

SUBJECT:	Investment Performance Quarter Ending 30th September 2013
REPORT OF:	Officer Management Team - Director of Resources Prepared by - Principal Accountant

1. Purpose of Report

- 1.1 To inform Members of the investment returns for the quarter ending 30th September 2013.

2. Links to Council Policies & Plans

- 2.1 The Council's Treasury Management function is a key element to the Financial Strategy, which in turn feeds into the prudent use of Resources, one of the Council's Management Principles.

3. Background

- 3.1 The Council's Treasury Management Strategy 2013/14 set an estimated return on investment income for the year of £775,000 which was to be generated from a combination of Fixed and short term cash deposits, returns on the Stoke Poges Memorial Gardens Fund and from the possible investment of some of the Council's investment portfolio into corporate bonds
- 3.2 In addition Capita Asset Services, Treasury Solutions (Formerly Sector Treasury Services Ltd) is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.
- 3.3 The Council has adopted the CIPFA code of practice on Treasury Management, which includes the creation of a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities.
- 3.4 The code recommends that reports on investment performance are made on a quarterly basis including a Mid-year Review Report. This report represents the second of these reports for 2013/14.

4. Investment Performance - Quarter to 30 September 2013.

- 4.1 **In House Investments** - Officers invest cash flow surpluses with approved counter parties. Decisions on investing in callable and fixed deposits are taken by Officers in the light of advice from the Council's treasury consultants and brokers acting in the local authority money market, combined with general intelligence available from money market briefings made available to the authority. Members approved a new matrix for in house investments as part of the Treasury Management Strategy 2013/14 as follows.

	Duration	Maximum Amount	Fitch Rating	Comment
UK Institutions	Up to 5 years	£5m	A- or better	
	Up to 3 years	£5m	BBB+ or better	
Non UK Institution	Up to 3 years	£2m	A- or better	Sovereignty rating AA or better
Corporate Bonds/Bond Funds	Up to 5 years	£5m	A- or better	

4.2 A summary of the Council's holdings of fixed deposits with a maturity of over one year at 30th September 2013 is shown below:

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Notes
Royal Bank of Scotland	A					
Fixed Deposit		5,000,000	4.25%	08/02/12	08/02/17	(1)
Fixed Deposit		2,000,000	3 Month Libor	02/06/11	02/06/14	(2)
Total RBS		7,000,000				
Lloyds Bank	A					
Fixed Deposit		1,000,000	3 Month Libor, Floor 2.85%, Cap 5.85%	11/05/10	12/05/15	
Fixed Deposit		1,000,000	3 Month Libor, Floor 3.07%, Cap 5.00%	19/05/10	19/05/15	
Total Lloyds Group		2,000,000				
Barclays	A					
Fixed Deposit		1,000,000	3 Month Libor, Floor 3.05%, Cap 5.00%	24/05/10	26/05/15	
Total Barclays		1,000,000				
Close Brothers	A					
Fixed Deposit		1,000,000	2.80%	04/10/12	04/10/13	
Fixed Deposit		1,000,000	2.70%	22/02/13	22/08/14	
Fixed Deposit		1,000,000	1.50%	12/04/13	13/10/14	
Fixed Deposit		1,000,000	1.20%	05/07/13	05/09/14	
Total Close Brothers		4,000,000				
Total Deposits		14,000,000				

(1) RBS have the option to switch to 3 month LIBOR¹ in years 3, 4 & 5.

(2) RBS have exercised their option to switch to 3 month LIBOR in year 2.

¹ LIBOR - London Inter Bank Offered Rate

In addition the Council held the following investments of short term cash with duration of under one year at the end of the quarter:

	Fitch	Amount £	Interest Rate	Notes
Nat West Bank	A	6,177,000	20 Basis Points Below Bank Rate - 0.30%	Instant Access
Nat West Bank	A	4,000,000	0.80%(1)	95 Day Notice Account
Bank of Scotland	A	1,000,000	0.70%	27/8/13 to 27/11/13
Bank of Scotland	A	1,000,000	0.75%	95 Day Notice Account
Total		12,177,000		

(1) Rate reduced by Nat West to 0.60% from 22/10/13.

There is a high level of short term cash investments at the current time which is due to cash flow being held to fund future possible investments in corporate bonds and to fund major capital projects in the next few months including the Dropmore Road Depot development and the new waste scheme.

5. Treasury Management Strategy

5.1 The Treasury Management Strategy 2014/15 including economic and interest rate commentary is included elsewhere on this agenda. The strategy also includes review commentary in respect of the current year.

6. Resources, Risk & Other Implications

6.1 The investment budget set for the year is £775,000 .The current estimate is that there will be a shortfall in the year of £75,000 which has been declared in budget monitoring. However the budget for 2013/14 had an assumption built in that the Council would be able to achieve returns at the same level when reinvesting maturing investments which has not happened currently and the shortfall figure may grow further during the year if this continues to be the case.

7. Summary

7.1 The PAG is requested to:

1. Note the investment performance for the quarter to 30th September 2013.

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Background Papers:	None