

VWHDC detailed treasury performance in 2015/16

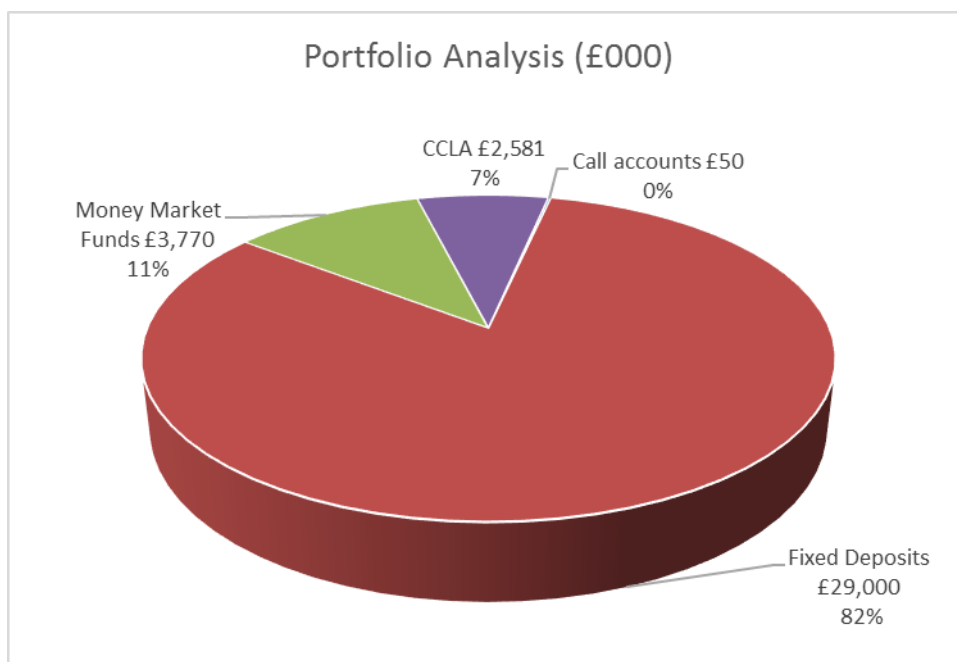
Council treasury investments as at 31 March 2016

1. The council's treasury investments analysed by age as at 31 March 2016 were as follows:

Table 1: maturity structure of investments at 31 March 2016:

	£000	% holding
Call	50	0%
Money market fund	3,770	11%
Cash available within 1 week	3,820	11%
Up to 4 months	0	0%
5-6 months	5,000	14%
6 months to 1 year	18,000	51%
Over 1 year	6,000	17%
Total cash deposits	32,820	93%
CCLA Property Fund	2,581	7%
Total investments	35,401	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 2015/16 was £541,892 compared to the original budget estimate of £411,640 as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Annual Budget £000	Actual Interest £000	Variation £000
Call accounts	40	23	(17)
Cash deposits - less than 1 year	136	235	99
Cash deposits - greater than 1 year	104	116	12
MMFs	32	45	13
CCLA Property Fund	100	123	23
Total Interest	412	542	130

6. The actual return achieved was £130,000 or 31 per cent higher than the original budget. This was due to :
- The maturity period for investments was extended thereby attracting slightly higher rates.
 - Average balances throughout the year have remained higher than forecast.
7. The total actual average interest rate achieved for the year was 1.27 per cent.

Performance measurement

8. A list of treasury investments as at 31 March 2016 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £42.8 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	0.46%	0.99%	0.53%	3 month LIBID
Property related funds (CCLA)*	11.00%	11.67%	0.67%	IPD balanced property unit trust index

*Source: CCLA Local Authorities Property Fund Report March 2016

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 0.46 per cent for 2015/16. The performance for the year of 0.99 per cent exceeded the benchmark by 0.53 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 2015/16 to £2.6 million. Dividends were received in the year totalling £124,944. Both the capital appreciation and the interest earned are included in the performance of 11.67% 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 4.84 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 £8.21 million at 31 March 2016 (£20.6 million as at 31 March 2015) and generated income of £0.5 million (£1.3 million in 2014/15). This is equivalent to a gross return of 6.6 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. The reduction in the investment property holding between 31 March 2015 and 31 March 2016 includes one disposal (Emcor house) but also the re-classification of the property at Botley into other land and buildings due to the regenerative nature of the holding. This has had a significant impact on returns this year, as well as void periods for old abbey house.
15. The Economy, Leisure and Property (ELP) team manages investment property, ensuring that rent is collected and rent reviews are implemented. The performance of the investment property is assessed annually by ELP to determine if assets should be retained or disposed of and agree any actions to improve or enhance the value of the investment property holdings.

Liquidity and yield

16. 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.
17. The amount maintained for liquidity was £3.8 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.
18. The actual for the weighted average life of 431 days was above the range set. The reason that the actual was above the benchmark is that the council has previously let some long term investments with another local authority in order to spread the investment portfolio and access better returns.
19. The year-end position against the original benchmarks approved in February 2015 is shown below:

Table 11: Risk-liquidity against benchmark		
	2015/16	2015/16

	Benchmark	Actual
	£m	£m
Bank overdraft	0	0
Short term deposits - minimum available within 1 week	0.5	3.8
	2015/16	2015/16
	Benchmark	Actual
Weighted average life (days)	360	431