

SUBJECT:	Investment Performance Quarter Ending 31 December 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 31 December 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 Aim 1 of the Joint Business Plan: delivering cost effective, customer focused services.

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 Capital Asset Services Treasury 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.

4. Investment Performance - Quarter to 31 December 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 31 December 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)
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	
Barclays	A					
Fixed Deposit		1,000,000	3 Month Libor, Floor 3.05%, Cap 5.00%	24/05/10	24/05/15	
Close Brothers	A					
Fixed Deposit		1,000,000	1.70%	22/08/14	22/02/16	
Fixed Deposit		1,000,000	1.30%	13/10/14	13/10/15	
Fixed Deposit		1,000,000	1.70%	05/09/14	07/03/16	
Total Deposits		11,000,000				

(1) Was running at 4.25% in years 1&2 with RBS having 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
NatWest Bank	A	9,315,000	0.30%	Instant Access
NatWest Bank	A	1,000,000	0.60%	95 Day Notice Account
Bank of Scotland	A	1,000,000	0.70%	25/07/14 to 25/01/15
Bank of Scotland	A	1,000,000	0.57%	23/10/14 to 23/01/15
Barclays Bank	A	1,000,000	0.67%	23/07/14 to 23/02/15
Nationwide Building Society	A	1,000,000	0.64%	25/07/14 to 26/01/15
Total		14,315,000		

- 4.4 The following corporate bonds were held on behalf of Stoke Poges Memorial Gardens, valued at the end of the quarter:

Bond held	Valuation £	Coupon Interest Rate	Maturity date
UK Gilt	131,684	8.00%	07/12/15
UK Treasury	122,712	8.75%	25/08/17
Asif II	190,636	6.38%	05/10/20
UK Treasury	192,395	8.00%	07/06/21
Alantia SPA	175,656	6.25%	09/06/22
National Grid	257,565	5.88%	02/02/24
UK Treasury	65,599	6.00%	07/12/28
Total	1,136,247		

5. Investment Policy and Procedures

¹ LIBOR - London Inter Bank Offered Rate

5.1 It is not normally expected that the Treasury Management Policy and Procedures will need to be revised very often and any changes have therefore been delegated to the Chief Finance Officer. The procedure document is currently being updated to reflect staffing changes following the implementation of the new Finance Team.

6. Resources, Risk & Other Implications

6.1 The budget for interest earned on investments for the year is £550,000. The current estimate is that interest from investments will be £380,000 for the year. 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, however this has not transpired.

7. Summary

7.1 The PAG is requested to note the investment performance for the quarter to 31 December 2014.

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Background Papers:	None