

<b>SUBJECT:</b>	<b>Investment Performance Quarter Ending 30<sup>th</sup> June 2014</b>
<b>REPORT OF:</b>	<b>Officer Management Team - Director of Resources</b> <b>Prepared by - Principal Accountant</b>

## 1. Purpose of Report

- 1.1 To inform Members of the investment returns for the quarter ending 30<sup>th</sup> 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 30<sup>th</sup> 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 LIBOR<sup>1</sup> 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		

<sup>1</sup> 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.

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<b>Background Papers:</b>	<b>None</b>