Treasury Management and Investment Sub-Committee Agenda

Chelmsford City Council

19 June 2023 at 6pm

Crompton Room, Civic Centre, Duke Street, Chelmsford, CM1 1JE

Membership

Councillor C. Davidson (Chair)

and Councillors

K. Franks, S. Hall, S. Sullivan, and R. Whitehead

Local people are welcome to attend this remote meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance to committees@chelmsford.gov.uk. Further details are on the agenda page. If you would like to find out more, please email jan.decena@chelmsford.gov.uk or telephone on 01245 606523

Treasury Management and Investment Sub Committee

19 June 2023

AGENDA

1. Apologies for Absence and substitutions

2. Minutes

To consider the minutes of the meeting held on 13 December 2022.

3. Declaration of Interests

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

4. Public Question Time

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 20 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to committees@chelmsford.gov.uk 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting.

5. Update on Banking Reforms

6. Treasury Management Outturn Report 2022/23

Part II (Exempt Items)

7. Non-Treasury Investments-Monitoring and Strategy Development

Category: Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Public interest statement: It is not in the public interest to release details of this report at present, on the grounds that the report contains information that is commercially sensitive and to place the information in the public realm will be detrimental to the negotiations to be undertaken by the Council.

8. Urgent Business

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

MINUTES OF THE

TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE

held on 13 December 2022

Present:

Councillor C.K. Davidson (Chair)

Councillors M.W. Bracken, D.J.R. Clark, G.B.R. Knight, A.B. Sosin and R.T Whitehead

1. Apologies for Absence and Substitutions

Apologies for absence were recieved from Cllr Sismey. No substitutions were made.

2. Minutes

The minutes of the meeting held on 20 June 2022 were agreed as a correct record and signed by the Chair.

3. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

4. Public Question Time

No questions were asked or statements made.

5. Treasury Management & Investment Strategies 2023/24

The Sub-Committee considered a draft report to the Cabinet on 24th January 2023 regarding the proposed Treasury Management and Investment Strategies for 2023/24. Members were asked to review the draft report and recommend the 2023/24 strategies to Cabinet on 24th January 2022 and then Full Council on 22nd February 2022.

The Sub-Committee were provided with an overview of the documents and informed that they would essentially govern how the Council could invest its financial resources.

The Sub-Committee were informed that the Treasury Strategy detailed the managing of cash and any borrowings that may be undertook by the Council. The Sub-Committee were informed that the option to invest with challenger banks had been removed due to the higher economic risks involved. The Sub-Committee also noted the new Treasury Advisors Link, who had recently been appointed. It was also noted that as a result some of the investments now had slightly longer durations than when being advised by Arlingclose.

The Sub-Committee were informed that after writing the report, the Government had announced changes to banking regulations and therefore the rule changes would need to be assessed and reported back on. It was also noted that the strategy detailed a need for external borrowing of around £10m in March 2024 rising to £30m. The Sub-Committee were informed however that, slippage in the Capital programme may lead to less need to borrow and the likelihood was that the figures were overly cautious at this stage.

The Sub-Committee heard that the Investment Strategy was required by Government and complied with best practice, by detailing how the Council would invest its non cash investments. It was noted that it provided transparency on future investments.

In response to questions from the Sub-Committee it was noted that;

- Further information on the proposed changes to the separation of retail and investment banks would be added to the strategy.
- Further information would be circulated to the Sub-Committee or an additional meeting would be held to discuss the regulation changes.
- The Council's investments were currently in both retail and investment arms of banks.

The Sub-Committee were happy with the proposed strategies and agreed that they should be recommended to the Cabinet.

RESOLVED that the Treasury Management and Investment Strategies be recommended to the Cabinet.

(6.01pm to 6.18pm)

Exclusion of the Public

Resolved that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for Item 6 on the grounds that it involved the likely disclosure of exempt information falling within paragraph 3 of Part 1 of Schedule 12A to the Act.

6. Non-Treasury Investments-Monitoring and Strategy Development

The Sub-Committee received a report providing them with an update in respect of the Council's non-cash investments, it also provided them with the agreed monitoring information on non-cash investments with a commentary on each asset. The Sub-Committee were also provided information on the acquisition of residental and commerical properties.

RESOLVED that the report be noted.

(6.19pm to 6.37pm)

7. Urgent Business

There were no matters of urgent business to discuss.

The meeting closed at 6.37pm.

Chair

Chelmsford City Council - Treasury Management and Investment Sub-Committee

19th June 2023

Update on Banking reforms

Report by:
Accountancy Services Manager (S151 Officer)

Officer Contact:
Phil Reeves, Accountancy Services Manager (S151), phil.reeves@chelmsford.gov.uk, 01245 606562

Purpose
To provide an update on potential upcoming changes in the banking system following a review of the ring-fencing regime by an independent panel.

Recommendations
To note the report

1. Background

1.1. The Financial Services (Banking Reform) Act 2013 (the Act) enacted a bank ring-fencing regime as a response to the 2008-09 global financial crisis. The reforms were intended to increase resilience and regulation in the banking sector against significant weaknesses exposed during the crisis and minimise the risk of costs of bailing out banks to taxpayers.

2. Changes brought in by the Act

2.1. The reforms included substantial increase in the requirements for banks to maintain capital and liquid assets as well as more challenging supervisory approach.

2.2. It introduced ring-fencing to separate retail banking services, deemed as more critical, from the riskier non-retail activities of investment and international banking.

2.3. The requirement to ring-fence was to be applied to banks with more than £25 billion of core deposits.

3. Independent review of the regime

3.1. The Act came into effect in January 2019 and included a requirement for a review of the regime to be undertaken by the Treasury after two years in operation.

3.2. The Treasury appointed an independent panel during 2021 to conduct the review and the panel published its report in March 2022.

3.3. The main findings in the report:

3.3.1. That the Ring-fencing regime is worth retaining, in panel's view, the overall package of reforms made retail banking safer than it was before the global financial crisis and ring-fencing contributes to this additional safety by creating distinct retail deposit-taking entities that are well capitalised and liquid.

3.3.2. The panel reported that the benefits of the ring-fencing regime may reduce in the future as the resolution regime designed to ensure the continuation of the critical functions is embedded. The panel recommended that the Treasury should review how better to align the ring-fencing and resolution regimes to ensure a simpler and more coherent regulatory regime in the future.

3.3.3. The report made series of recommendations and measures to reduce the rigidity of the existing regime and to address unintended consequences identified by the panel and to improve the functionality of the existing regime, making it more adaptable and simpler while maintaining appropriate financial stability safeguards.

3.4. The Government has published its response to the report and intends to bring forward secondary legislation later in the year following its consultation on the proposed reforms.

3.5. The Government has stated that the proposed reforms will:

- Take banking groups without major investment banking operations out of the regime, supporting domestic competition by removing requirements from retail-focused banks where ring-fencing does not provide financial stability benefits and removing a barrier to growth for smaller, growing banks.

- Update the definition of Relevant Financial Institution, removing a barrier preventing some small businesses such as high street financial advisers from accessing financial services and removing a disproportionate compliance burden on banks.

- Remove blanket geographical restrictions on ring-fenced banks operating subsidiaries or servicing clients outside the European Economic Area (EEA), helping UK banks to compete internationally and supporting UK businesses operating abroad while leaving space for regulators to manage any associated risks to their objectives.

- Take forward technical amendments outlined in the review to improve the functioning of the regime, removing unintended consequences, and providing benefits for the sector and the economy.

- Review and update the list of activities which ring-fenced banks are restricted from carrying out, to assess whether certain activities could in future be undertaken safely by ring-fenced banks to improve the supply of financial services to consumers and businesses. For example, this review will consider changes which could:
    - allow ring-fenced banks to hedge mortality risk to provide lifetime mortgages;
    - allow ring-fenced banks to provide inflation swaps to facilitate more project finance, including infrastructure;
    - allow ring-fenced banks and businesses greater flexibility to restructure loans through the debt for equity swap exemption; and
    - in specific cases, allow ring-fenced banks to take strategic equity stakes in certain types of technology companies where those enterprises are partnered with the bank to develop innovative solutions to improve and enhance bank customer experiences.

3.6. The Government agreed with the panel's recommendation for better alignment of the ring-fencing and resolution regimes and issued a public call for evidence in the first quarter of 2023 on benefits of the ring-fencing regime in light of developments in the resolution regime but has not yet publish its outcomes from the consultation findings.

3.7. In addition to the Panel's recommendations, the Government is also proposing to consult on increasing the limit at which the banks need to apply the ring-fencing regime from £25 billion to £35 billion and the consultation process will consider any potential risk to financial stability and provision of banking services with regard to any competition effect as part of the consultation.

4. Potential risk implication of the proposed reforms

4.1. Council officers consulted with our external treasury advisor, Link, to seek advice on any potential increased risks for the Council arising from the above reforms. The advice given is that the above measures do not appear to seek to deregulate the sector but to address any unintended consequences of the regime in place and provide more flexibility, as it is in the sector's interest to be seen as stable and well regulated.

5. Conclusion

4.1. The changes to the ring-fencing regime are not expected to bring any significant increase in risk for the Council and the Council will not need to make any changes to the treasury strategy as a result of these banking reforms.

List of appendices:

Background papers:

Corporate Implications

Legal/Constitutional: None

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management: The strategy does not need to be amended

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

Consultees:

Relevant Policies and Strategies:

Treasury Management Strategy

Treasury Management and Investment Sub-Committee

19th June 2023

Treasury Management Outturn Report 2022/23

Report by:
ACCOUNTANCY SERVICES MANAGER (Section 151 officer)

Officer Contact:
Phil Reeves, Accountancy Services Manager, phil.reeves@chelmsford.gov.uk, 01245 606562

Purpose
Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), Members are required to receive a report on the Treasury Management activities that took place in 2022/23.

Recommendations
Recommend the Treasury Management Outturn Report 2022/23 to Cabinet, then Full Council or amend as appropriate.

1. Introduction

1.1. The CIPFA Code of Practice for Treasury Management sets out the requirements for oversight by the Council of its treasury management operations. As part of the Code, the Council is required to receive an annual report on the performance of the treasury management function which highlights the effects of decisions taken and the circumstances of any non-compliance with the Code and the Council's Treasury Management Strategy.

2. Background

2.1. The Council can expect to have cash to invest arising from its revenue and capital balances, and collection of Council Tax. This cash can be usefully invested to produce a return to help support services and Council Tax. The activities around the management of this cash and borrowing are known as 'Treasury Management'.

2.2. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"

2.3. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.

2.4. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

2.5. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. Due to the late notice of the changes in December 2021 and therefore the shorter time to interpret and implement the new code, the City Council has chosen to defer the reporting requirements until 2023/24. So this report and the 2022/23 Strategy were compiled on the previous Code's basis.

2.6. The Council's investment priorities as required by Government regulations are in order of priority:

(a) The security of Capital
(b) The liquidity of its investments; and
When these are satisfied
(c) Yield

DLUHC and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.

2.7. The operation of Treasury Management is not without risk and the Council could suffer losses if one of its counterparties had financial difficulties.

2.8. The Council formally reviews its investment holdings in the following ways:

- Treasury Management Strategy report in February
- Treasury Outturn report in July
- A half-year update in November
- Treasury Management sub-committee to monitor Treasury Activity during the financial year.

The review of the year's activities is set out in the following appendices:

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2022/23 Strategy

3. Summary of Review

3.1. During the financial year, there were no breaches of the Treasury Management Strategy.

3.2. The economic environment for the financial year was marked by rising inflation and interest rates.

3.3. The Council's investment holdings on the 31st March 2023 were £42m compared to £76m on 31st March 2022. The average and closing balances for the year were higher than allowed for in the budget. This was due to various balances being held due to later payment of capital spend such as £4.2m payment towards the Chelmer Waterside Scheme and CIL funded capital schemes of £3.1m.

3.4. Interest earnings from investments for the year were £1.87m, which was £1.17m higher than the budget, predominantly due to the rising interest rate environment experienced through the financial year. The Bank of England base rose rapidly from 0.75% to 4.25% in the year.

3.5. The overall return on investments for 2022/23 was 4.3% compared to 0.75% in the previous year.

3.6. The Council was invested in 4 pooled funds at the end of 2022/23 which generated total income returns of £664k at a return of 4.1%. Capital values were down reflecting the upward movement in interest rates, it can be expected that over the next couple of years capital values will recover.

4. Conclusion

4.1. It should be noted that the Council's Treasury Management has operated within approved parameters, has resulted in no realised losses and delivered income of £1.87m which has helped to offset financial cost pressures.

List of appendices:

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2022/23 Strategy

Background papers:

None

Corporate Implications

Legal/Constitutional: None

Financial: As detailed in report.

Potential impact on climate change and the environment: Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

Further requirements from those identified above are not practical given the limited ability to directly influence any immediate change in the financial markets.

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: All treasury management activity requires a careful consideration of risk and reward.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies:

Treasury Management Strategy 2022/23

Appendix A – Economic Environment Update

Introduction

The amount of interest the Council earns on its balances is a function of the mix of fixed and variable rate investments made by the authority, together with the performance of the shares it holds in pooled investment funds (CCLA, Multi Asset Funds and Money Market Funds).

The interplay of various economic factors including interest rate expectations, property prices and economic growth all affect the performance of the Council's investments.

Economic factors

It is no surprise that UK interest rates have been volatile right across the curve (different duration of bonds) given the inflationary pressures, easing of Covid restrictions, the Russian invasion of Ukraine, and shifts in UK Government economic policy.

CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The Bank of England therefore increased the base rate to try to bring inflation back in line with its 2.0% target with the Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. There was a temporary shock to the rates through September and October for seven weeks with rates expecting to peak at over 6% at one point but has since settled.

The Council benefitted from some of these increases with its liquid funds held in money market funds and notice funds that were linked to base rate. The Council's notice accounts are also directly linked to the Bank of England base rate and so received immediate rises in line with the increases.

The valuation of the Council's investment in the CCLA Property Fund decreased by £1,247k in the year, leaving the Council's unrealised gain at £1,319k on its initial investment. Capital valuations have moved downwards and expected to continue during 2023 driven by market factors. Higher inflation has led to high interest rates causing a slowdown in the transaction flows and reductions in valuations. The Fund has a minimum 180-day redemption period which was increased from 90 days as a temporary extension to the redemption period as a proactive measure and not due to any redemption concerns.

The valuations of the Council's investment in the 3 Multi Asset Funds also changed throughout the year, with an overall decrease in value across the 3 of £878k taking the unrealised loss to £1,053k. These investments are seen as medium to long term investments over a 3-to-5-year period and so capital values will fluctuate up and down during this investment horizon.

The Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investments funds to 31st March 2025.

Appendix B – Borrowing and Actual Investment Activity compared to the Approved Strategy for 2022/23

External borrowing

1. The Council has the freedom to borrow in the following circumstances:

   - Short-term borrowing to manage liquidity
   - Long-term borrowing only to fund capital expenditure if no other capital resources exist e.g. the Council has spent its capital receipts or expects to do so imminently

   The Council did not need to borrow externally in 2022/23.

2. Finance leases are deemed by Government to be a type of borrowing in the Council's Accounts and Treasury reporting must identify that the Council has borrowed money when they are used. At 31st March 2023, the Council had outstanding finance lease liabilities of £1,051K, used to acquire vehicles and equipment to deliver existing services.

Investments

3. Officers with appropriate knowledge and training invest the Council's cash balances. Arlingclose were used as advisers on treasury management to help inform the decision-making process and this changed to Link Treasury Services during the year through a competitive tender exercise.

4. The Council's cash is invested in the following priority order, in accordance with statutory guidance:

   i) Security – protecting the capital sum invested from loss

   ii) Liquidity – ensuring the funds invested are available for expenditure when needed

   iii) Yield – subject to achieving proper security and liquidity, to pursue a yield on investments to support service provision

   The regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.

5. The Council uses cash-flow planning methods in order to manage its in-house investments. This allows officers to separate in-house funds in to two categories:

   - Shorter term, lower yielding investments – these investments are invested for relatively short durations, normally 3-6 months, in order to ensure that the maturity profile of investments matches the peaks and troughs in the Council's liquidity needs – particularly for the final 2 months of the year where council tax income falls significantly due to the 10 monthly instalments most residents choose to pay in.

- Longer term, higher yielding investments – these are investments of 'core cash' which the Council does not require for operational purposes within the short to medium term. Core cash comes from the Council having for example reserves, such as the General revenue balance. These core cash balances can be invested for a year or more in appropriate counterparties in-order-to generate higher yields without causing liquidity issues.

6. During 2022/23 the Council's investment portfolio decreased from £76.0m to a closing balance of £42m. The movement is due to temporarily holding government grant funding from previous year that was either repaid or spent and also spend on the capital programme.

Compliance with Treasury Management Strategy

7. A summary of the approved treasury management strategy, together with actual outcomes is presented below:

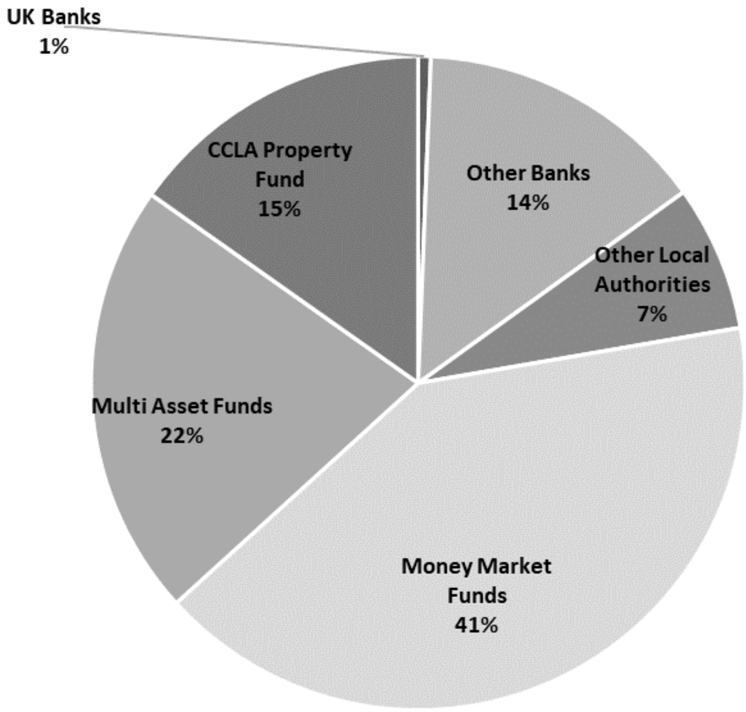
a.	**To ensure that there are no breaches of the approved counterparty limits or durations**	No breach occurred.
b.	**To maintain a target balance of £15m of short notice funds to manage liquidity**	The Council held less than £15m in liquid funds for a period of 5 days at the beginning of March, however this was planned with notice funds maturing, so caused no liquidity problems and within target of available cash within 35 days.
c.	**To maintain long term investments within set limit of £20m**	Long term investments holding were within parameters

The total bail in risk moved by 1% from 77% to 78% mostly due to year end cash movements and size of portfolio. The smaller the portfolio the higher the bail in risk as the more of the funds will be held in liquid deposits (money market funds).

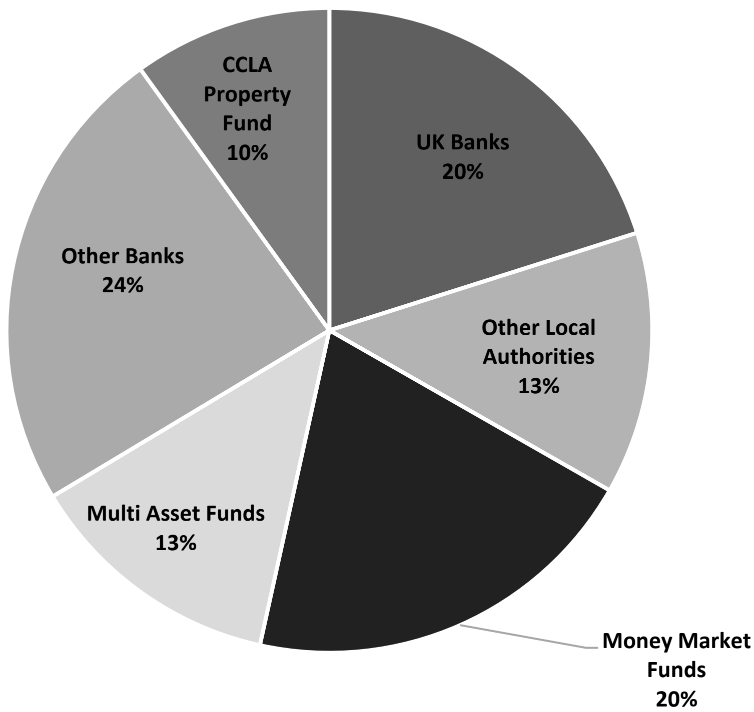
As at 31st March the Council's exposure to bail in risk (direct lending to banks and building societies) was 15%, against 44% at the end of the previous financial year.

Exposure	**2020/21**	**2021/22**	**2022/23**
Bail In Risk -Direct investment	11%	44%	15%
Bail In Risk – Pooled Fund Managers and Money Market Funds	48%	33%	63%
Exempt from Bail In (including CCLA)	41%	23%	22%
Total	100%	100%	100%

Investment at 31/03/23 By Sector



Investment at 31/03/22 By Sector



Counter Party

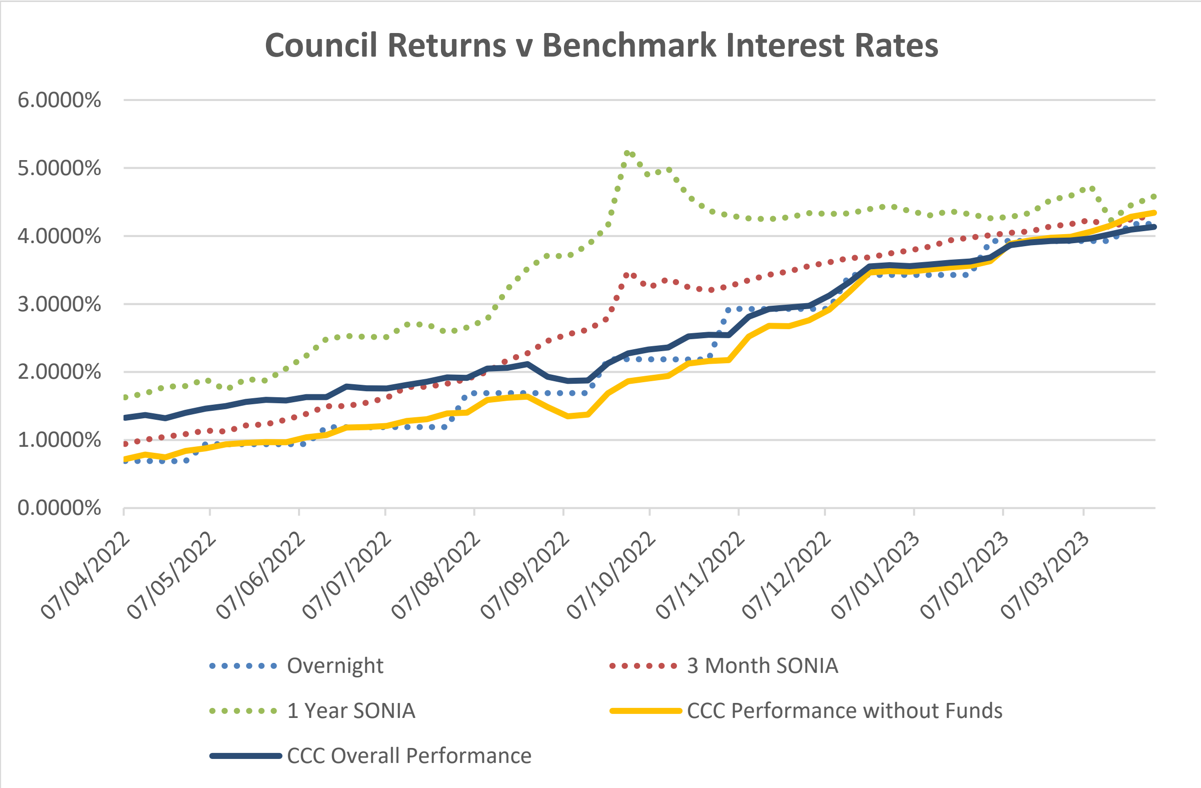
Money Market Funds & Long-Term Funds	Credit Rating (Fitch)	Sum Invested (31/03/2023)	Limits 2022/23
Black Rock Money Market Fund	AAAmmf	£5,900,370	£6,000,000
Insight Money Market Fund	AAAmmf	£5,512,300	£6,000,000
Aberdeen Money Market Fund	AAAmmf	£5,067,920	£6,000,000
Deutsche Money Market Fund	AAAmmf	£20	£6,000,000
Invesco Money Market Fund	AAAmmf	£550	£6,000,000
BNP Paribas Money Market Fund	AAAmmf	£541,730	£6,000,000
CCLA Property Fund	N/A	£6,318,540	£8,000,000
Aegon Multi Asset Fund	N/A	£3,147,290	Total of £10,000,000
Ninety-One Multi Asset Fund	N/A	£2,984,780	
CCLA Multi Asset Fund	N/A	£2,814,790	
Banks & Building Societies			
Natwest	A+	£258,260	£3,000,000
Barclays	A+	£640	£3,000,000
Toronto Dominion	AA-	£3,000,000	£3,000,000
Royal Bank of Canada	AA-	£3,000,000	£3,000,000
Local Authorities			
London Borough of Barking & Dagenham	N/A	£3,000,000	£10,000,000
Total Investments		**£41,547,190**	

Return on investments

8. Interest rates has been at the highest levels since 2008 going from 0.75% at the beginning year with 8 successive interest rate rises during 2022/23 and ending the year at 4.25%. The increases have led to higher interest returns than originally expected. At the time of writing the base rate was at 4.5% and still expected to rise further.

   The Council changed treasury advisors during the year and joined the benchmarking club that Link Treasury Services provide and form a pool of 19 authorities within the benchmarking group. From the March 2023 benchmarking report, the council's performance was above the return expected for the level of risk taken compared to other local authorities. The main driver for this was due to the large portion of its holding being held in money market funds and as a result picking up the rate rises faster than those who had entered into fixed investments for longer durations and these funds would typically hold lower risk as they are more liquid. However, officers expect performance to be more in line with other authorities in future as Council spends its cash balances to fund its capital programme.

The below table highlights Sterling Overnight Rate (SONIA) as a comparison against the returns the City Council generated.



The Council earned a total of £1,867k in investment income during the 2022/23 financial year, which was £1,166k additional income over the £701k budget. This was predominantly due to higher interest rate levels than expected but budget was set around the beginning of 2022.

	Market investments (excluding CCLA and Multi Asset Funds)	**Multi Asset Funds Income & CCLA Property Fund Yield (Based on April 2022 Valuation)**	**All Investments Income Yield**
	Year ending 31/03/2023		
Average yield	4.3%	3.8%	4.1%

The yields above have used the opening balance on any fund investments.

8.1 Funds

The City Council held funds in 3 Multi-Asset Funds during the financial year and also maintained its investment in the CCLA Property Fund. All of the Council's investments in these types of funds are seen as strategic and are therefore invested for the medium to long term for a rolling period of 3 to 5 years. The total balance invested makes up part of the Council's core cash that it is expected to hold for the long term.

Income returns on the 4 funds are outlined below along with the closing capital value of the fund, initial investment value and unrealised gain or loss.

Fund	Initial Investment Value £	1/04/2022 Investment Value £	31/03/2023 Investment Value £	Unrealised Gain/(Loss) (since inception) £	Income Return (Based on 1st April 2022 Valuation)
CCLA Property Fund	5,000,000	7,565,769	6,318,537	1,318,537	3.62%
CCLA DIF	3,100,000	3,089,233	2,814,794	(285,206)	2.75%
Aegon DIF	3,600,000	3,584,400	3,147,286	(452,714)	5.00%
Ninety One DIF	3,300,000	3,151,873	2,984,782	(315,218)	4.01%

Total Income from the 4 funds above during 2022/23 was £664,369.

The unrealised loss on the fund assets during the financial year was £2,125,876 which generated a significant (but unrealised) total loss for 2022/23. The valuation of the funds has been affected by the higher interest rates and global economy. These remain long term investments where valuations would be expected to pick up over the next few years. as interest rates stabilise. The fund portfolio has a net unrealised gain of £265K when comparing to initial investment value.

Conclusion

The Council has operated within its Treasury Management Framework. This has enabled the Council to safeguard its financial assets and produce a good level of return relative to the prevailing market interest rates and other local authorities compared to via Links benchmarking.