

VWHDC detailed treasury performance in 2016/17

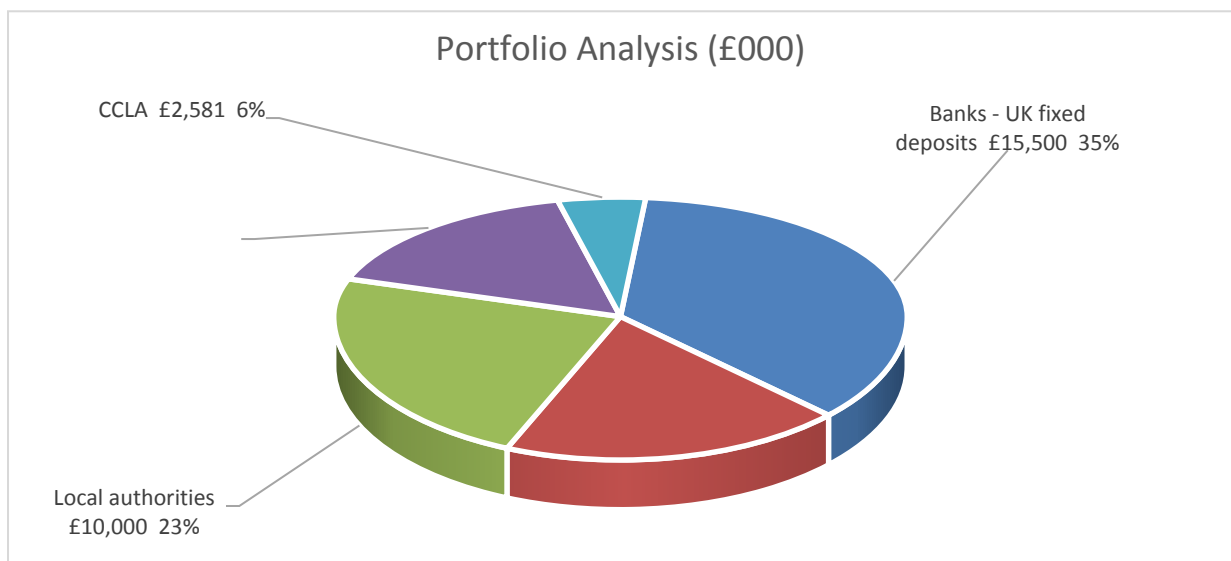
Council treasury investments as at 31 March 2017

1. The council's treasury investments analysed by age as at 31 March 2017 were as follows:

Table 1: maturity structure of investments at 31 March 2017:

	£000	% holding
Call	0	0%
Money market fund	7,220	16%
Cash available within 1 week	7,220	16%
Up to 4 months	13,500	31%
5-6 months	4,000	9%
6 months to 1 year	10,500	24%
Over 1 year	6,000	14%
Total cash deposits	41,220	94%
CCLA Property Fund	2,581	6%
Total investments	43,801	100%

2. The majority 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.
3. The investment profile is organised in order to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
4. 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 2016/17 was £0.6 million compared to the original budget estimate of £0.4 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
Call accounts	20	1	(19)
Cash deposits - less than 1 year	145	282	137
Cash deposits - greater than 1 year	106	131	25
MMFs	40	48	8
CCLA Property Fund	100	120	20
Total Interest	411	582	171

6. The actual return achieved was £0.2 million higher than the original budget. This was due to average balances throughout the year remaining higher than forecast.
7. The total actual average interest rate achieved for the year was 1.13 per cent.

Performance measurement

8. A list of treasury investments as at 31 March 2017 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £51.6 million. 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	0.32%	1.13%	0.81%	3 month LIBID
Property related funds (CCLA)*	4.60%	6.71%	2.11%	IPD balanced property unit trust index

*Source: CCLA Local Authorities Property Fund Report March 2017

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 0.32 per cent for 2016/17. The performance for the year of 1.13 per cent exceeded the benchmark by 0.81 per cent.

10. It remained difficult to place investments because of continued financial uncertainty. Some good rates were achieved which contributed to the increase in investment income during the year.
11. The CCLA property fund principal investment of £2 million (April 2013) increased in value during 2016/17 to £2.5 million. Dividends received in the year totalled £0.1 million. Both the capital appreciation and the interest earned are included in the performance of 6.71 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 4.65 per cent.

Land and Property

12. The council holds a portfolio of investment properties, which includes land, offices and shops that are let on a commercial basis. These assets had a net book value of £8.46 million at 31 March 2017 (£8.21 million as at 31 March 2016) and generated income of £0.5 million (£0.5 million in 2015/16). This is equivalent to a gross return of 5.70 per cent.
13. 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.
14. Performance of the council's investment property portfolio is assessed annually by Arcadis in order to advise whether assets should be retained or disposed of and to propose any actions to improve where this would enhance the value of the investment property holdings.

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 £7.2 million and was above the benchmark. This was due to the better rates of return on MMFs compared with other short-term deposits making it more attractive to hold funds short.
17. The actual for the weighted average life of 252 days was below the range set. When the benchmark of 460 days was set, the council had fewer short term investments, however the portfolio has grown during the year and investments made have been less than one year in duration.
18. The year-end position against the original benchmarks approved in February 2016 is shown below:

Table 4: Risk-liquidity against benchmark		
	2016/17 Benchmark £m	2016/17 Actual £m
Bank overdraft	0	0
Short term deposits - minimum available within 1 week	0.5	7.2
	2016/17 Benchmark £m	2016/17 Actual £m
Weighted average life (days)	460.0	252.0