for early repayment and the lower rates that can be achieved through reinvestment. This information is also available in Item 7 – "Appendix: Budget-Setting Report January 2009"

5. Background papers

These background papers were used in the preparation of this report:

- Budget Setting Report 2009/10
- Standard & Poor's outlook on the Republic of Ireland

6. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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