

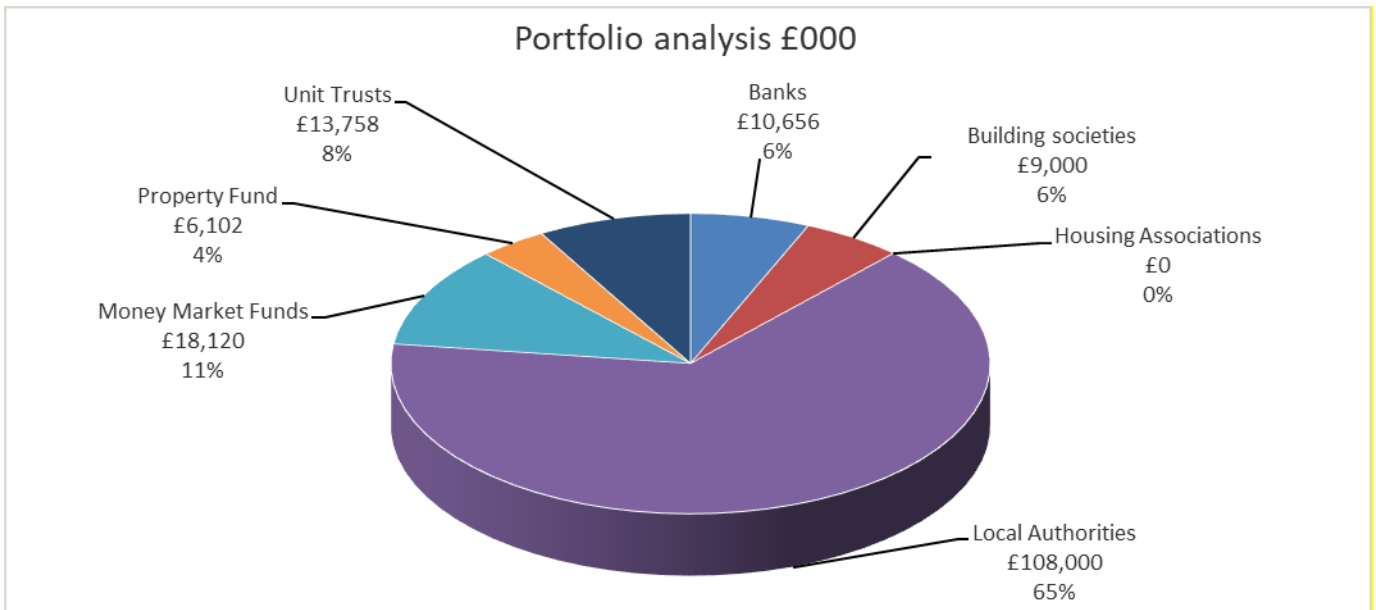
SODC treasury activities in 2023/24

Council treasury investments as at 31 March 2024

- The council's treasury investments, analysed by maturity as at 31 March 2024 were as follows:

| Table 1: Maturity structure of investments at 31 March 2024 | | |
|---|----------------|-------------|
| | £000 | % holding |
| Call | 156 | 0% |
| Money market fund | 18,120 | 11% |
| Cash available within 1 week | 18,276 | 11% |
| Up to 3 months | 34,000 | 21% |
| 4-6 months | 56,500 | 34% |
| 6 months to 1 year | 19,000 | 11% |
| Over 1 year | 18,000 | 11% |
| Total cash deposits | 145,776 | 88% |
| CCLA Property Fund | 6,102 | 4% |
| Equities | 13,758 | 8% |
| Total investments | 165,636 | 100% |

- 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 2023/24 was £8.113 million, compared to the original budget of £4.583 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 deposits and Short-term liquidity accounts | 3,976 | 7,318 | 3,342 |
| Unit Trust | 360 | 475 | 115 |
| CCLA property fund | 247 | 320 | 73 |
| | 4,583 | 8,113 | 3,530 |

6. The actual return achieved was £3.53 million more than the original budget. This was principally due to:

- Interest earned on cash deposits being £3.34 million higher than forecast in the 2023/24 budget, due to UK interest rates rising to a higher level than anticipated when the budget was set.
- Dividends accumulated by the Unit Trust were £115,000 above budget due to an improvement in the FTSE All-Share Index during 2023/24. The Unit Trust objective is to provide growth by investing in shares that closely track the performance of the Index.
- Dividends received from the CCLA Property Fund were £73,000 above budget. However, the total return of the fund was negative due to a reduction in capital value. The Fund's unit price fell by 3.9 per cent as a result of a subdued market and a fall in property prices over the period.

7. The actual average rate of return on internally managed treasury deposits for the year was 4.41 per cent (1.68 per cent in 2022/23).

Performance measurement

8. A list of treasury investments as at 31 March 2024 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £185 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 £185 million does not represent the council's usable, cash backed reserves, which at 31 March 2024 totalled £134 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 | 5.12% | 4.41% | (0.71%) | 3 Month SONIA |
| Unit Trust * | 8.37% | 8.23% | (0.14%) | FTSE All Shares Index |
| Property Fund * | (1.29%) | 1.07% | 2.36% | 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.

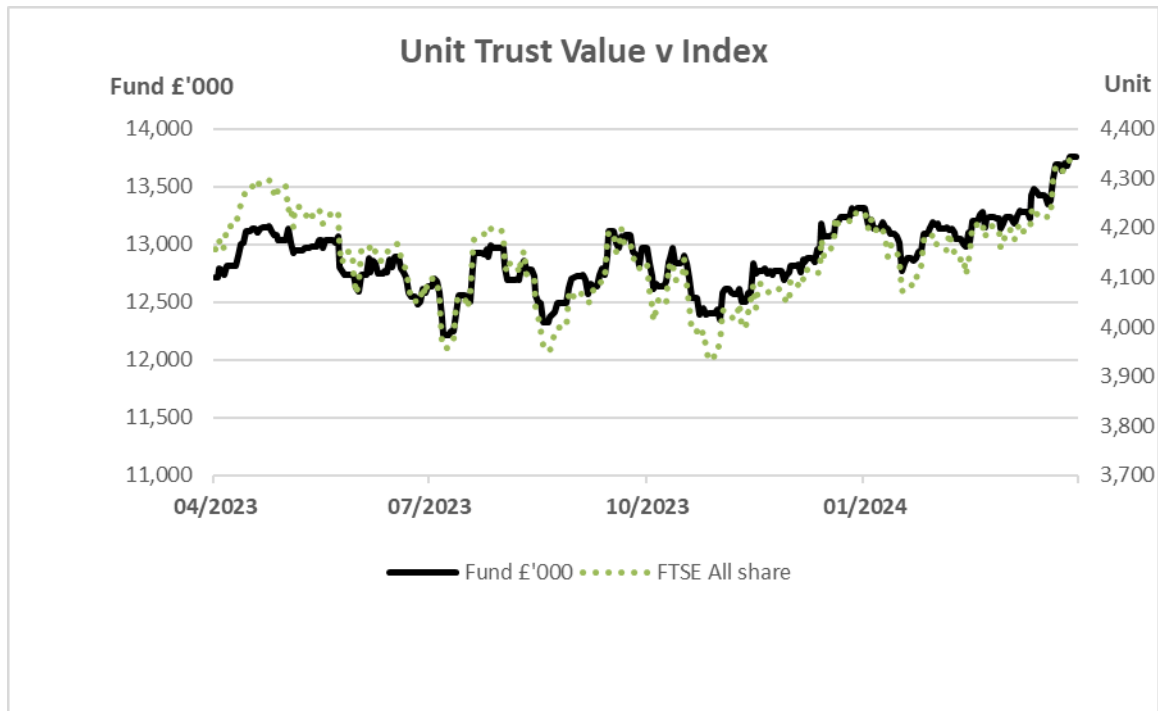
10. Daily cashflow balances are managed in-house with the portfolio of fixed-term deposits, call accounts and money market fund balances benchmarked against the three-month SONIA rate, which was an average of 5.12 per cent for 2023/24. The performance for the year of 4.41 per cent fell below the benchmark by 0.71 per cent as existing deposits prior to the rise in market rates brought down the average portfolio returns.
11. The CCLA property fund initial principal investment of £5 million (March 2013) decreased in value during 2023/24 from £6.3 million to £6.1 million. Dividends received in the year totalled £0.32 million. Both the fall in capital value and the interest earned are included in the performance of -3.9 per cent achieved above. The capital loss is however not realised and so for comparison purposes, the actual rate of return of income received during the year net of fees is 5.12 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 2024 the UK Index Trust Fund comprised 573 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 a low price of 354.6p per unit on 7 July 2023 to a financial year high price of 399.3p per unit on 28 March 2024.
15. The chart below shows the performance of the Unit Trust during 2023/24



16. 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.
17. 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 | 2024 | 2023 | 2022 | 2021 | 2020 |
| | % | % | % | % | % |
| L&G UK Index Trust | 8.23 | 2.31 | 12.88 | 27.63 | -18.84 |
| Index | 8.37 | 2.36 | 13.07 | 28.77 | -19.06 |
| Relative to Index | -0.14 | -0.05 | -0.19 | -1.14 | 0.22 |

18. The council holds accumulation units where income attributable to the unit class is automatically reinvested 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

19. 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 2023/24, the council received £0.6 million.

Land and property

20. 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 an average net book value of £8.3 million during 2023/24 (£8.2 million 2022/23). Income generated was £0.4 million in 2023/24 (£0.42 million in 2022/23) giving a gross rate of return of 4.79 per cent.
21. 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

22. 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.
23. The average daily balance held in short-term notice accounts during 2023/24 was £22.3 million.