Appendix 1 – Treasury Management Performance 2021/22 – Quarter 2

Background

Up until 31 March 2013, the Authority's cash balances were managed by Buckinghamshire Council (BC) under a Service Level Agreement (SLA). From 2013/14 the Authority began investing in its own name. Since the treasury management function has been managed in-house, the Authority has achieved investment returns of £1.269m between 2013/14 and 2020/21. This is in comparison to the returns of £0.539m the Authority would have earned through BC and the SLA for the same period.

This report highlights the performance to date of the in-house treasury management function for as at the end of financial year 2021/22 quarter 2.

Security of Investments

The primary investment priority as set out in the Treasury Management Policy Statement is the security of capital. The Authority applies the creditworthiness service provided by Link. This determines whether or not a counterparty is suitable to invest with and if so, the maximum duration an investment could be placed with them. In the Annual Investment Strategy (AIS), the Authority resolved that the balances invested with any single counterparty at any point in time would be 30% of the total investment portfolio to a maximum of £5m (with the exception of Lloyds Bank, who as our banking provider that have a limit of £7.5m, of which at least £2.5m must be instant access). The amount invested with each counterparty on the approved lending list as at 30 September 2021 is detailed below:

Counterparty	**Amount (£000)**
Close Brothers	4,000
Lloyds Bank plc	3,500
Principality Building Society	2,000
Newcastle Building Society	2,000
Leeds Building Society	2,000
West Bromwich Building Society	1,000
Santander UK plc	1,000
CCLA Money Market Fund	2,002
Aberdeen Money Market Fund	1,001
Lloyds Bank (Current Accounts)	716
Total	**19,219**

During this period, no counterparty limits were breached.

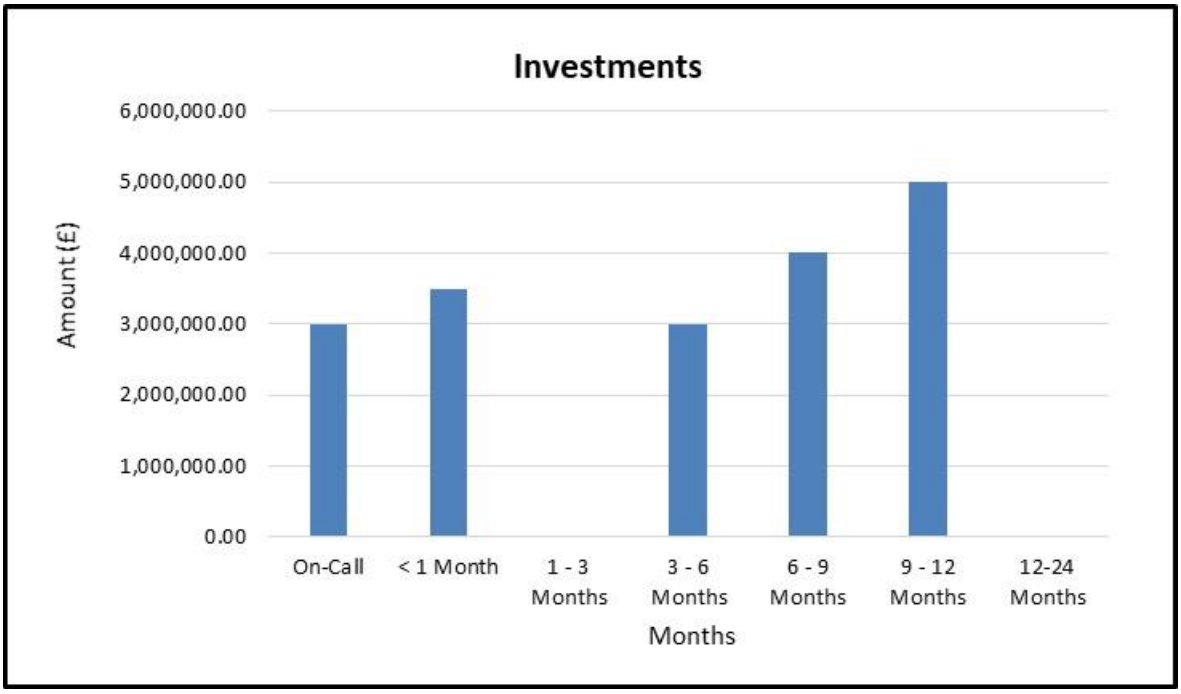
In its AIS the Authority also resolved that all credit ratings will be monitored weekly, by means of the Link creditworthiness service. During quarter 1 Link made no relevant

changes to the counterparty listing.

Liquidity

Investments

The second objective set out within the Treasury Management Policy Statement is the liquidity of investments (i.e. keeping the money readily available for expenditure when needed). Investments have been placed at a range of maturities, including having money on-call in order to maintain adequate liquidity. The current investment allocation by remaining duration can be seen on the chart below:

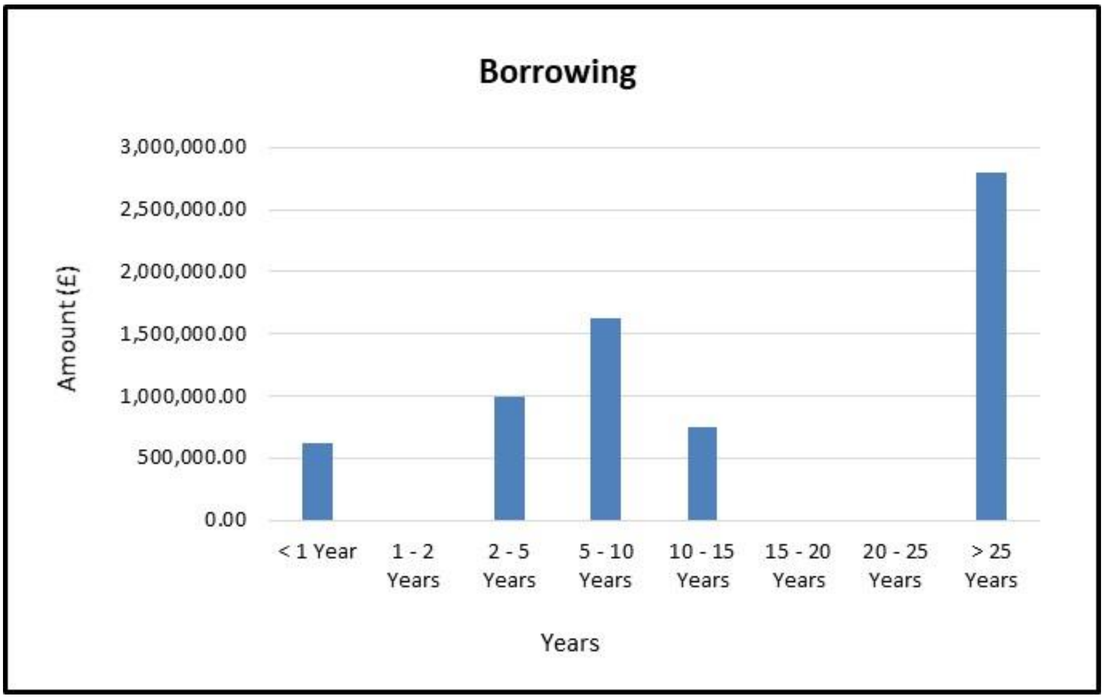


In order to cover expenditure such as salaries, pensions, creditor payments, and potential liabilities for which the Authority have made provisions within the Statement of Accounts, the balances are invested as short fixed-term deposits.

There are seven investments currently falling in the 1-3 and 3-6 month periods. At least one deal matures each month for the next six months and were all originally invested for different terms and will be re-invested for varying terms upon maturity in order to maintain liquidity and meet future commitments. The Authority continues to hold Money Market Funds to help improve the liquidity of the Authority's balances. By investing collectively, the Authority benefits from liquidity contributed by others and from the knowledge they are all unlikely to need to call on that money at the same time.

Borrowing

As part of managing the liquidity of investments, it is important to have regard to the maturity structure of outstanding borrowing. This can be seen in the following chart:



The total borrowing outstanding as at 30 September 2021 is £6.797m. No further debt repayment is due until May 2022. These repayments do not directly affect the revenue budget, as they simply reflect the use of cash accumulated by setting aside the appropriate minimum revenue provision (MRP) to settle the outstanding liability.

Investment Yield

Having determined proper levels of security and liquidity, it is reasonable to consider the level of yield that could be obtained that is consistent with those priorities.

Performance Against Budget

The Interest receivables budget was reviewed as part of the Medium-Term Financial Plan 2021/22 process and the budget was set at £30k. This is a reduction of £120k from 2020/21. The reason for the reduction is a due to the coronavirus pandemic and the significant impact this has had on the global economic landscape and the world economy in general. In March 2020, the Bank of England have made 2 unprecedented emergency interest rate cuts bringing the base rate to a record low of 0.10%. At the Monetary Policy Committee (MPC) held in September 2021, there was a unanimous vote to keep the interest base rate at 0.10%.

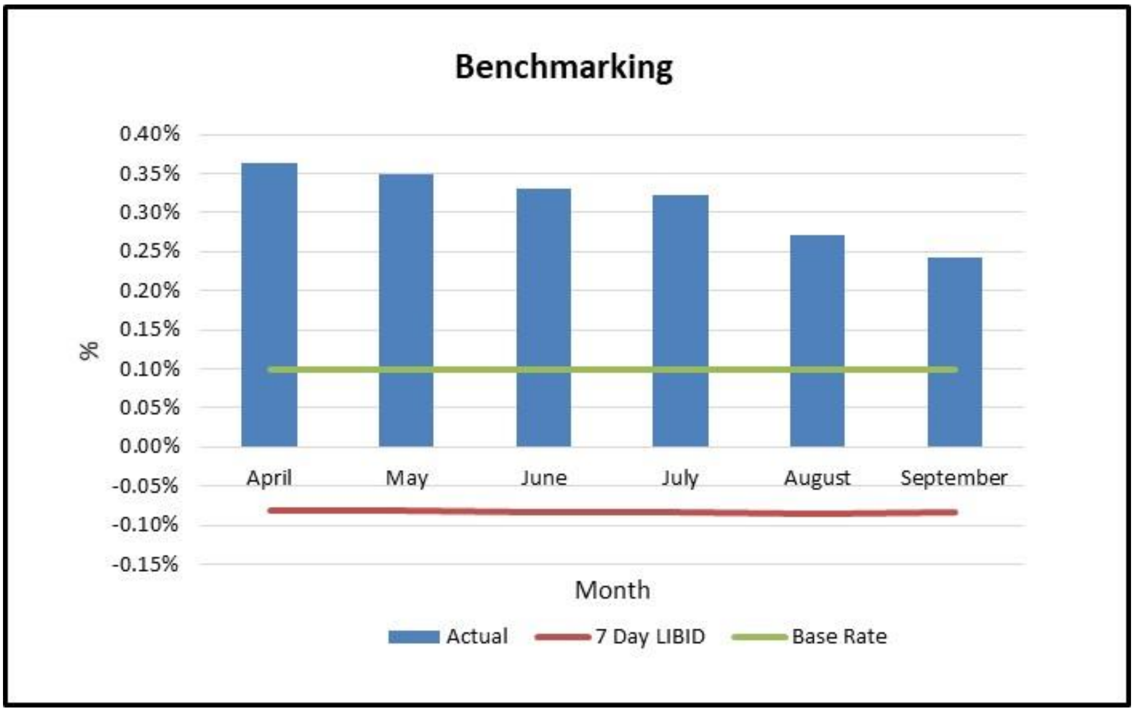
The direct impact on the Authority will be a reduction in interest rates on current accounts, money market funds and investments.

The accrued interest earned as at 30 September 2021 is £20k, against the planned budget of £15k for the same period. This is an over achievement of £5k. The projected accrued interest earned for financial year 2021/22 is £32k.

Performance Against the Benchmark

The relative performance of the investments is measured against two benchmark figures:

- 7 day LIBID – this is the rate the Authority would have earned on all balances had the SLA with BCC continued into future years
- Link benchmark – this is the indicative rate that Link advised the Authority should be looking to achieve for 2021/22 at the start of the year
- The weighted average rate (%) is compared to the two benchmark figures in the following chart for each month:



The Authority has out-performed both benchmark figures throughout the period. This is predominantly due to the Authority being able to obtain interest rates marginally higher than the reduced base rate.

It must also be noted that the level of funds available for investment have reduced as a result of the reduction in reserves. The Authority will continue to re-invest any surplus funds with varying maturity dates to ensure the Authority makes a return on investments and has sufficient liquidity to cover the day-to-day expenditure. It is anticipated by 31 March 2022 funds invested will be in the region of £11m - £13m.