



DEMOCRATIC AND ELECTORAL SERVICES

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Dear Councillor

RESOURCES POLICY ADVISORY GROUP

The next meeting of the Resources Policy Advisory Group will be held as follows:

DATE: **THURSDAY, 11TH SEPTEMBER, 2014**
TIME: **6.00 PM**
VENUE: **ROOM 6, CAPSWOOD, OXFORD ROAD, DENHAM**

Please note that this meeting is not open to the public.

Only apologies for absence received prior to the meeting will be recorded.

Yours faithfully

Jim Burness

Director of Resources

To: The Resources Policy Advisory Group

Mr D Smith
Mr Anthony
Mr Chhokar
Mr Harding
Mr Hardy
Mr Hollis
Mr Jones
Mr Kelly



Declarations of Interest

Any Member attending the meeting is reminded of the requirement to declare if he/she has a personal interest in any item of business, as defined in the Code of Conduct. If that interest is a prejudicial interest as defined in the Code the Member should also withdraw from the meeting.

A G E N D A

- | | (Pages) |
|---|--------------------|
| 1. Apologies for Absence | |
| 2. Minutes | |
| To receive the Part 1 minutes of a meeting of the Policy Advisory Group held on 26 June 2014. | (1 - 4) |
| <i>A. REPORTS LIKELY TO LEAD TO PORTFOLIO HOLDER DECISION / RECOMMENDATION</i> | |
| <i>B. REPORTS FOR INFORMATION / DISCUSSION</i> | |
| 3. Investment Performance - Quarter Ending 30 June 2014 | |
| To consider report of the Director of Resources. | (5 - 8) |
| 4. Any other business | |
| To consider any other business the Chairman decides is urgent. | |
| 5. Exempt Information | |
| To note the following item contains exempt information, which is not for Publication to the press or public | |
| 6. Bath Road Depot | |
| To consider report of the Director of Services. | (9 - 18) |
| <i>Appendix A</i> | (19 - 20) |
| <i>Appendix B</i> | (21 - 28) |
| <i>Appendix C</i> | (29 - 38) |
| 7. Mooring Fees | |
| To consider report of the Director of Services. | (39 - 42) |
| <i>Appendix</i> | (43 - 44) |
| 8. Taplow Boatyard | |
| To consider report of the Director of Services. | (To Follow) |

The next meeting of the PAG is due to take place on Thursday, 11 December 2014

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RESOURCES POLICY ADVISORY GROUP

Meeting - 26 June 2014

Present: Mr D Smith, Mr Anthony, Mr Chhokar and Mr Kelly

Also Present: Mr Bagge

1. MINUTES

The minutes of the meeting of the Policy Advisory Group held on 20 March 2014 were received.

2. TREASURY MANAGEMENT ANNUAL REPORT 2013/14

The Council's Treasury Management function is a key element to the Financial Strategy which in turns feeds into the use of Resources, one of the Council's Management Principles, and the PAG considered a report setting out the Treasury Management performance of the Council for 2013/14.

The report, after providing a reminder of the new matrix for in house investments as approved by members as part of the Treasury Management Strategy 2013/14, set out:

- A summary of movements in the year;
- A summary of the Council's holdings of callable and fixed deposits as at 31 March 2014;
- Investments of short term cash with a duration of less than one year at 31 March 2014;
- in the first quarter of 2013/14; and
- The current market value of the Stoke Poges Memorial Gardens Fund.

The reduction in cash reserves over the year reflected the significant amount of capital expenditure during the year.

As part of the strategy for 2013/14 Members expressed an interest for officers to search the corporate bond market in order to achieve the alternative of investing up to £5 million within the utilities, telecommunications and pharmaceuticals sectors. Members noted there were few bonds during the year that met the Council's investment criteria and nothing with an effective interest rate calculation that has been particularly appealing.

On investment returns the PAG noted there had been an underachievement of £197,000 from the budget during 2013/14 which was slightly higher than the £175,000 declared in the February budget monitoring report - this was a result of the current very low interest rate environment. Taking into account interest rates forecasts and the reduced level of cash reserves the investment income figure for 2014/15 had been reduced to £550,000.

Members discussed information sent to all local authorities by the Local Government Association inviting authorities to subscribe to the Municipal Bonds Agency that they are setting up. From a purely investment perspective Members did not feel the proposal was attractive, and were all of the view that the Council should not take up the invitation.

RESOLVED that the investment performance for 2013/14 be noted.

3. **EXEMPT INFORMATION**

Members noted that the following items contained exempt information which was not available to the press and public.

4. **MINUTES**

(Schedule 12A part 1 (paras 3) - information relating to the financial or business affairs of any particular individual)

The Part II minutes of the meeting held on 20 March 2014 were received.

5. **LAND BY EAST LODGE, MANOR HOUSE, STOKE POGES**

(Schedule 12A part 1 (paras 3) - information relating to the financial or business affairs of any particular individual)

Following the decision made by the Cabinet on 19 November 2013, the PAG considered a report setting out the discussion held with the current owner and the offer they had made in respect of the period of the lease.

Having considered the comments of the PAG the Portfolio Holder has **AGREED to RECOMMEND** to Cabinet

1. the revised terms and conditions as set out in the report, in that a lease be granted for 99 years.
2. Authority be delegated to the Director of Services in consultation with the Portfolio Holder to agree any minor amendments to the terms and conditions.

6. **DROPMORE ROAD DEPOT UPDATE REPORT**

(Schedule 12A part 1 (paras 3 and 4) - because of information relating to the financial or business affairs of any particular person (including the authority holding that information).

The PAG received an update on the project to develop the Council's Depot on Dropmore Road.

Members were reminded that planning permission to develop the Dropmore Road Site was granted on 26 March 2013 and the redevelopment contract was awarded to McBains Cooper Quantity Surveyors and Borrás Construction by Cabinet on 16 October 2012. The practical Completion had been achieved on the 24 January 2014. The contract now enters into a 12 month defects liability period which ends on the 24 January 2015.

The report went on to detail actual costs to date and noted an under spend of the original capital figure.

RESOLVED that the report be noted.

7. PROPERTY INVESTMENT

(Schedule 12A part 1 (paras 3) - information relating to the financial or business affairs of any particular individual)

The PAG received a presentation from the Council's property advisers, Kempton Carr Croft on the topic of investing in commercial property. The main elements of the presentation covered:

- The types of commercial property, the key features, advantages and disadvantages;
- The sizes of potential investments;
- The risks and rewards from the various types of investments;
- The investment criteria that could be applied.

It was noted that Councils are no longer restricted to acquiring assets within their locality, which for South Bucks makes this issue a more realistic proposition. Members were advised that acquiring property in the Council's name would be capital expenditure, and would need to be assessed alongside other competing demands for capital.

Members also noted that property investments are illiquid compared to treasury management investments, and also can have risks around depreciation of asset values.

Owing property would mean that the Council would need to manage the property, it was considered that there would be capacity to do this in-house following the service review of Property & Facilities. It was noted that the Council does already have some asset that are held for investment purposes which have historically yielded good returns. Members were of the view that these should be reviewed periodically to see if their yields justified their retention, or whether they should be disposed of and the funds reinvested.

An issue that would have to be addressed was the speed of decision making usually required when acquiring commercial property, as the normal Council processes in most cases would be too long and a disincentive to vendors. If a more streamlined process was to be agreed by the Council there would need to be strong governance and control arrangements in place including a formal business case with risk assessments.

Members were of the view that it may be worth considering applying a modest element of the Council's resources in this way subject to meeting criteria that would be agreed.

RESOLVED that officers be asked to prepare a report for the PAG setting out:

- The delegations and governance that would need to be agreed by the Council to enable speedy decision making on this subject.
- The format of a business case that would need to be prepared to support any decision.
- The criteria that would apply to search for suitable investment opportunities.

The meeting terminated at 7.48 pm

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SUBJECT:	Investment Performance Quarter Ending 30th June 2014
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 June 2014.

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 2014/15 set an estimated return on investment income for the year of £550,000 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 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 first of these reports for 2014/15.

4. Investment Performance - Quarter to 30 June 2014

- 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 2014/15 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 June 2014 is shown below:

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Notes
Royal Bank of Scotland	A					
Fixed Deposit		5,000,000	1.13%	08/02/12	08/02/17	(1)
Total RBS		5,000,000				
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	2.70%	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		3,000,000				
Total Deposits		11,000,000				

(1) Was running at 4.25% in years 1&2 with RBS have the option to switch to 3 month LIBOR¹ in years 3,4 & 5. Rte of 1.13% negotiated by officers.

4.3 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	10,173,000	0.30%	Instant Access
Nat West Bank	A	1,000,000	0.60%	95 Day Notice Account
Bank of Scotland	A	1,000,000	0.60%	23/04/14 to 23/07/14
Barclays Bank	A	1,000,000	0.63%	14/10/13 to 23/07/14
Total		13,173,000		

¹ LIBOR - London Inter Bank Offered Rate

4.4 Since the end of the quarter the following investments have been made:

Close Brothers £1 million maturing on 22/08/14 reinvested until 22/02/16 at 1.70%.
 Close Brothers £1 million maturing on 05/09/14 reinvested until 7/03/16 at 1.70%.

Short term investments:

Barclays £1 million from 23/07/14 to 23/02/15 at 0.67%
 Bank of Scotland £1 million from 23/07/14 to 23/10/14 at 0.57%
 Bank of Scotland £1 million from 25/07/14 to 26/01/15 at 0.70%
 Nationwide Building Society £1 million from 28/07/14 to 26/01/15 at 0.64%

4.5 In the year to date there have so far been no available corporate bonds that match the Council's requirements.

5. Investment Policy and Procedures

- 5.1 As detailed in 3.3 above the Council has adopted the CIPFA Code of Practice on Treasury Management.
- 5.2 The Code recommends the creation & maintenance of Treasury Management Policy & Procedures.
- 5.3 It is not normally expected that the procedures will need to be revised very often and any changes have therefore been delegated down to me as Chief Finance Officer. The procedure document will require some amendment to take account of the shared Finance Team and a revised document will be made available to the next meeting of this Pag for Members information.

6. Resources, Risk & Other Implications

- 6.1 The investment budget set for the year is £550,000 .The current estimate is that the budget will be met, however the budget for 2014/15 had an assumption built in that there would be opportunities later in the year based upon the market building in future interest rate rises and we will see as the year emerges if this proves to be the case.

7. Summary

- 7.1 The PAG is requested to note the investment performance for the quarter to 30th June 2014.

Officer Contact:	Mr H Woodbridge - Ext 7319 Email address - howard.woodbridge @southbucks.gov .uk
Background Papers:	None

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