

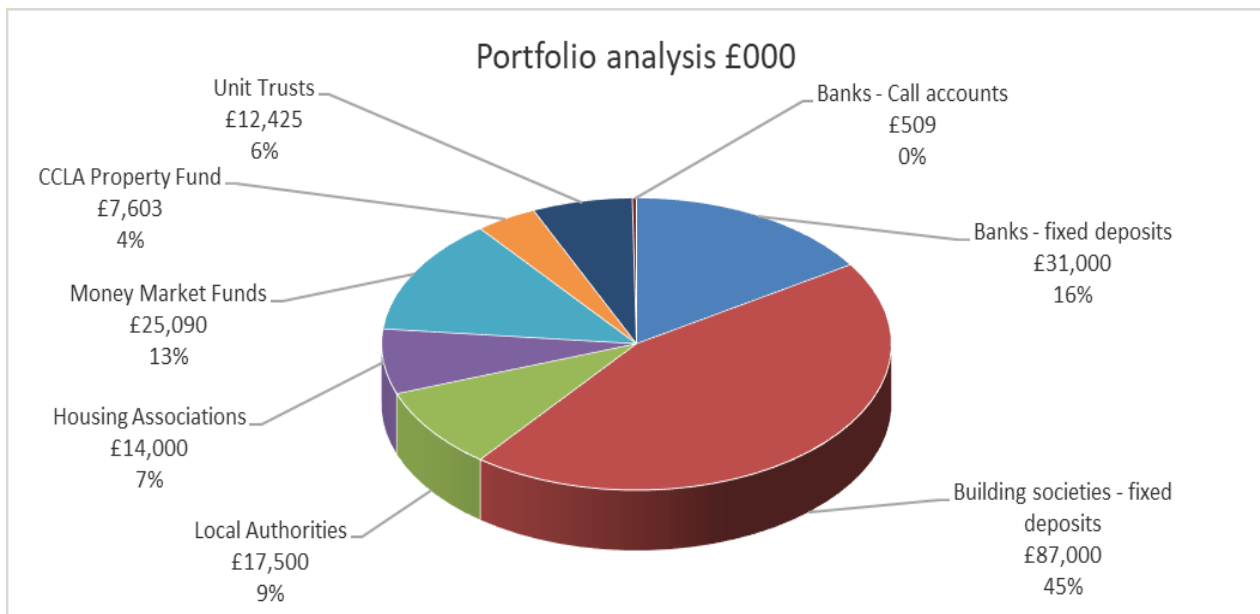
## SODC treasury activities in 2021/22

### Council treasury investments as at 31 March 2022

- The council's treasury investments, analysed by maturity as at 31 March 2022 were as follows:

<b>Table 1: Maturity structure of investments at 31 March 2022</b>		
	£000	% holding
Call	509	0%
Money market fund	25,090	13%
<b>Cash available within 1 week</b>	<b>25,599</b>	<b>13%</b>
Up to 3 months	18,500	9%
4-6 months	45,500	23%
6 months to 1 year	69,500	36%
Over 1 year	16,000	8%
<b>Total cash deposits</b>	<b>175,099</b>	<b>89%</b>
CCLA Property Fund	7,603	4%
Unit Trust	12,425	6%
<b>Total investments</b>	<b>195,126</b>	<b>100%</b>

- The majority of the funds invested were 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 the portfolio above analysed by counterparty type:



### Treasury investment income

5. The total income earned on investments during 2021/22 was £1.99 million, compared to the original budget of £1.85 million, as shown in table 2 below:

Table 2: Investment interest earned by investment type			
	Annual Budget	Actual Interest	Variation
Investment type	£000	£000	£000
Fixed deposits and Short-term liquidity accounts	1,171	1,266	95
Unit Trust	388	471	83
CCLA property fund	288	262	(26)
	1,847	1,999	152

6. The actual return achieved was £152,000 more than the original budget. This was principally due to:

- Interest earned on cash deposits being £95,000 higher than forecast in the 2021/22 budget due to higher than forecast cash balances and an increase in UK interest rates.
- Dividends accumulated by the Unit Trust were £83,000 above budget due to an improvement in the FTSE All-Share Index during 2021/22. The Unit Trust objective is to provide growth by investing in shares that closely track the performance of the Index.
- Dividends received on the CCLA Property Fund were £26,000 less than forecast. However, the reduction in dividends was more than matched by capital growth with the Fund's unit price increasing by 17.6 per cent.

7. The actual average rate of return on internally managed treasury deposits for the year was 1.14 per cent (0.83 per cent in 2021/22).

**Performance measurement**

8. A list of treasury investments as at 31 March 2022 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £175 million. Table 3 below shows in summary the performance of the council’s treasury investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council’s treasury investment performance for each type of investment.

9. The £175 million does not represent the council’s usable, cash backed reserves, which at 31 March 2022 totalled £144 million including capital grants received in advance of spend. The difference represents the council’s working capital balance and timings of cashflows.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark Return	Actual Return	Growth (Below)/ above Benchmark	Benchmarks
Deposits & Short-term liquidity funds – internally managed	0.24%	0.81%	0.57%	3mth SONIA
Unit Trust *	13.07%	12.88%	(0.19%)	FTSE All Shares Index
Property Fund *	22.52%	21.78%	(0.74%)	IPD balanced property unit trust index

\* Returns include income and capital growth

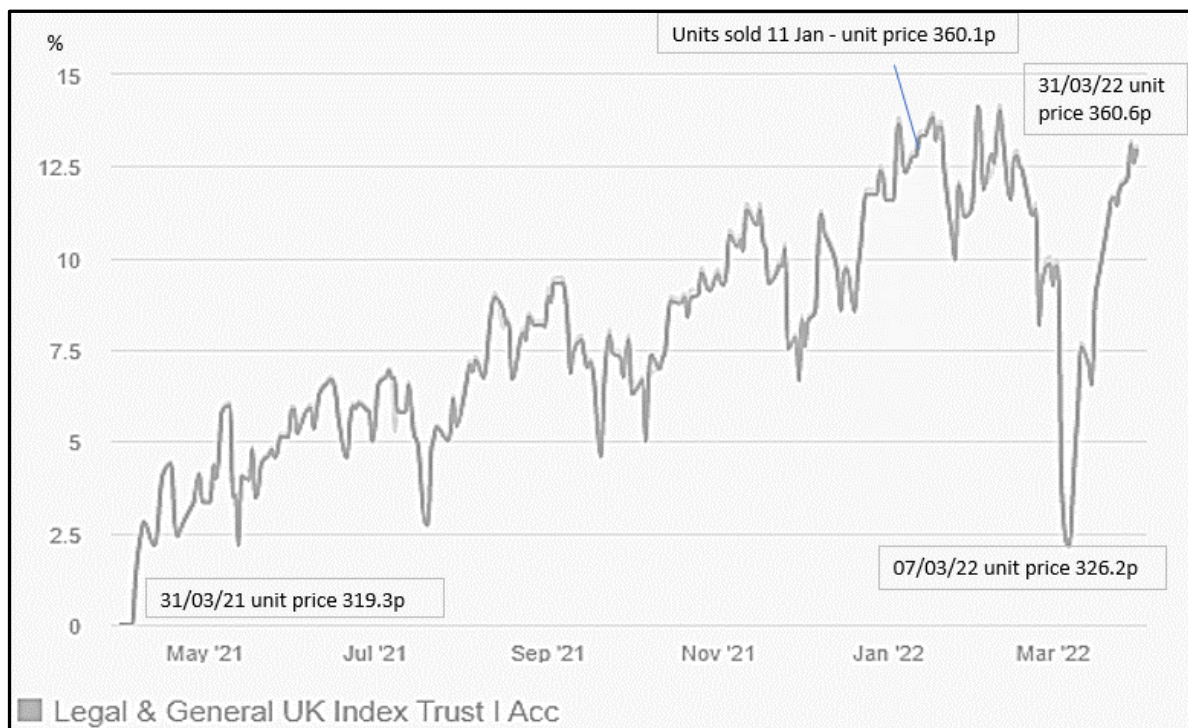
Note: the benchmark return for unit trusts and CCLA includes the movement in capital value. All other benchmarks reflect earnings of treasury investment income.

10. Daily cashflow balances are managed in-house with the portfolio of fixed-term deposits, call accounts and money market fund balances benchmarked against the three-month SONIA rate, which was an average of 0.24 per cent for 2021/22. The performance for the year of 0.81 per cent exceeded the benchmark by 0.57 per cent.

11. The CCLA property fund initial principal investment of £5 million (March 2013) increased in value during 2021/22 from £6.5 million to £7.6 million. Dividends received in the year totalled £0.26 million. Both the capital appreciation and the interest earned are included in the performance of 21.78 per cent achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return of income received during the year is 3.8 per cent compared with the Fund’s benchmark income return of 3.3 per cent.

## Equities

12. The council's holdings with the Legal & General (L&G) UK Index Trust were purchased in 2000/01 at an initial cost of £10 million. This is an authorised unit trust incorporated in the United Kingdom and regulated by the FSA. The trust's objective is to provide growth by tracking the capital performance of the UK equity market as represented by the FTSE All-Share index.
13. The index is comprised of shares in all eligible companies listed on the London Stock Exchange's main market. The Fund seeks to replicate as closely as possible the constituents of the benchmark index, by holding all, or substantially all, of the assets comprising the FTSE All-Share Index in similar proportions to their index weightings. It may also hold shares in companies which are reasonably expected to become part of the Benchmark index in the near future. At 31 March 2022 the UK Index Trust Fund comprised 613 holdings.
14. The Fund performance as shown in Table 3 is comprised of income and capital growth. The capital growth performance is based on volatile market values and is unrealised. The price of units in the fund ranged from 319.3p per unit at the start of the financial year to a high of 364.1p per unit on 10 February 2022.
15. The chart below shows the performance of the Unit Trust during 2021/22



16. In line with the council's policy, in January 2022 units valued at £2 million were sold in order to realise some of the Fund's capital growth when its value exceeded £14 million. (Fund value 31/12/2021 = £14.255 million). The price of the Units sold was £360.1p. The All-Share Index fell a week later, and the Fund value dropped to a low price of £326.2p per unit on 7 March 2022 before recovering to end the financial year at a unit price of £360.6p.

17. The Fund invests in UK companies and aims to replicate the FTSE All Share with returns broadly in line with the performance of the Index. The constituents of the Fund will not always exactly match the Index and therefore performance may be positively or negatively impacted by the constituent and weighting variations and other factors such as trading costs for example.
18. The performance of the fund over the past five years compared to the benchmark index is summarised in table 4 below.

Table 4: Unit Trust returns achieved against benchmark					
12 months to 31 March	2022	2021	2020	2019	2018
	%	%	%	%	%
L&G UK Index Trust	12.88	27.63	-18.84	5.87	1.36
Index	13.07	28.77	-19.06	6.01	1.29
Relative to Index	-0.19	-1.14	0.22	-0.14	0.07

19. The council holds accumulation units where income attributable to the unit class is automatically reinvested in the in the Fund and is reflected in the price of each accumulation unit, rather than being distributed to unit holders. Consequently, no cash distribution payments were received during the year. Officers monitor the performance of the unit trust holding on a regular basis.

### Non-treasury investment loan

20. During 2013/14, the council entered into a secured loan agreement with SOHA to enable them to finance affordable housing schemes. The Council lent £15 million over 20 years at a fixed rate of 4.15 per cent. Interest is paid quarterly and during 2021/22, the council received £0.6 million.

### Land and property

21. The Council holds a portfolio of investment properties, which includes land, depots, garages, and shops that are let on a commercial basis. These assets are valued on an annual basis and had average net book value of £8 million during 2021/22 (£7.9 million 2020/21). Income generated was £0.49 million in 2021/22 (£0.32 million in 2020/21) giving a gross rate of return of 6.11 per cent.
22. 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 performance of other classes of investment.

### Liquidity and yield

23. The council uses short-term investments to meet daily cash-flow requirements and aims to invest a proportion of the portfolio in longer-term instruments where possible.
24. The average daily balance held in short-term notice accounts during 2021-22 was £23.6million.