

URGENT BUSINESS AND SUPPLEMENTARY INFORMATION**Executive****3 August 2009**

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
12.	(Pages 1 - 3)	2009/10 Projected Revenue & Capital Out turn at 30 June 2009 and 2008/09 Treasury Management Annual Report	Head of Finance	Information not available at time of despatch

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APPENDIX 1

1.0 Introduction

- 1.1 The CIPFA Code of Practice on Treasury Management which this Council has adopted requires an Annual Report to be presented to the Executive at the end of each financial year.

2.0 Fund Manager Performance

- 2.1 The actual return on investments for 2008/09 was £5.9m compared with a budget of £5.1m a favourable variance of £0.8m. The budget was based on an average investment balance of £96m and an interest rate of 5.3 %. The actual average balance was £103m which attracted an average return of 6.03 %.
- 2.2 The Council's investments are spread over three different operations: In-house and two fund managers. Their relative performance can be summarised as follows:

£000	Balance 1.4.08	Balance 31.3.09	Average Balance	Return	Return (%)
In House	58,565	27,440	48,735	2,556	5.14
Tradition	29,000	29,000	29,000	1,598	5.51
Investec	24,451	26,230	25,340	1,823	7.45
Total	112,016	82,670	103,075	5,977	6.03

- 2.3 The fourth quarter report on the Council's fund managers produced by our treasury management advisers, Butlers is attached at Appendix 2 and is summarised below.
- 2.4 The Council's two managers, Investec and TUK, delivered very satisfactory returns over the quarter and consistently good results for the year as a whole. Investec was the top performer among its peers by a wide margin, while TUK continued to deliver a steady profile ahead of benchmark by a decent amount. Investec remained one of the more cautious of the wide range fund managers in the closing stages of the financial year. It continued to avoid exposure to the gilt-edged market for a number of reasons. First and foremost, yields had fallen by late 2008 to levels that were considered to be just about as low as they were likely to go. They did not offer good value and while holdings might be justified on grounds of safety, any adverse movements in price would compromise performance.
- 2.5 Over the quarter, Investec posted a net return of 1.15%, TUK a gross return of 1.38%, results that compare with 0.23% for the benchmark and 1.03% for the industry average. The results for the year are very creditable, Investec's cumulative return of 7.27% beating its

benchmark by 3.67% and the industry average by 0.79%. TUK's 5.51% gross return exceeded its benchmark by 1.94%, although it was slightly short of a demanding average.

2.6 Performance Comparisons - cumulative data

(%)	Investec		TUK		IN HOUSE	
	vs. 7-day LIBID	vs. Ind Ave	vs. 7-day LIBID	vs. Ind Ave	vs. 7-day LIBID	vs. Ind Ave
2003/04	-1.18	-0.65	0.45	0.94	0.28	0.77
2004/05	0.13	0.03	0.32	0.16	0.30	0.14
2005/06	-0.10	-0.08	0.58	0.56	0.47	0.45
2006/07	-0.96	-0.28	0.37	0.97	0.18	0.78
2007/08	0.23	0.04	-0.27	-0.46	-0.13	-0.32
2008/09						
Jun	-0.08	0.06	0.09	0.23	0.11	0.25
Sep	0.02	-0.06	0.21	0.11	0.26	0.16
Dec	2.68	0.65	0.79	-1.28	0.71	-1.36
Mar	3.67	0.79	1.94	-0.97	1.56	-1.35

Compliance with Code

2.7 There have been no instances of non-compliance with the code during 2008/09.

Icelandic Investments

2.8 Cherwell District Council is one of at least 123 local authorities that have been affected by the collapse of Icelandic banking institutions. The Council currently has a total of £6.5 million in short term investments (i.e. those with maturity periods of up to one year) with one of the affected banks Glitner.

2.9 The Council has not seen any immediate impact on its ability to finance and deliver its services, but is continuing to work actively through the LGA for recovery of the frozen funds, and the interest on them.

2.10 The latest position relating to the recovery of Council investments in Icelandic banks is that as the Council's debt has been deemed as a priority, 100% of the principal and interest accrued up to the 14th November 2008 will be returned no later than 31 March 2010.

2.11 Interest accruing beyond the 14th November 2009 until repayment will be subject to a further claim but we are less likely to receive 100% of this.

2.12 The position continues to be closely monitored and we are working in conjunction with the Local Government Association. We will continue to update members regularly as further information becomes know.

3.0 Conclusion

- 3.1 The Council's investment performance was 0.73 % higher than anticipated in the 2008/09 budget and the approved policy was adhered to throughout the financial year.