

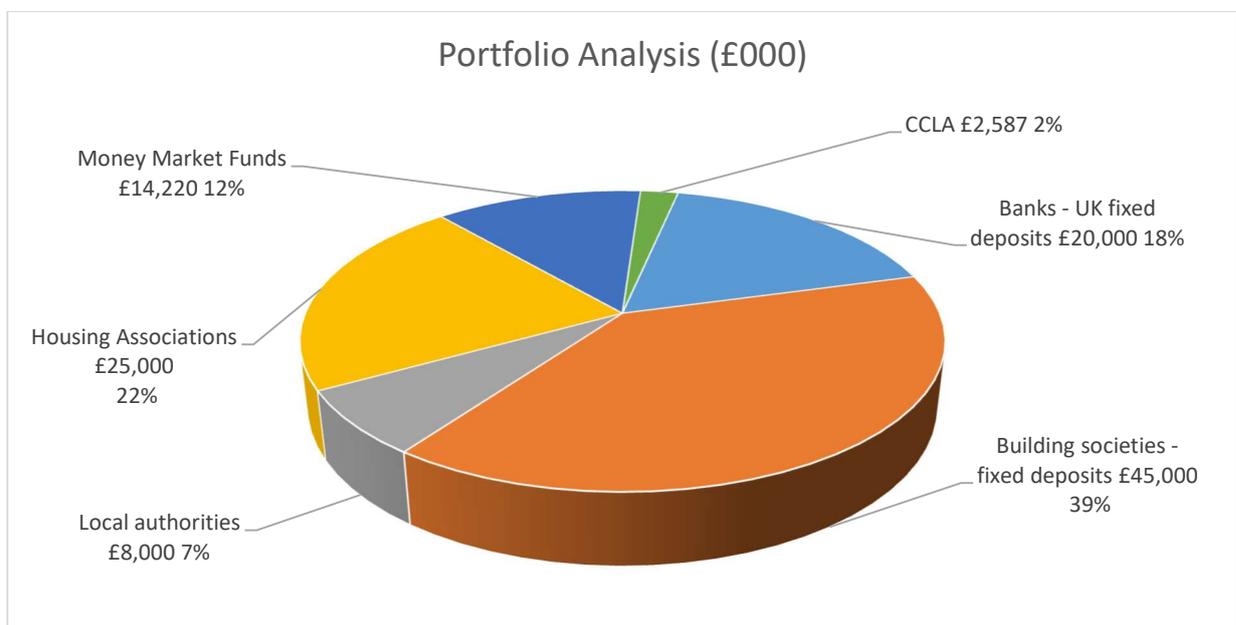
VWHDC detailed treasury performance in 2020/21

Council treasury investments as at 31 March 2021

1. The council’s treasury investments analysed by age as at 31 March 2021 were as follows:

Table 1: maturity structure of investments at 31 March 2020:		
	£000	% holding
Call	0	0%
Money market fund	14,220	12%
Cash available within 1 week	14,220	12%
Up to 4 months	17,000	15%
5-6 months	14,000	12%
6 months to 1 year	52,000	45%
Over 1 year	15,000	13%
<b>Total cash deposits</b>	<b>112,220</b>	<b>98%</b>
CCLA Property Fund	2,587	2%
<b>Total investments</b>	<b>114,807</b>	<b>100%</b>

- Most of the funds invested are held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return.
- The investment profile is organised to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
- The chart below shows in percentage terms how the portfolio above is spread across investment types:



### Treasury investment income

5. The total interest earned on treasury investments during 2020/21 was £1.1 million compared to the original budget estimate of £0.9 million as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Annual Budget	Actual Interest	Variation
	£000	£000	£000
Fixed term and call	822	956	134
CCLA Property Fund	87	115	28
<b>Total Interest</b>	<b>909</b>	<b>1,071</b>	<b>162</b>

Note: £135,000 of treasury investment income relates to interest earned on Enterprise Zone balances

6. The actual return achieved was £0.2 million higher than the original budget. This was primarily due to average balances throughout the year remaining higher than forecast.
7. The total actual average interest rate achieved for the year was 0.89 per cent.

### Performance measurement

8. A list of treasury investments as at 31 March 2021 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £112 million. At 31 March 2021 the council's usable, cash backed reserves totalled around **£40 million**. The difference represents working capital and capital grants received in advance. Table 3 below shows in summary the performance of the council's treasury investments against the benchmarks set out in the TMS. These benchmarks are used to assess and monitor the council's treasury investment performance for each type of investment.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark return	Actual return	Growth (below)/above Benchmark	Benchmarks
Internally managed - Bank & Building Society deposits	0.02%	0.82%	0.80%	3 month LIBID
Property related funds (CCLA)*	2.46%	5.43%	2.97%	IPD balanced property unit trust index

\*Source: CCLA Local Authorities Property Fund Report March 2021

9. Returns on bank and building society deposits (internally managed cash deposits) are benchmarked against the 3-month LIBID rate, which was an average of 0.02 per cent for 2020/21. The performance for the year of 0.82 per cent exceeded the benchmark by 0.80 per cent.
10. The Bank of England and the Governments introduced new programmes of supplying the banking system and the economy with massive amounts of cheap

## Appendix D

credit so banks could help cash starved business survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to business. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow. With the consequent effect that investment earnings plummeted.

11. Higher than anticipated investment balances as a result of the grants received from Government contributed to the increase in fixed term investment income during the year.
12. The CCLA property fund principal investment of £2 million (April 2013) increased in value during 2020/21 to £2.6 million. Dividends received in the year totalled £0.1 million. Both the capital appreciation and the interest earned are included in the performance of 5.43 per cent achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return is interest as a factor of market value of holding being 2.46 per cent.

### Land and Property

13. The council holds a portfolio of investment properties, which includes land, offices and shops that are let on a commercial basis. These assets are valued on an annual basis and had an average net book value of £5.7 million during 2020/21 (£5.9 million as at 31 March 2020). Income generated was £0.2 million (£0.2 million in 2019/20). This is equivalent to a gross return of 4.19 per cent.
14. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the treasury rates.

### Liquidity and yield

15. The council uses short-term investments to meet daily cash-flow requirements and has also aims to invest a proportion of the portfolio over longer dated cash deposits where possible.
16. The amount maintained for liquidity was £14 million.