

REPORT OF THE
Cabinet
PART I

38. TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2013-14

1. At its meeting on 28 October 2013, the Cabinet considered the mid-year Treasury Monitoring report for the County Council for 2013/14, which included a proposal to amend the Investment Strategy.

2. Hampshire County Council fully complies with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services (2009). This includes setting an Annual Investment Strategy, which was approved by the County Council at its meeting on 21 February 2013 as part of the Council's overall Treasury Management Strategy for 2013/14.

3. The Guidance on Local Government Investments in England gives priority to security and liquidity and the County Council's aim is to achieve a yield commensurate with these principles. This has been maintained by following the County Council's counterparty policy as set out in its Treasury Management Strategy for 2013/14. The County Council has an investment portfolio consisting of reserves and short-term cash flows. The County Council is currently investing according to a low risk, high quality lending list as outlined in its Treasury Management Strategy.

4. In the County Council's Annual Investment Strategy the following non-specified investment instruments were agreed. Investments are categorised as 'specified' or 'non-specified' within the investment guidance issued by the CLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the County Council and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else. The highlighted duration and percentage limits have been added to the instruments below for completeness.

Instrument	Maximum maturity	Max % of the portfolio
Term deposits with banks, building societies which meet the specified investment criteria (on advice from TM Adviser)	2 years	100
Term deposits with local authorities	5 years	100
Certificates of Deposit and other negotiable instruments with banks and building societies which meet the specified investment criteria	2 years	100
Deposits with registered providers (former Housing Associations)	5 years	10

Gilts	5 years	25
Bonds issued by supra-national banks (e.g. European Investment Bank, World Bank)	5 years	25
Sterling denominated bonds by non-UK sovereign governments	5 years	10
Money Market Funds and Collective Investment Schemes	2 years	50
Corporate and debt instruments issued by corporate bodies	2 years	10

5. It is recommended to extend the maximum investment duration to 5 years for investments with governments or public sector organisations, such as other local authorities and registered providers (former housing associations where any investment can be secured against the organisation's assets). This will enable the County Council in the current very low interest rate environment to access higher yielding investments with relatively secure institutions. In addition it would give additional flexibility to better respond to extreme financial circumstances, such as another banking crisis, when normal investments were not considered appropriate. The overall limit for investments with a duration of more than a year remains at £150m, which will ensure that the County Council has sufficient liquidity to meet its day to day obligations.

The full Cabinet report can be found at www.hants.gov.uk/councilmeetings.htm by typing in the relevant reference number:

- Treasury management mid-year monitoring report 2013-14 (search item reference 5146)

RECOMMENDATIONS

That the County Council:

- (a) Approves the updated list of 'non-specified' investments, including the extended duration limit of 5 years for government and public sector investments.