

Joint Audit and Governance Committee



Report of Head of Finance/Principal Accountant (Capita)

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To: Joint Audit and Governance Committee, Cabinet and Council

DATE: 25 September 2017 by Joint Audit and Governance Committee

5 Oct 17(S) / 6 Oct 17 (V) by Cabinet

12 Oct 17 (S) / 11 Oct 17 (V) by Council

Treasury Outturn 2016-17

That Joint Audit and Governance Committee:

1. notes the treasury management outturn report 2016/17,
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy, and
3. make any comments and recommendations to Cabinets as necessary.

That Cabinet:

Considers any comments from Joint Audit and Governance Committee and recommends Council to:

1. approve the treasury management outturn report for 2016/17;
2. approve the actual 2016/17 prudential indicators within the report.

Purpose of report

1. This report fulfils the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities and that the councils' prudential indicators are reported to the councils at the end of the year. The report provides details of the treasury activities for the financial year 2016/17.
2. This complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice on Treasury Management (revised) 2009.

Strategic objectives

3. Effective treasury management is required to help the councils meet their strategic objectives.

Background

4. The councils' treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice require a report to be provided to the councils at the end of the financial year.
5. This report provides details on the treasury activity and performance for 2016/17 against prudential indicators and benchmarks set for the year in the 2016/17 Treasury Management Strategy (TMS), approved by each council in February 2016. Each council is required to approve this report.
6. Capita Asset Services are the councils' retained treasury advisors.
7. On 1 August 2016, the operational treasury management staff were outsourced to Capita. The executive decision making function remains with the head of finance.
8. There are three types of investment, the performance of which is covered in this report
 - a. True Treasury investments – these investments are primarily for generating interest for the councils. Examples of these are loans to banks or other local authorities. It also includes investments in property funds.
 - b. Non-treasury loans – these are loans to third parties, which earn a return, but they do not fall under the strict definition of a treasury investment.
 - c. Property investments - both councils have investment properties let on commercial bases. The primary purpose of holding these assets is for investment purposes and they are not part of regeneration schemes.
9. The councils continue to invest with regard for security, liquidity and yield, in that order.

Economic conditions and factors effecting investment returns during 2016/17

10. UK bank base rates were cut to 0.25 per cent in August 2016, having been at an historic low of 0.5 per cent since 2009. Capita Asset Services provide a regular forecast of interest rates and the latest forecast is reproduced in **appendix A**. This forecast shows that base rates are expected to continue at low levels for the near future. There are a number of reasons for this assumption, including subdued domestic inflationary pressure, in particular wage growth and uncertainty over the final terms of Brexit.
11. The TMS makes clear that investment priority is given to the security of principal in the first instance. As a result, investments have only been made with counterparties of high credit quality and low risk. Since the global banking crisis and the downgrading of the credit ratings of many banks, it has become increasingly difficult to place money, as institutions with high credit ratings have been offering lower rates.
12. Average treasury investment balances were higher for both councils than expected in the year. This arose from a combination of accumulated revenue and capital surpluses/slippage and unbudgeted grant receipts. More cash to invest has been a factor in the surplus of treasury investment income over budget in the year. This was also the case in 2015/16.
13. Investments that have helped to keep yields up for both councils include longer term investments taken out when rates were higher, such as the CCLA property fund at both councils, and the unit trusts at South.
14. Outlook for 2017/18 – as discussed above, interest rates are expected to remain low for the near future. In order to reduce risk, efforts are being made to rebalance the treasury portfolio to reduce the value held by building societies. Other counterparties considered are other councils, housing associations and treasury bills.

Summary of investment activities during 2016/17

15. Prudential limits (security). Both councils are required by the Prudential Code to report on the limits set each year in the TMS. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive they may impair the opportunities to reduce costs/improve performance. These limits are shown in **appendix B**.
16. During December 2016, due to high balances being held at Vale, a fixed term investment for £2 million was placed with Principality Building Society. Although this was the best course of action in the circumstances the investment inadvertently breached the prudential indicator limit for fixed term deposits set at £40 million. In January 2017 the Head of Finance retrospectively approved an increase in the Vale prudential fixed interest rate limit as per the Treasury Management Strategy to £43 million from December until the end of March 2017 under delegated powers

17. South counterparty limits were breached during September 2016. The council invested £2 million with Newcastle Building Society on 1 September 2016. This investment took the council £0.5 million over the agreed limit of £12 million. A temporary authorisation was sought and obtained from the Section 151 officer. The breach was corrected in April 2017 when £1 million matured, bringing the council back within its agreed limits.
18. The benchmark for liquidity is the Weighted Average Life (WAL) of treasury investments in days, which sets an indicator for how long investments should be made. Both councils were well within the acceptable ranges for WAL as set out in the TMS for 2016/17. The benchmarks for liquidity are set to ensure that sufficient funds can be accessed at short notice. These are set as targets and not definitive limits.
19. Yield - the performance of the two councils is summarised in the tables below.

South		Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance	124,883	15,000	139,883	5,075	144,958
2	Budgeted investment income	1,574	623	2,197		
3	Actual investment income	1,867	623	2,490	307	2,797
4	surplus/(deficit) (3) - (2)	293	0	293		
5	Rate of return (3) ÷ (1)	1.49%	4.15%	1.78%	6.05%	1.93%

Vale		Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance	51,603	8,455	60,058
2	Budgeted investment income	411		
3	Actual investment income	582	482	1,064
4	surplus/(deficit) (3) - (2)	171		
5	Rate of return (3) ÷ (1)	1.13%	5.70%	1.77%

20. With the exception of unit trusts, both councils have exceeded their treasury budgeted investment income this year in terms of both actual income against budget and rates of return against benchmark. As benchmarks are quite detailed, they are not included above, but are included in the appendices that follow this report. The performance of the unit trusts are within five per cent of the benchmark.
21. Capita manages the councils' treasury investments and cash flow on a daily basis. Arcadis looks after the councils' short to medium term property investments.
22. Detailed reports on the treasury activities for each council and performance for 2016/17 against prudential indicators and benchmarks set for the year in the 2016/17 are contained in **appendix C** – South Oxfordshire DC and **appendix D** – Vale of White Horse DC.
23. A detailed list of both councils' treasury investments as at 31 March 2017 is shown at **appendix E**.

Debt activity during 2016/17

24. During 2016/17, there has not been a need for either council to borrow and both councils continue to take a prudent approach to their debt strategy. The prudential indicators and limits set out in **appendix B** provide the scope and flexibility for the Council to borrow in the short-term if such a need arose for cash flow purposes to support the council(s) in the achievement of their service objectives.

Financial implications

25. The treasury investments made in 2016/17 ensured that both councils exceeded their budgeted targets for treasury investment income. Income earned from investments supports the councils' medium term financial plans and contributes to the councils' balances, or supports the in-year expenditure programmes.

26. Looking forward income is anticipated to remain stable with any increase due to ongoing surplus cash balances and rises in market rates offset by a general reduction in the balances available to invest. This will be reflected in the councils' 2018/19 budgets and medium term financial plans.

Legal implications

27. There are no significant legal implications. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the DCLG Local Government Investment Guidance provides assurance that the councils' investments are, and will continue to be, within their legal powers.

Conclusion

28. Despite a difficult operating environment, both councils continued to make investments during 2016/17 that maintained security and liquidity whilst providing a return that exceeded market benchmarks.

Background papers

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- DCLG Local Government Investment Guidance
- CIPFA treasury management in the public services code of practice and cross sectoral guidance notes
- Treasury Management Strategy 2016/17 – Councils in February 2016.

Appendices

- A. Interest rate forecasts
- B. Prudential limits
- C. SODC – Treasury activities 2016-2017
- D. VWHDC – Treasury activities 2016-2017
- E. Treasury investments as at 31 March 2017
- F. Glossary of terms

Interest rate forecast as at April 2017

The table below shows Capita Asset Services' forecast of the expected movement in medium term interest rates:

	NOW	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
BANK RATE	0.25	0.25	0.25	0.25	0.25	0.25
3 month LIBID	0.23	0.30	0.30	0.30	0.30	0.30
6 month LIBID	0.40	0.40	0.40	0.40	0.40	0.40
12 month LIBID	0.63	0.70	0.70	0.70	0.70	0.80
5 yr PWLB	1.38	1.60	1.60	1.60	1.70	1.70
10 yr PWLB	2.11	2.30	2.30	2.30	2.30	2.40
25 yr PWLB	2.78	2.90	2.90	3.00	3.00	3.00
50 yr PWLB	2.54	2.70	2.70	2.80	2.80	2.80
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
BANK RATE	0.25	0.25	0.25	0.50	0.50	0.75
3 month LIBID	0.30	0.40	0.50	0.60	0.70	0.80
6 month LIBID	0.40	0.50	0.60	0.70	0.80	0.90
12 month LIBID	0.80	0.90	1.00	1.10	1.20	1.30
5 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00
10 yr PWLB	2.40	2.40	2.50	2.50	2.60	2.60
25 yr PWLB	3.10	3.10	3.20	3.20	3.30	3.30
50 yr PWLB	2.90	2.90	3.00	3.00	3.10	3.10

Prudential limits (indicators) as at March 2017

Prudential indicators as at 31 March 2017				
	Vale		South	
	Original estimate	Actual position	Original estimate	Actual position
	£m	£m	£m	£m
Authorised limit for external debt				
Borrowing	30	0	5	0
Other long term liabilities	5	0	5	0
	35	0	10	0
Operational boundary for external debt				
Borrowing	25	0	2	0
Other long term liabilities	0	0	3	0
	25	0	5	0
Investments				
Interest rate exposures				
Limits on fixed interest rates	40	28	100	87
Limits on variable interest rates	30	7	30	14
Maximum principal sums invested > 364 days				
Upper limit for principal sums invested > 364 days	30	6	70	17
Limit to be placed on investments to maturity				
1 - 2 years	NA	NA	70	2
2 - 5 years	NA	NA	50	15
5 years +	NA	NA	50	0

Prudential indicators – explanatory note**Debt**

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows.

The Operational Boundary is a more realistic indicator of the likely position.

Interest rate exposures

The maximum proportion of interest on borrowing which is subject to fixed/variable rate of interest.

Investments

Interest rate exposure

The purpose of these indicators is to set ranges that will limit exposure to interest rate movement. The indicator required by the Treasury Management Code considers the net position of borrowing and investment and is based on principal sums outstanding.

Principal sums invested

This indicator sets a limit on the level of investments that can be made for more than 364 days.

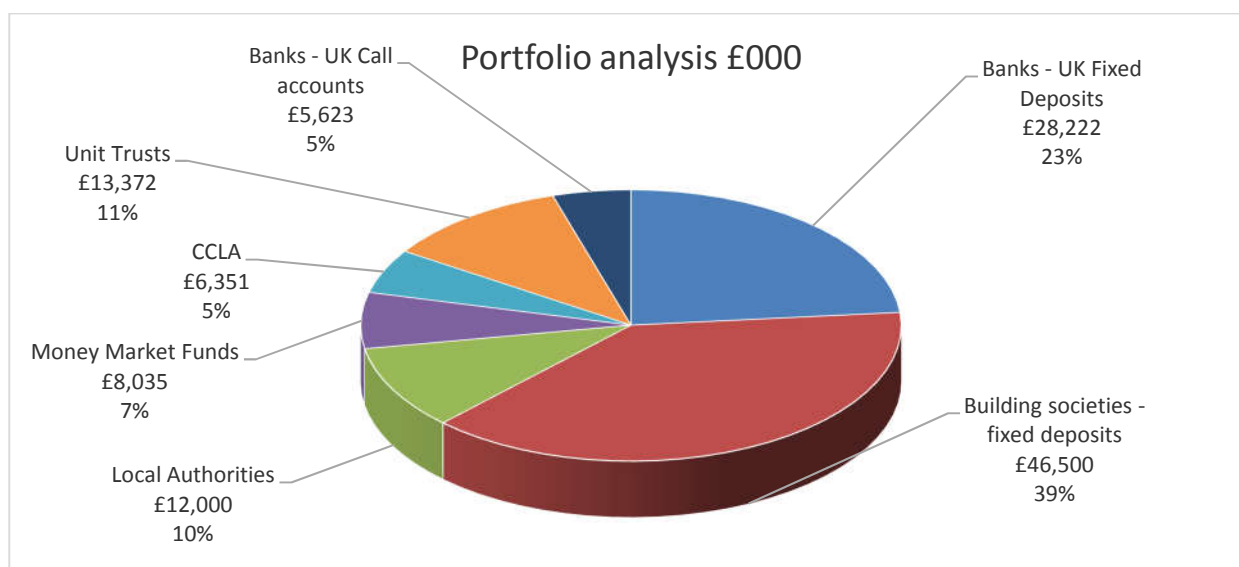
SODC treasury activities in 2016/17

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	5,623	5%
Money market fund	8,035	7%
Cash available within 1 week	13,658	12%
Up to 4 months	38,000	32%
5-6 months	6,500	5%
6 months to 1 year	25,000	21%
Over 1 year	17,000	14%
Kaupthing Singer & Friedlander	222	0%
Total cash deposits	100,380	84%
CCLA Property Fund	6,351	5%
Equities	13,372	11%
Total investments	120,103	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 the investment types:



Treasury investment income

5. The total income earned on investments during 2016/17 was £1.9 million, compared to the original budget of £1.6 million, as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Interest earned		
	Annual Budget	Actual	Variation
	£000	£000	£000
Fixed term and call	940	1,098	158
Corporate Bonds	24	9	(15)
Equities	360	456	96
CCLA property fund	250	304	54
	1,574	1,867	293

6. The actual return achieved was £0.3 million more than the original budget. This was due to:
- The call accounts earned less interest than forecast because of rates reducing on our accounts.
 - Interest earned on cash deposits was £0.2 million higher than forecast due to an increase in interest rates achieved during the first part of the financial year.
 - Dividend received on equities was £0.1 million higher than forecast due to the overall increase in the value during the year. As the value of our capital investment increases, the dividend earned goes up.
 - Dividend earned on CCLA was £54,000 higher due to fluctuations in the price of units held.
7. The actual average rate of return on treasury investments for the year was 1.49 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 £125 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
Bank & Building Society deposits - internally managed	0.32%	1.07%	0.75%	3 Month LIBID
Equities	17.52%	16.76%	(0.76%)	FTSE All Shares Index
Property related investments (excluding SOHA loan)*	4.60%	6.71%	2.11%	IPD balanced property unit trust index
Corporate Bonds	0.25%	11.50%	11.25%	BoE base rate

*source CCLA Local Authorities Property Fund Report March 2017

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

9. Returns on Bank and building society deposits (Call accounts, money market funds and fixed term deposits) are benchmarked against the three-month LIBID rate, which was an average of 0.32 per cent for 2016/17. The performance for the year of 1.07 per cent exceeded the benchmark by 0.75 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 £5 million (March 2013) increased in value during 2016/17 to £6.4 million. Dividends received in the year totalled £0.3 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 4.79 per cent.

Equities

12. The council's holdings with the Legal & General (L&G) UK 100 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 track the capital performance of the UK equity market as represented by the FTSE 100 index which represents 98-99 per cent of the UK market capitalisation.
13. The index shows the performance of all eligible companies listed on the London Stock Exchange main market and today covers 630 constituents with a combined value of nearly £1.8 trillion. It is recognised as the main benchmark for unit trusts.

Table 4: Unit Trusts - Movement in capital		
	£	£
Market Value as at 31.3.17		13,372,084
Less:		
Dividends received in year	276,453	
Accrued dividends	180,000	
		(456,453)
Add:		
Disposal in year		2,000,000
Amended market value as at 31.3.17		14,915,631
Market value as at 1.4.16		12,774,260
Increase in Market Value in year		2,141,371

14. The increase above is compared to the performance of the stock market as a whole using the benchmarking in table 5 below. The funds underperformance of 0.76 per cent equates to £96,679 in real terms.

Table 5: Unit Trust performance	
Increase in FTSE all share was	17.52%
Increase in Market Value	16.76%
Under-performance	(0.76%)
	£
Market Value 1.4.16	12,774,260
Plus 17.52% FTSE increase	2,238,050
Benchmark Market Value at 31.3.17	15,012,310
Market Value (amended at 31.3.17)	14,915,631
Under performance 1.4.16 to 31.3.17	(96,679)

15. The performance of the fund over the past few years is summarised in table 5.1 below.

Table 5.1 Unit Trust past performance	2013/14	2014/15	2015/16
Performance against FTSE all share % (Under)/Over	(0.22%)	0.49%	(0.46%)
Performance against FTSE all share £000 (Under)/Over	(30,492)	61,163	(61,601)

The justification for holding this investment is regularly reviewed.

16. Dividends received of £0.46 million were reinvested to acquire additional fund units.

17. Officers monitor the performance of the unit trust holding on a regular basis. When the market value reaches £14 million, a disposal of £2 million is made. During September 2016, the value of our unit trust holding reached the £14 million threshold and a disposal of £2 million took place.

Corporate Bonds

18. The Council's corporate bonds are also accounted for in the financial statements at fair value. The opening carrying value for 1 April 2016 was £0.3 million. The RBS corporate bond matured and was disposed of during the year; therefore, the council has no corporate bond holdings at 31 March 2017. The carrying values and market values for the corporate bonds are shown in table 6 below:

Table 6: Corporate bond values					
	Original cost £000	Nominal value £000	Carrying Value as at 1.4.16 £000	Carrying Value as at 1.4.17 £000	Market value at 1.4.17 £000
Bonds					
Santander 11.50%	422	270	287	0	0
	422	270	287	0	0

Icelandic bank default – Kaupthing Singer & Friedlander

19. The Council invested £2.5 million in July 2007 with the failed Icelandic bank Kaupthing Singer and Friedlander Ltd (KSF). The Council has received £2,240,529 to date in respect of the claim for £2.6 million (£2.5 million investment plus interest).

20. As a wholesale depositor, the Council is treated as an unsecured creditor in the administration process and ranks equally with all other unsecured creditors. The administrators intend to make further payments at regular intervals. The latest creditors' report now indicates that the estimated total amount to be recovered should be in the range of 86.25p to 87p in the pound. In total terms, this would mean receiving between £2,269,094 and £2,288,826.

Non-treasury investment loan

21. 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 2016/17, the council received £0.6 million.

Land and property

22. The Council holds a portfolio of investment properties, which includes land, depots, garages, and shops that are let on a commercial basis. These assets had a net book value of £5.08 million at 31 March 2017 (£8.95 million at 31 March 2016) and generated income of £0.24 million in 2016/17 (£0.77 million in 2015/16) giving a gross rate of return of 4.67 per cent.

23. 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.

24. Performance of the councils 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

25. The council uses short-term investments to meet daily cash-flow requirements and aims to invest a proportion of the portfolio over longer dated cash deposits where possible.

26. The amount maintained for liquidity was £14 million, which is higher than the benchmark. A review of the benchmark took place during 2016/17 and it was removed from the strategy in 2017/18. This will allow officers to place more short term deposits, covering cash flows, which will achieve better yields for the council.

27. The actual for the weighted average life of 200 days was within the range set of 0.5 years to 3 years.

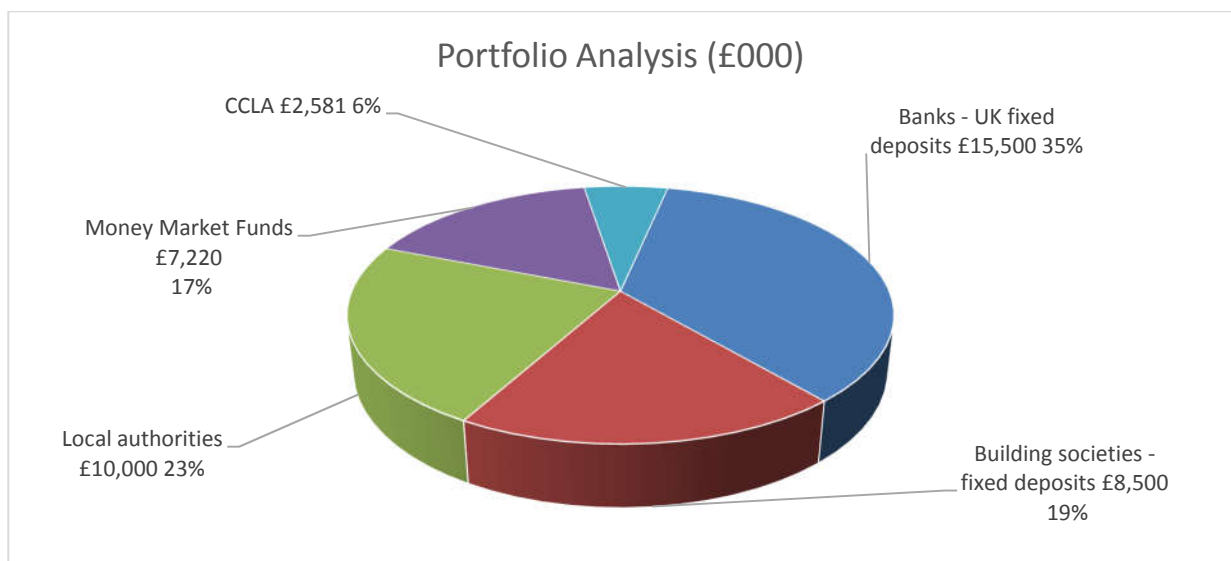
VWHDC detailed treasury performance in 2016/17

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

Appendix E

South Oxfordshire District Council investments as at 31 March 2017

Counterparty	Deposit Type	Maturity Date	Principal	Rate
Close Brothers	Fixed	Apr-17	2,000,000	1.41%
Progressive Building Society	Fixed	Apr-17	2,000,000	1.00%
Progressive Building Society	Fixed	Apr-17	1,000,000	0.97%
Newcastle Building Society	Fixed	Apr-17	1,000,000	1.15%
Newcastle Building Society	Fixed	Apr-17	2,000,000	1.15%
Newcastle Building Society	Fixed	May-17	2,000,000	1.15%
National Counties Building Society	Fixed	May-17	1,000,000	0.95%
Skipton Building Society	Fixed	May-17	2,000,000	1.04%
Newcastle Building Society	Fixed	May-17	2,000,000	1.15%
Principality Building Society	Fixed	May-17	2,000,000	1.03%
West Bromwich Building Society	Fixed	Jun-17	3,000,000	1.07%
Nottingham Building Society	Fixed	Jun-17	1,000,000	1.01%
Goldman Sachs International Bank	Fixed	Jun-17	2,000,000	1.00%
Newcastle Building Society	Fixed	Jun-17	1,500,000	1.15%
West Bromwich Building Society	Fixed	Jul-17	4,000,000	1.00%
Principality Building Society	Fixed	Jul-17	2,000,000	0.80%
Nottingham Building Society	Fixed	Jul-17	2,000,000	0.81%
Progressive Building Society	Fixed	Jul-17	2,500,000	0.70%
West Bromwich Building Society	Fixed	Jul-17	1,000,000	0.85%
Goldman Sachs International Bank	Fixed	Jul-17	2,000,000	0.60%
Newcastle Building Society	Fixed	Aug-17	2,000,000	0.77%
Newcastle Building Society	Fixed	Aug-17	2,000,000	0.77%
Nottingham Building Society	Fixed	Sep-17	2,500,000	0.72%
Goldman Sachs International Bank	Fixed	Sep-17	2,000,000	0.70%
National Counties Building Society	Fixed	Oct-17	1,500,000	0.69%
Progressive Building Society	Fixed	Oct-17	1,000,000	0.70%
Progressive Building Society	Fixed	Nov-17	2,000,000	0.66%
Close Brothers	Fixed	Nov-17	3,000,000	1.60%
National Counties Building Society	Fixed	Dec-17	1,500,000	0.70%
Goldman Sachs International Bank	Fixed	Dec-17	2,000,000	0.78%
Royal Bank of Scotland	Fixed	Jan-18	2,000,000	1.50%
Goldman Sachs International Bank	Fixed	Feb-18	2,000,000	0.88%
Lloyds Bank	Fixed	Mar-18	2,000,000	0.90%
Principality Building Society	Fixed	Mar-18	2,000,000	0.77%
Goldman Sachs International Bank	Fixed	Mar-18	3,000,000	0.80%
Close Brothers	Fixed	Mar-18	1,000,000	0.80%
Royal Bank of Scotland	Fixed	Feb-19	2,000,000	1.20%
Royal Bank of Scotland	Fixed	Apr-19	3,000,000	1.31%
Kingston upon Hull City Council	Fixed	Aug-20	3,500,000	2.70%
Kingston upon Hull City Council	Fixed	Aug-20	1,500,000	2.70%
Kingston upon Hull City Council	Fixed	Jan-21	2,000,000	2.50%
Bury MBC	Fixed	Jul-21	5,000,000	1.50%
Santander	Call		5,525,464	0.15%
Royal Bank of Scotland	Call		2,329	0.15%
Royal Bank of Scotland	Call		95,101	0.15%
Goldman Sachs	MMF		7,345,000	Variable
Deutsche Bank	MMF		0	Variable
Blackrock	MMF		690,000	Variable
L&G Equities	Unit trust		13,372,084	Variable
CCLA - property fund	Property fund		5,000,000	4.85%
GRAND TOTAL			118,529,978	

Appendix E

Vale of White Horse District Council investments as at 31 March 2017

Counterparty	Deposit Type	Maturity Date	Principal	Rate
National Counties Building Society	Fixed	May-17	1,000,000	0.55%
Nottingham Building Society	Fixed	Jun-17	1,500,000	0.54%
Cumberland Building Society	Fixed	Jun-17	1,000,000	0.37%
Lloyds Bank	Fixed	Jun-17	6,000,000	0.45%
Blackburn with Darwen BC	Fixed	Jun-17	2,000,000	0.40%
Office of PCC for Northumbria	Fixed	Jul-17	2,000,000	0.41%
Goldman Sachs International Bank	Fixed	Aug-17	2,000,000	0.78%
Cambridge Building Society	Fixed	Sep-17	2,000,000	0.60%
Close Brothers Ltd	Fixed	Sep-17	2,000,000	0.80%
Goldman Sachs International Bank	Fixed	Oct-17	2,000,000	0.90%
Close Brothers Ltd	Fixed	Nov-17	2,000,000	1.60%
Newcastle Building Society	Fixed	Dec-17	1,000,000	0.80%
Goldman Sachs International Bank	Fixed	Dec-17	1,500,000	0.80%
National Counties Building Society	Fixed	Jan-18	2,000,000	0.70%
Places for People Homes Ltd	Fixed	Jun-18	2,000,000	1.70%
Hull City Council	Fixed	Aug-20	2,000,000	2.70%
Hull City Council	Fixed	Jan-21	2,000,000	2.50%
Goldman Sachs	MMF		1,220,000	0.21%
LGIM	MMF		6,000,000	0.25%
CCLA	Property fund		2,000,000	4.64%
GRAND TOTAL			43,220,000	

Note – these do not reconcile to table 1 figures seen in appendix c and d as these are original investment levels whereas the values in table 1 are the fair values of investments held.

GLOSSARY OF TERMS

Basis point (BP)	1/100th of 1%, i.e. 0.01%
Base rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.
Callable Deposit	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
[Cash] Fund Management	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
Certificate of Deposit (CD)	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
Corporate Bond	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
Credit Default Swap (CDS)	A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

Appendix F

Capital Financing Requirement (CFR)	The amount the council has to borrow to fund its capital commitments.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	[Department for] Communities and Local Government.
Derivative	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
Debt Management Account Deposit Facility (DMADF)	Deposit Account offered by the Debt Management Office, guaranteed by the UK government
European Central Bank (ECB)	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
European and Monetary Union (EMU)	The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of all member states of the European Union.
Equity	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital appreciation. Equity values can decrease as well as increase.
Forward Deal	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.
[UK] Gilt	Registered UK government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
LIBID	London inter-bank bid rate
LIBOR	London inter-bank offered rate.

Appendix F

Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
Monetary Policy Committee (MPC)	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
Other Bond Funds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.
Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
Sovereign Issues (excl UK Gilts)	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
Supranational Bonds	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts.
Treasury Bill	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.