

Treasury Management Presentation

Sevenoaks District Council
12th November

Presented by Richard Bason, CPFA
Regional Director



1. Agenda

- Financial markets update
- Balance sheet
- Portfolio position
- Comparative performance
- Options for consideration
- Questions

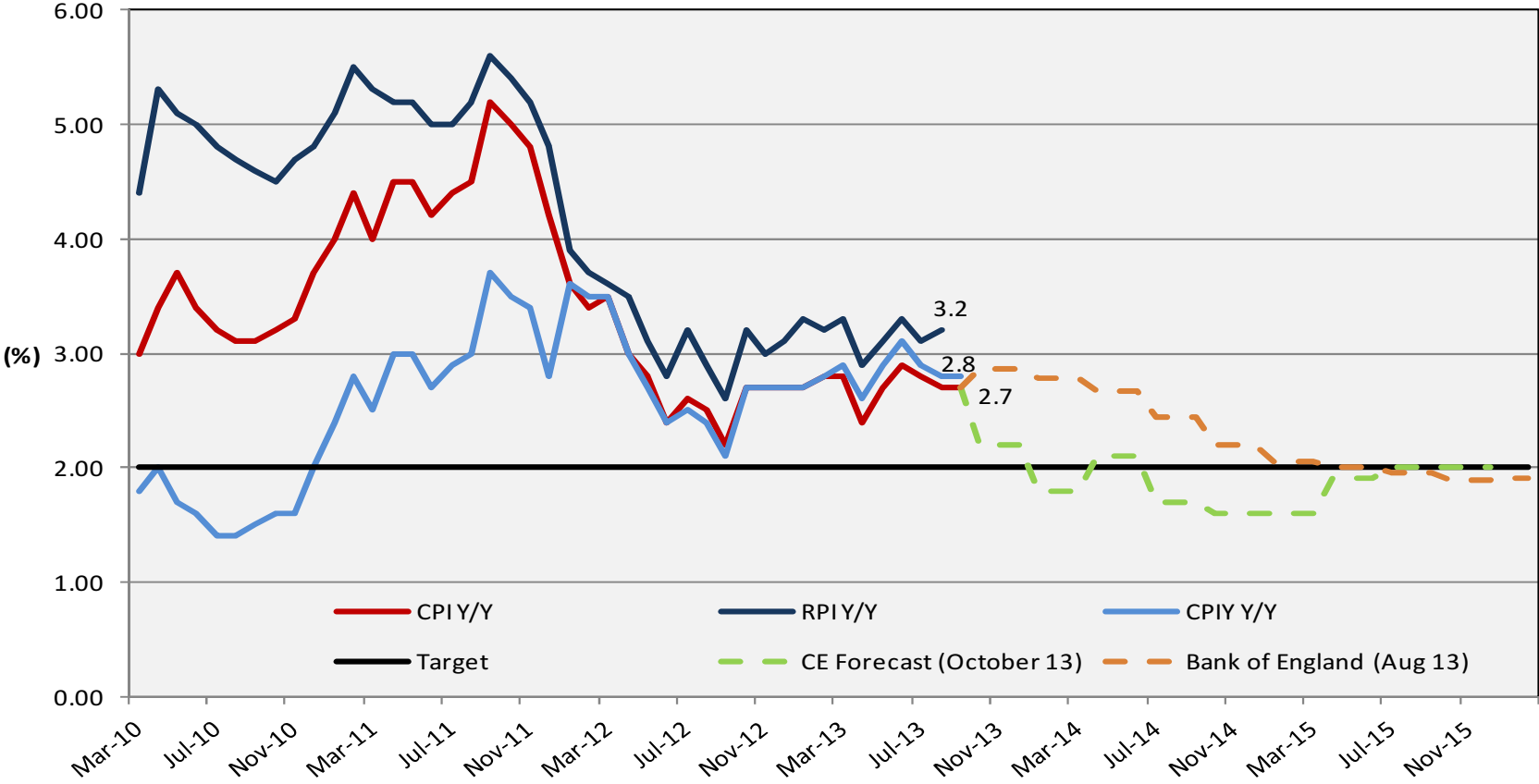
2. Financial markets – domestic economic data

- Bank rate / MPC meeting
- Consumer Price Index (CPI)
- Unemployment data
- Gross Domestic Product (GDP)
- House prices / surveys (Nationwide, Halifax, RICS)
- Average earnings
- Retail sales
- Strength of sterling
- UK /global events



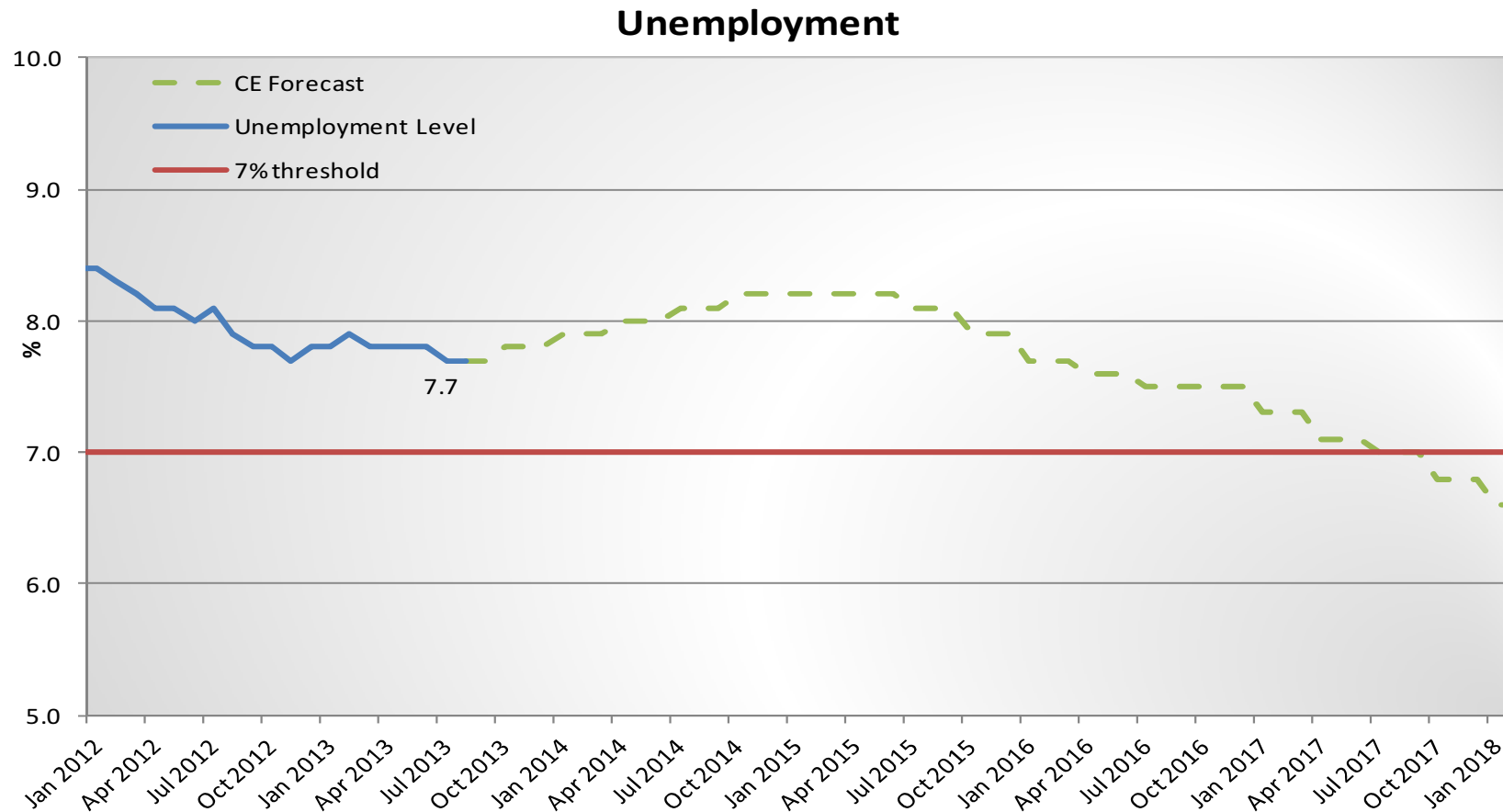
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CPI measure of inflation has rarely behaved itself over recent years...will it do so in the future?



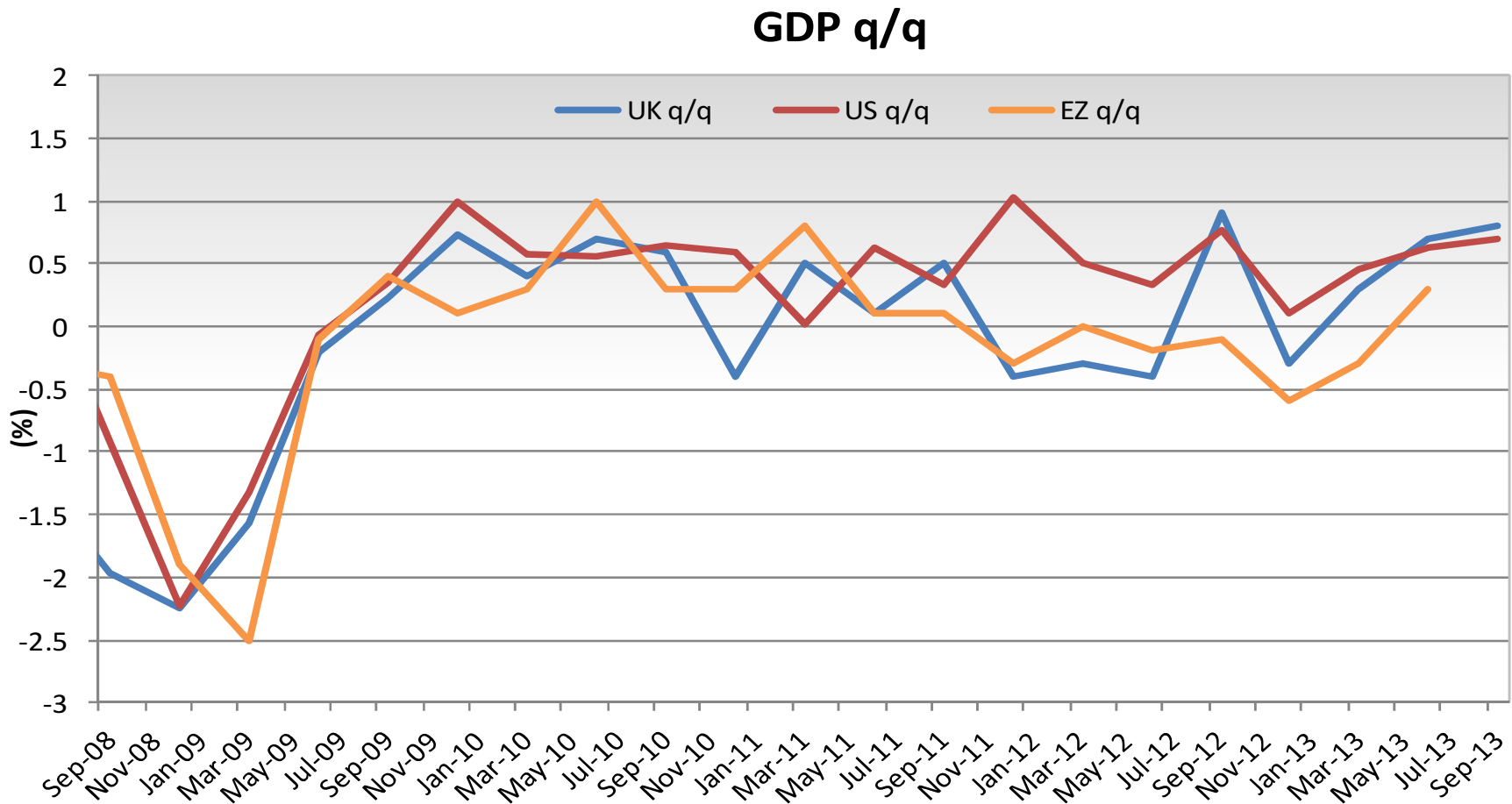
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The MPC has stated that unemployment needs to fall to 7% before an increase in Bank Rate can be considered. BoE suggests that will be towards the end of 2016. The markets say mid 2015. Capital Economics 2017!



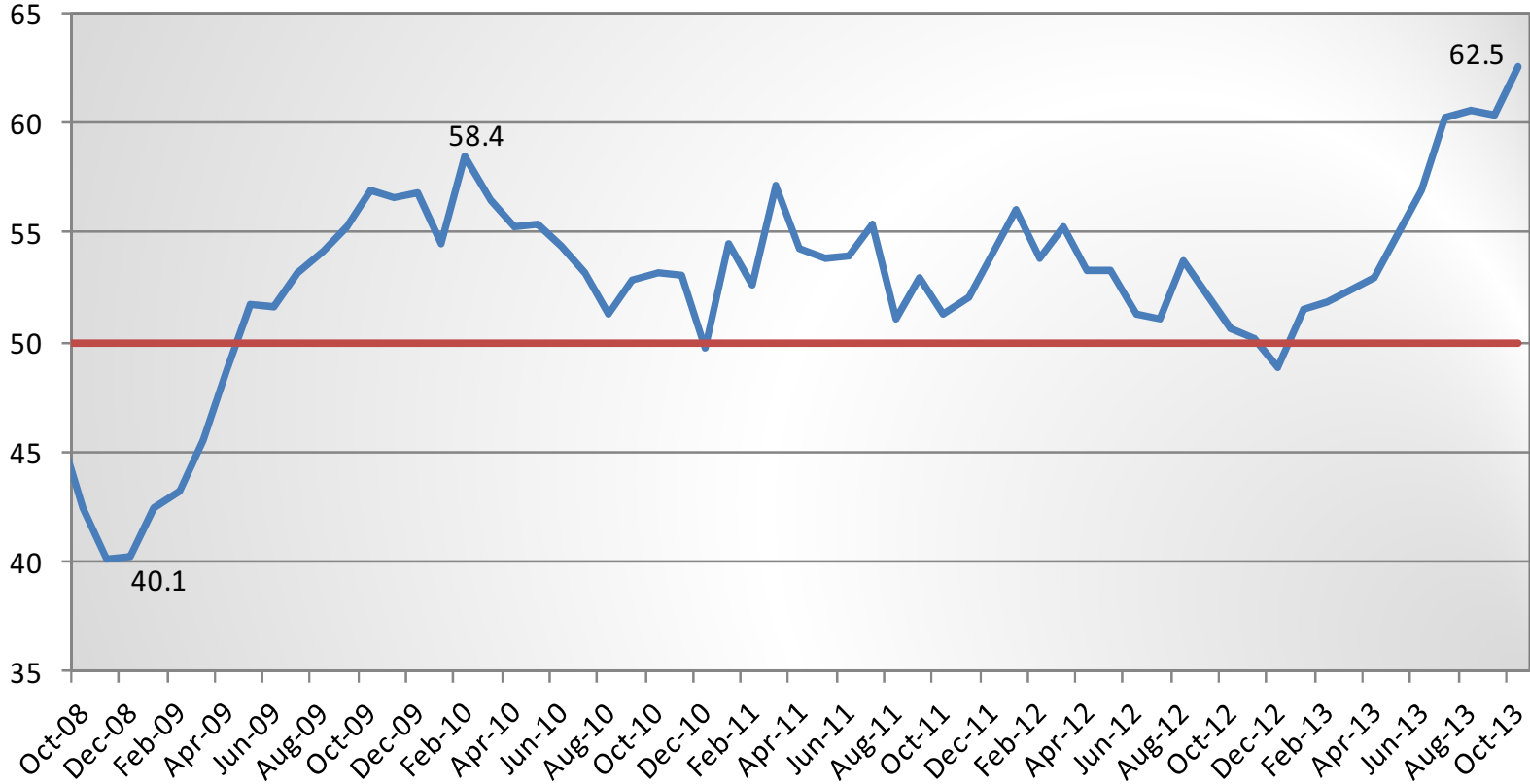
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Latest Q3 GDP shows the UK performing best of the mature economies. The US is flattered somewhat by inventory restocking.



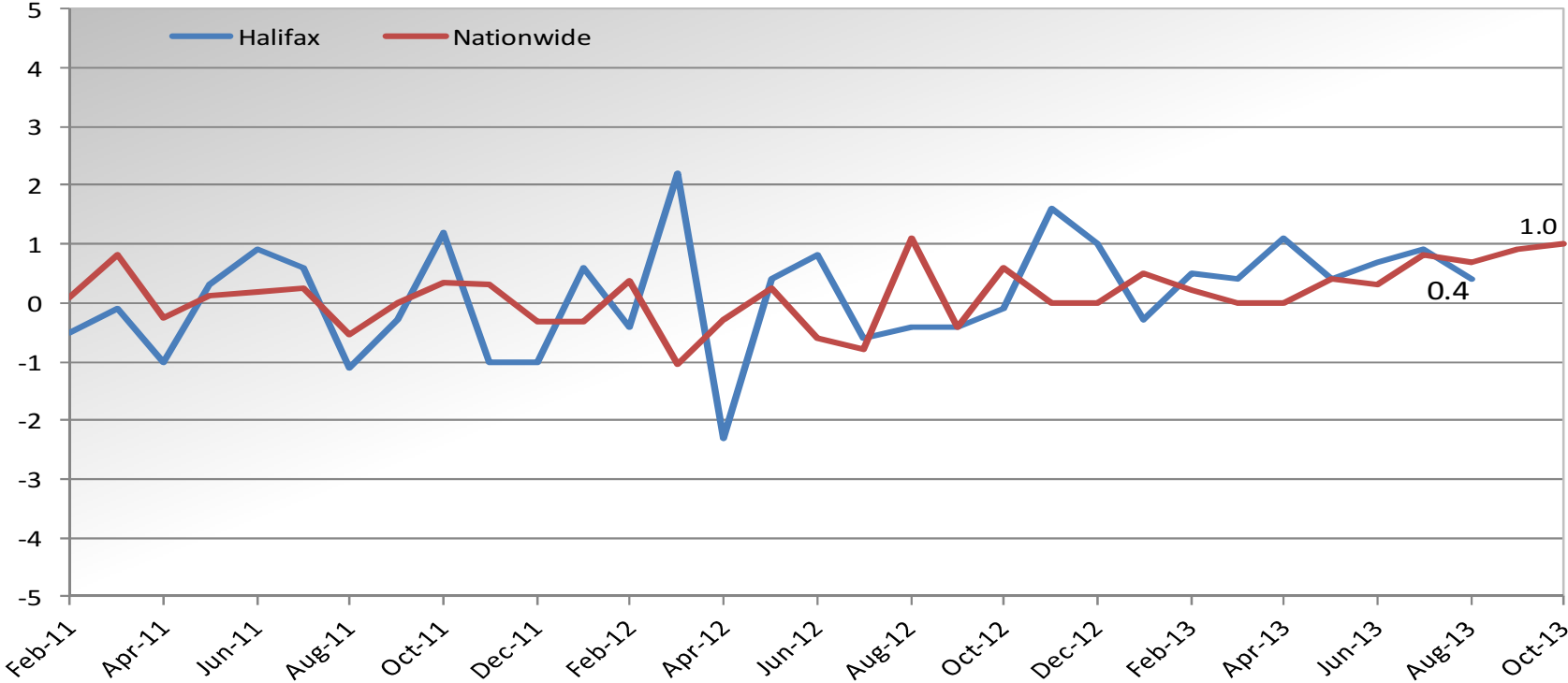
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The monthly PMI services sector survey points to one of the strongest readings for the UK for 16 years (when records began).
Scores > 50 = expansion. Scores < 50 = contraction.



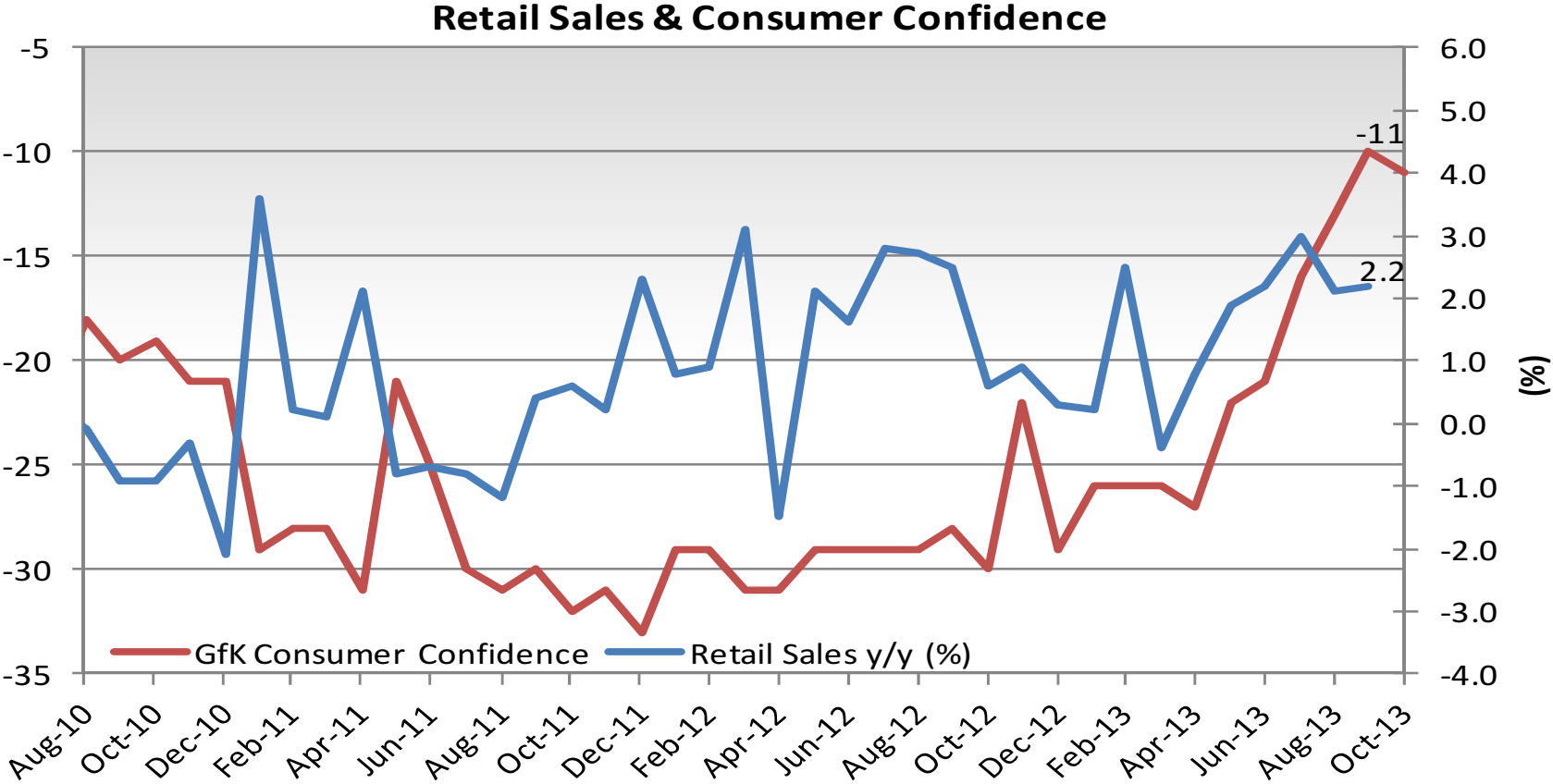
Although Help to Buy has not started in earnest, the UK housing market is moving full steam ahead, particularly in London and the SE.

Monthly House Price Changes



CAPITA

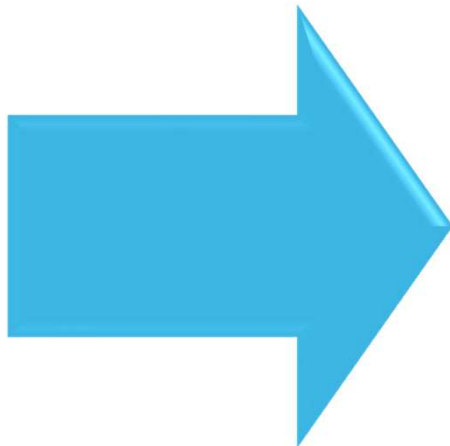
Consumer confidence is also improving, so things are set fair for at least the next few months, although retail sales are only ok.



UK economic summary



- GDP growth of 0.8% in Q3 2013, predominantly on the back of service industries expansion, a pick up in exports and a run down of consumer saving. Can this be maintained?

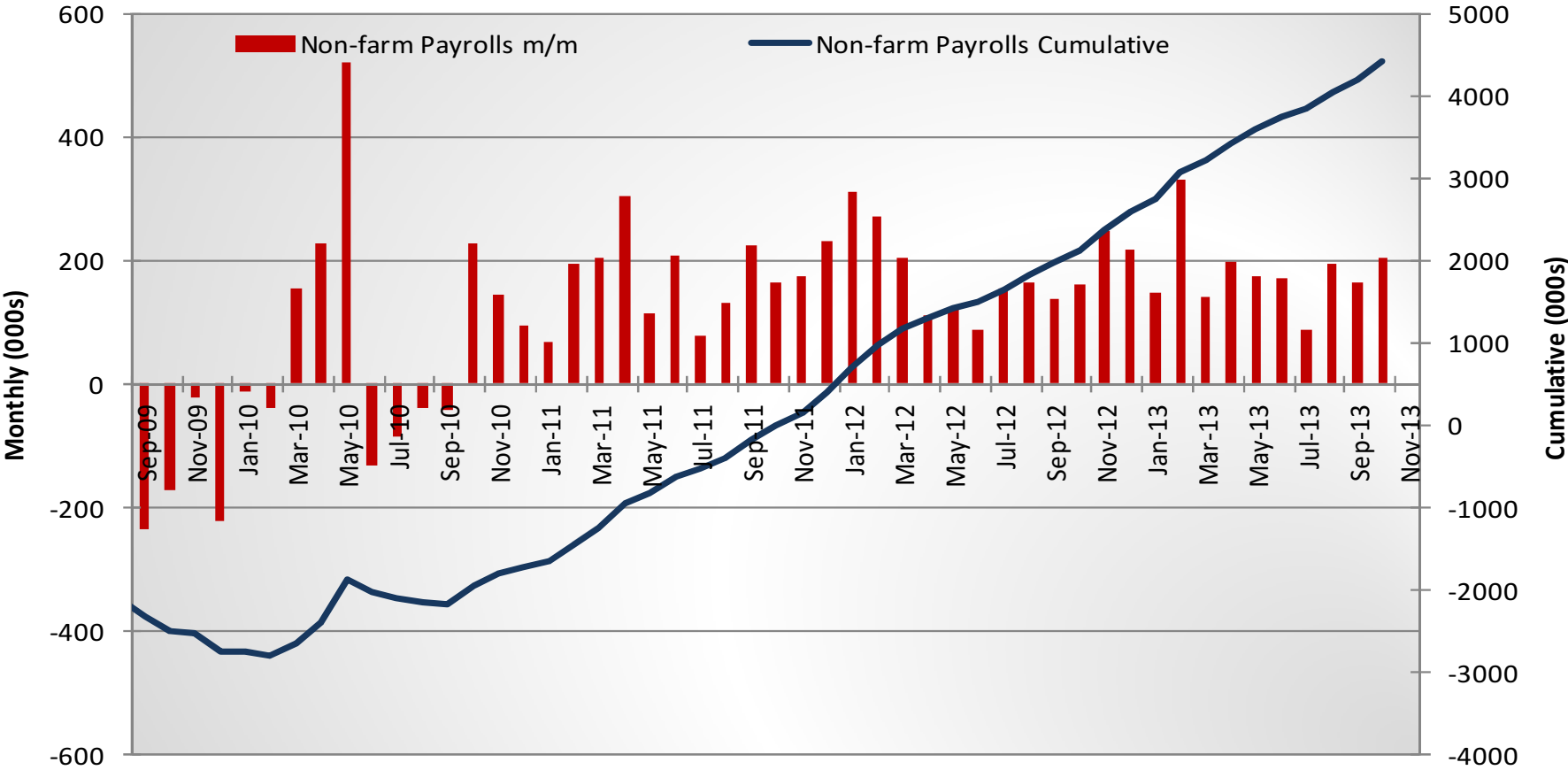


- Unemployment rate = 7.7%
- CPI at 2.7%, above the MPC's 2% target
- Bank Rate unlikely to rise before unemployment falls to 7% (2016?)

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- Quantitative easing static at £375bn
 - UK credit rating robust

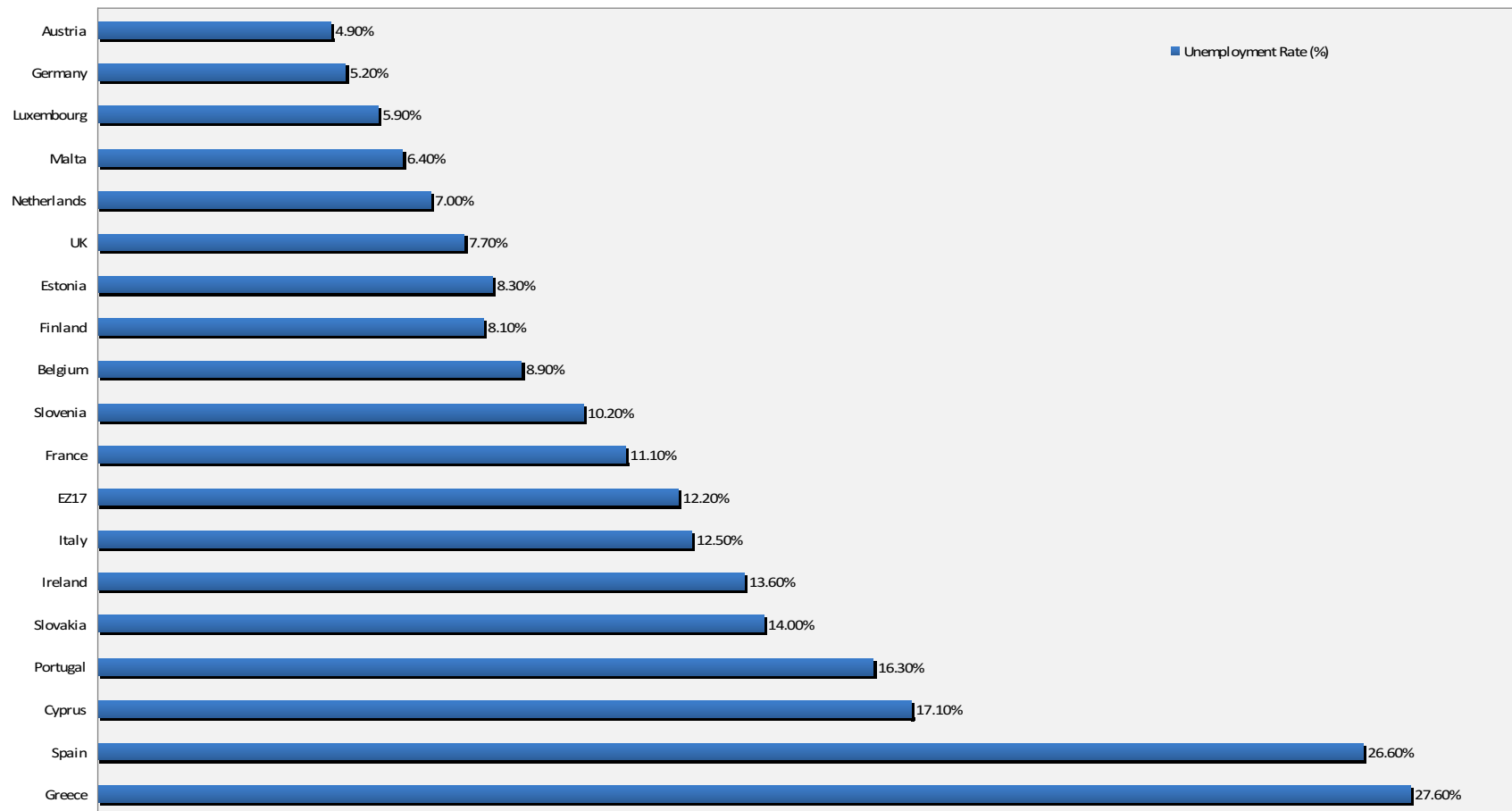
U.S. employment is ticking over. Non farm payroll is a good barometer of future prospects

Non-Farm Payrolls



The Eurozone is expected to see tepid growth of circa 1% in 2014. High unemployment in the larger countries (bar Germany) is a barrier to improved prospects

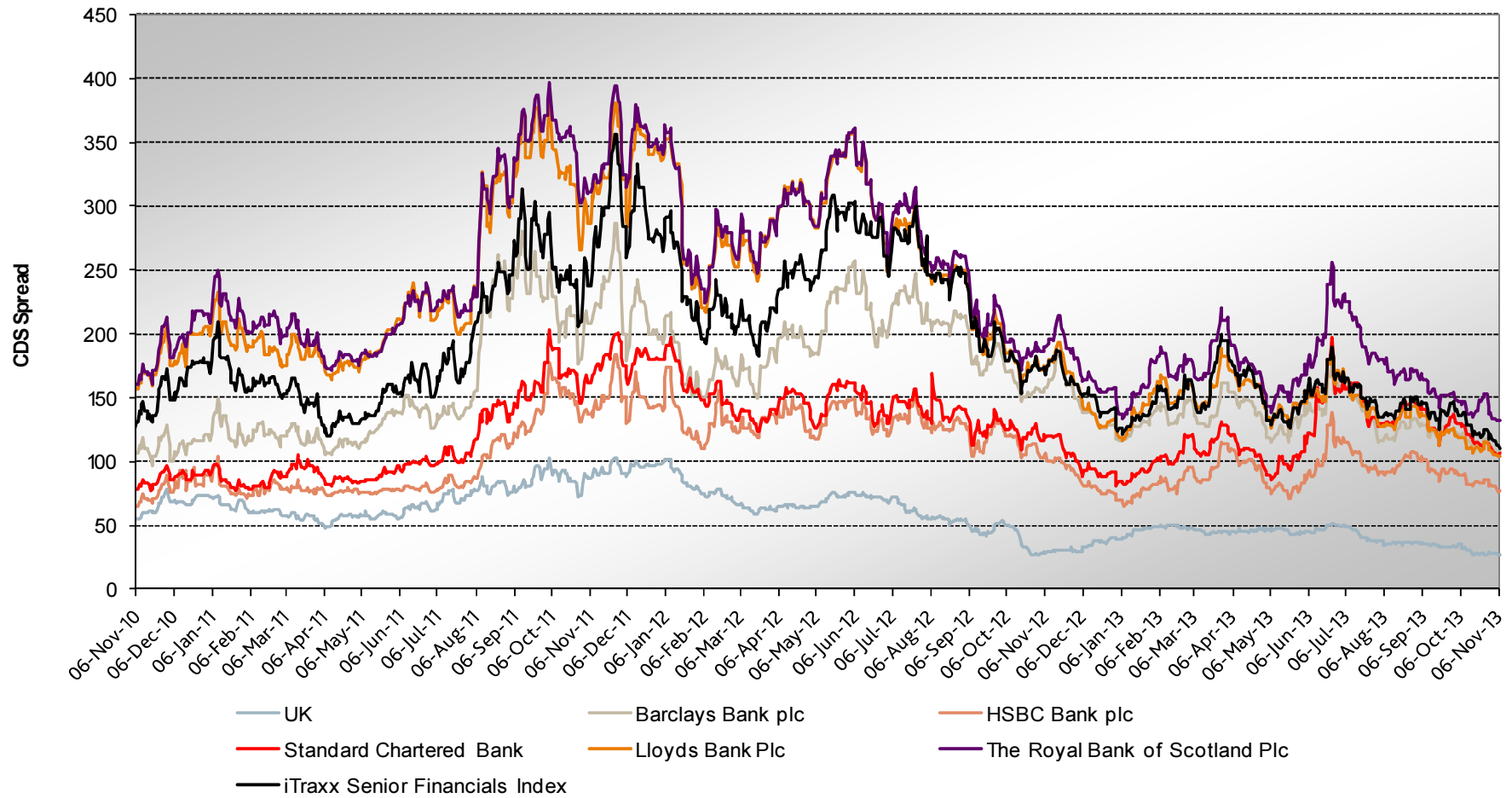
Eurozone Unemployment - September 2013



Interest rate forecasts to March 2017

Bank Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	2.35%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
UBS	2.35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.35%	2.10%	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.90%	3.30%	-	-	-	-	-
10yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	3.51%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
UBS	3.51%	3.90%	4.00%	4.00%	4.10%	4.10%	-	-	-	-	-	-	-	-	-
Capital Economics	3.51%	3.30%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.80%	-	-	-	-	-
25yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.29%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
UBS	4.29%	4.40%	4.50%	4.50%	4.60%	4.60%	-	-	-	-	-	-	-	-	-
Capital Economics	4.29%	4.10%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.30%	-	-	-	-	-
50yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.31%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%
UBS	4.31%	4.50%	4.50%	4.60%	4.60%	4.70%	-	-	-	-	-	-	-	-	-
Capital Economics	4.31%	4.30%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.50%	-	-	-	-	-

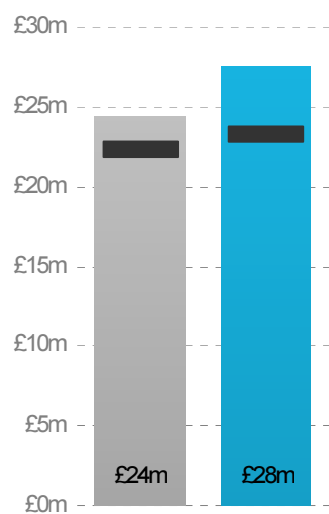
UK institutions – CDS trends (5 year bonds). High street credit quality is good v. ITRAXX Senior Financials Index



3. Balance Sheet review 2012/13

RESERVES / BALANCES AND INVESTMENTS (£'000)	2011/12 (£'000)		2012/13 (£'000)		Change (£'000)
	2011/12	2012/13	2011/12	2012/13	
Balances Available for Investment	£22,257	£23,280	(3,713)	(3,713)	-
External Investments	£24,453	£27,535	(16,098)	(17,631)	(1,533)
Surplus Monies	-£2,196	-£4,255	(708)	(1,693)	(985)
			(1,792)	(340)	1,452
			(22,257)	(23,280)	(1,023)

Investments vs Balances



Analysis of Surplus Monies



Investments		2011/12 (£'000)	2012/13 (£'000)	Change (£'000)
15,277	Short-Term	17,203	1,926	
404	Long-Term	350	(54)	
8,010	Cash & Cash Equivalents - Investments / Deposit	9,023	1,013	
762	Cash & Cash Equivalents - Other (Bank / Cash)	959	197	
24,453	TOTAL Investments	27,535	3,082	
2,196	Surplus Monies	4,255	2,059	

4. Sevenoaks DC portfolio. Lending list 2013/14

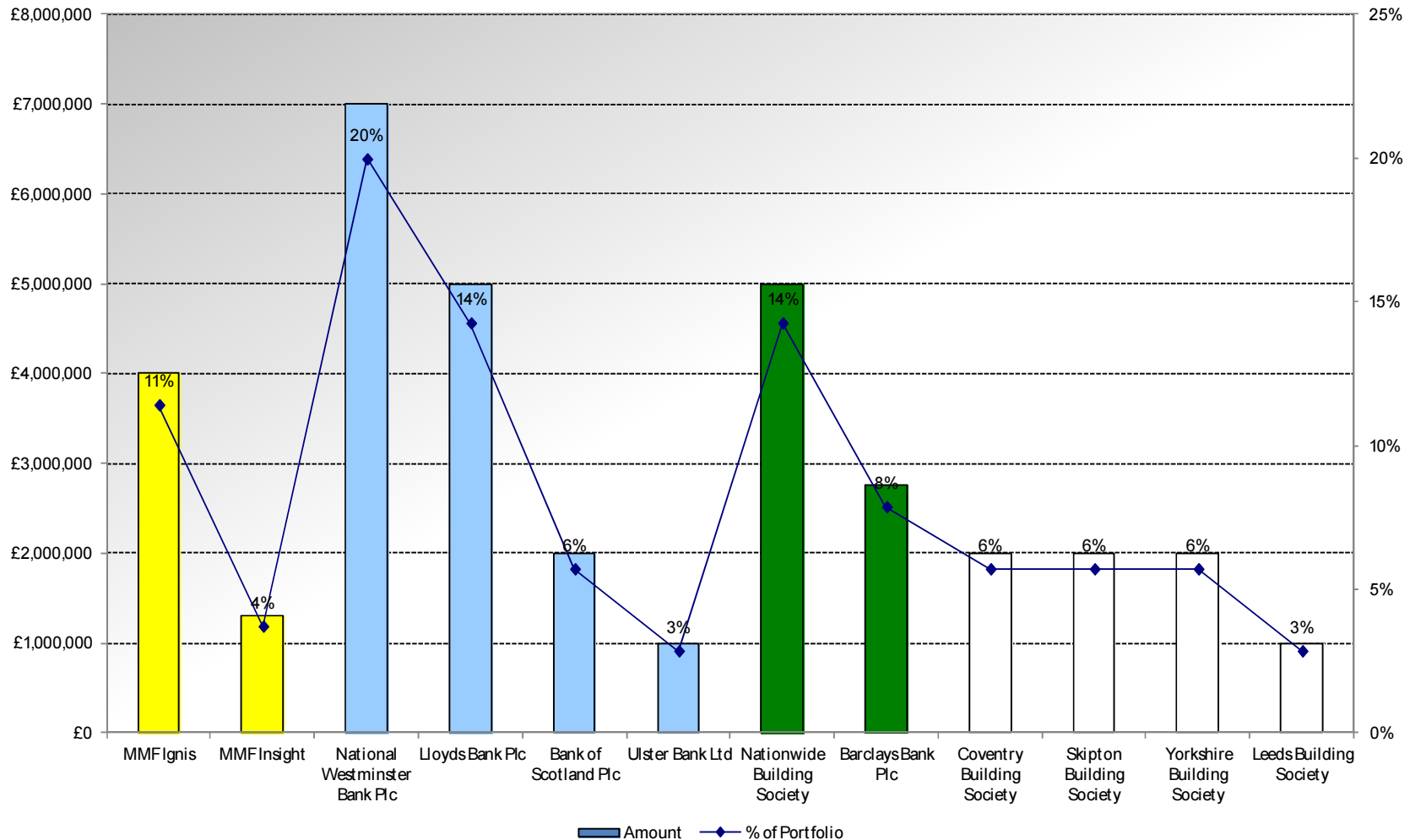
- References CLG Guidance and CIPFA Code of Practice TM 2011
- Core cash of £23m or so
- Will lend to
 - UK institutions only
 - Max duration 1 year
 - No more than 25% with any one counterparty
 - Lloyds/RBS Group max £8m
 - Other UK high street banks/Nationwide max £5m + £1m call
 - Top 5 building societies max £2m
 - MMFs (AAA rated) £5m each
 - UK Debt Management Account Deposit Facility max £5m

Sevenoaks DC – satisfactory returns (0.67%) for a medium credit risk (4.2 CAS score), short duration (average 55 days) portfolio

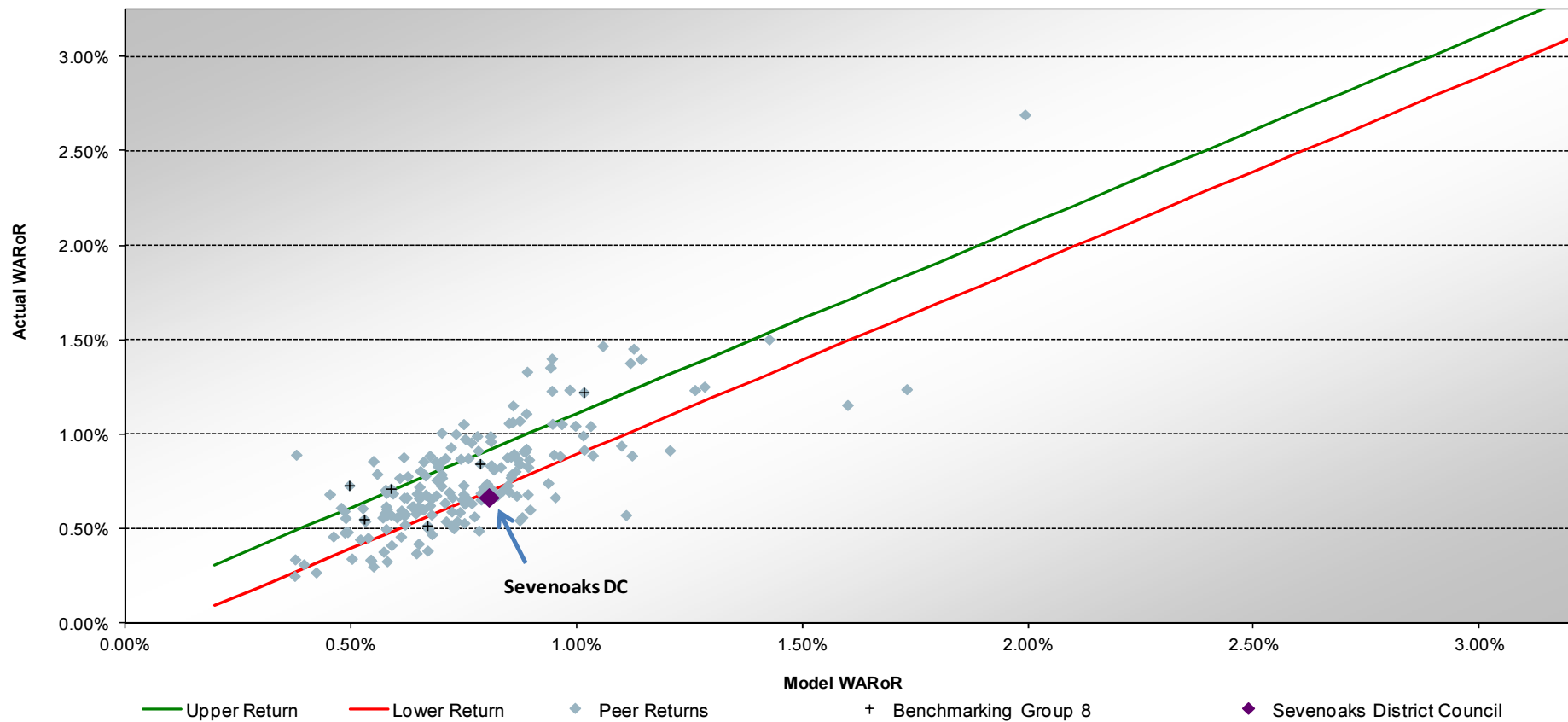
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Barclays Bank Plc	1,758,000	0.45%		Call
National Westminster Bank Plc	4,000,000	0.50%		Call
MMF Ignis	4,000,000	0.38%		MMF
MMF Insight	1,300,000	0.39%		MMF
Lloyds Bank Plc	1,000,000	0.80%	08/04/2013	08/10/2013
Nationwide Building Society	1,000,000	0.44%	09/07/2013	09/10/2013
Coventry Building Society	1,000,000	0.43%	15/07/2013	15/10/2013
Yorkshire Building Society	2,000,000	0.40%	18/07/2013	18/10/2013
Skipton Building Society	1,000,000	0.49%	29/07/2013	29/10/2013
Lloyds Bank Plc	1,000,000	2.25%	31/10/2012	30/10/2013
Leeds Building Society	1,000,000	0.35%	01/08/2013	01/11/2013
Lloyds Bank Plc	1,000,000	2.25%	05/11/2012	04/11/2013
Barclays Bank Plc	1,000,000	0.45%	07/08/2013	07/11/2013
Coventry Building Society	1,000,000	0.45%	29/08/2013	29/11/2013
Nationwide Building Society	1,000,000	0.44%	30/08/2013	29/11/2013
Skipton Building Society	1,000,000	0.49%	29/08/2013	29/11/2013
National Westminster Bank Plc	3,000,000	0.80%		Call95
Nationwide Building Society	2,000,000	0.50%	23/07/2013	23/01/2014
Ulster Bank Ltd	1,000,000	0.65%	29/07/2013	29/01/2014
Nationwide Building Society	1,000,000	0.50%	01/08/2013	03/02/2014
Bank of Scotland Plc	1,000,000	1.10%	12/02/2013	11/02/2014
Bank of Scotland Plc	1,000,000	1.10%	22/02/2013	21/02/2014
Lloyds Bank Plc	1,000,000	1.10%	08/04/2013	08/04/2014
Lloyds Bank Plc	1,000,000	1.01%	04/07/2013	03/07/2014
Total Investments	£35,058,000	0.67%		

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

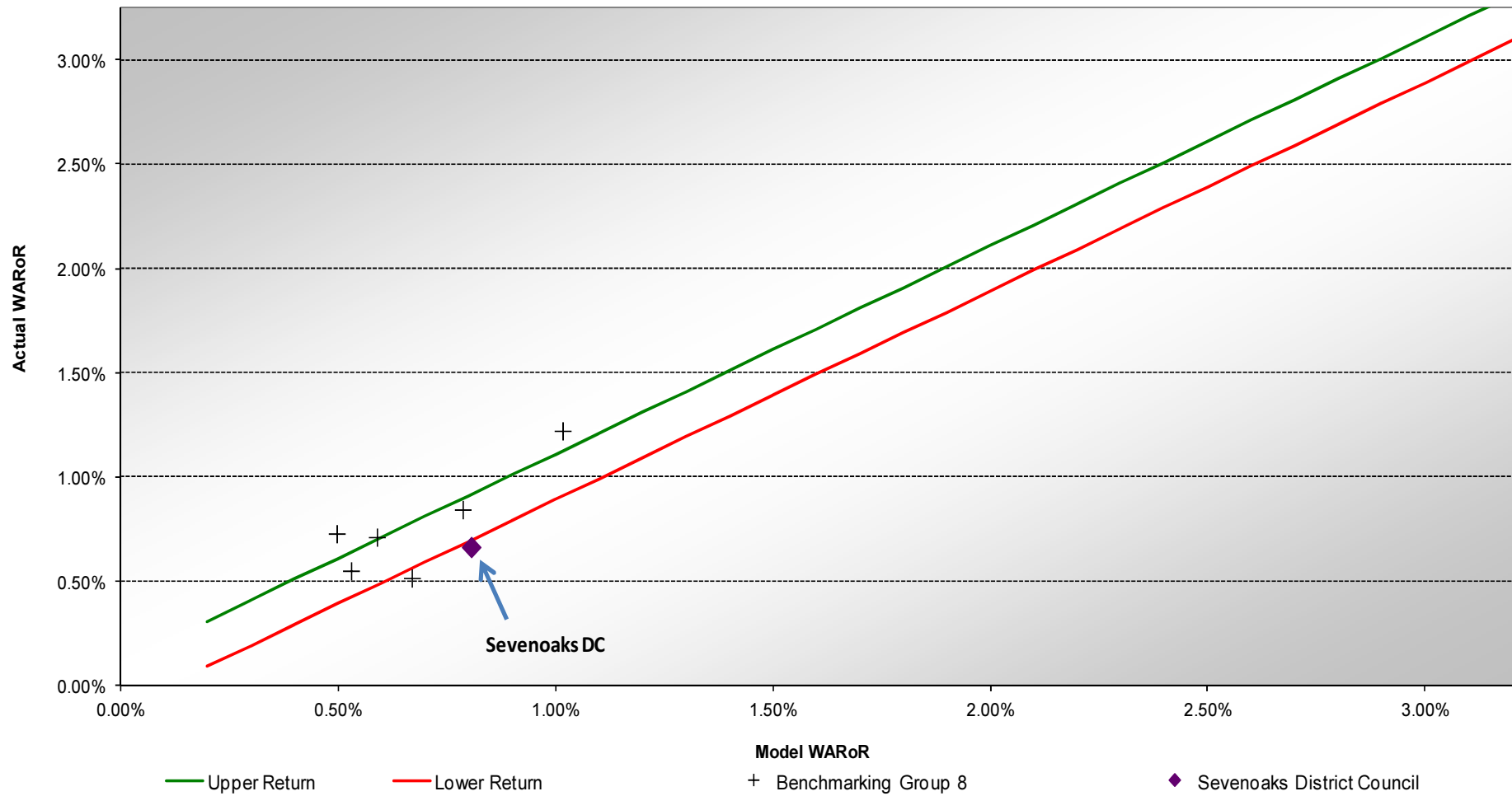
Counterparty Exposure: In-line and adhering with current strategy



5. Comparative performance. September 2013: SDC vs. total benchmarking population (182 clients). Returns broadly in line with risk profile but lower rated building societies (as per CAS credit risk assessment) not boosting returns.



September 2013: SDC vs. Kent Benchmarking Group



6. Options for consideration: Property Funds performance...

A long-term investment where past performance is perhaps less reliable as an indicator than forecast growth for the UK economy. Dividend and capital growth potential, but high entrance/exit costs a possible barrier

Fund Performance, June 2013	3 Months %	1 Year %	3 Years % Annualised	5 Years % Annualised	NAV (£, Millions)
Aberdeen UK Balanced Property Fund	0.8	1.7	4.7	-1.1	34.7
AEW UK - Core Property Fund	2.9	9.8	-	-	46.1
BlackRock UK Property Fund	1.6	2.6	4.6	0.1	2,415.50
CBRE Lionbrook Property Fund	1.1	2.9	5.3	-1.9	404.7
CBRE Global Investors UK Property Income LP	2.3	0.7	-4.2	-8.6	37.5
Cordea Savills UK Income and Growth Fund	2.1	6	6.3	-	92.6
Fidelity UK Real Estate Fund	1.1	-0.1	1.7	1.7	133.3
Henderson UK Property Fund	2	5.7	5.8	1	145.8
Hermes Property Unit Trust	1.6	4.6	6.7	1.5	811.5
Lothbury Property Trust	1.7	5	6.4	2.4	785.2
M&G Property Fund	6.7	6.9	2	-1	261.8
Mayfair Capital Property Unit trust	1.7	4.5	3.7	-	102.5
Rockspring Hanover Property Unit Trust	0.8	-1.7	2.8	-4.1	408.6
Royal London Property Fund	1.1	2.4	4.4	1.7	218.5
Schroder UK Property Fund	2.1	3.7	5.7	0.1	1,243.80
The CCLA Property Fund	1.1	2.6	5.8	0	76.4
The M&G UK Property Fund	0.7	2.1	3.9	0.2	514.3
Threadneedle Property Unit Trust	1.4	3.6	3.3	0.5	798.6

Options for consideration: Money Market Funds

Liquidity Funds	Min Initial Investment, £	7- Day Gross Yield	30- Day Gross Yield	Portfolio Assets (m)	Weighted Average Maturity (Days)	Moody's	Ratings Standards & Poor's	Fitch
Aberdeen	1M	0.53	-	336.10	-	-	AAAm	AAAmmf
Amundi	1M	0.51	0.50	415.30	13.00	-	AAAm	AAAmmf
BlackRock	1M	0.50	0.50	27940.90	45.00	Aaa-mf	AAAm	-
BNP Paribas	2.5M	0.48	0.49	852.50	39.00	-	AAAm	-
BNY Mellon	1M	0.46	0.46	2504.20	27.00	Aaa-mf	AAAm	-
CCLA	25K	0.46	0.46	206.32	40.00	-	-	AAAmmf
Deutsche	1M	0.50	0.51	6823.30	49.00	Aaa-mf	AAAm	-
Federated S-T Sterling Prime Fund	-	0.52	0.53	1862.90	51.00	Aaa-mf	AAAm	AAAmmf
Fidelity	100K	0.49	0.49	733.40	44.00	Aaa-mf	AAAm	-
Goldman Sachs	1M	0.52	0.52	5987.20	53.00	Aaa-mf	AAAm	AAAmmf
HSBC	250K	0.50	0.50	5732.80	54.00	Aaa-mf	AAAm	-
Ignis	1M	0.54	0.54	12888.00	48.00	-	AAAm	AAAmmf
Insight	1M	0.49	0.49	15658.40	42.00	-	AAAm	AAAmmf
Invesco	100K	0.48	0.49	451.30	33.00	Aaa-mf	AAAm	AAAmmf
JPMorgan	6M	0.50	0.50	7946.00	41.00	Aaa-mf	AAAm	AAAmmf
LGIM	1M	0.51	0.51	13135.30	50.00	-	AAAm	AAAmmf
Morgan Stanley	-	0.48	0.48	1459.90	34.00	Aaa-mf	AAAm	AAAmmf
Northern Trust	1M	0.45	0.45	5054.00	35.00	Aaa-mf	-	-
RBS	50K	0.49	0.49	4779.70	44.00	Aaa-mf	AAAm	AAAmmf
SSgA	500K	0.50	0.49	2855.50	42.00	Aaa-mf	AAAm	AAAmmf
SWIP	1M	0.50	0.50	15373.80	46.00	Aaa-mf	AAAm	AAAmmf
Western Asset	2.5M	0.50	0.50	376.40	39.00	Aaa-mf	AAAm	-

QUESTIONS?

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