

**Investment Strategy and Performance Six Monthly Report 2013/14**  
Report by Treasurer and Financial Adviser

**Summary:** This report sets out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the six months to 30 September 2013 and includes a review of the performance in 2012/13.

**Recommendation:** That the current arrangements regarding the investment of surplus cash are noted.

## **1 Introduction**

- 1.1 It has been agreed with the Treasurer and Financial Adviser that a six monthly report on the performance of the Authority's investments will be presented to the Financial Scrutiny and Audit Committee, with a fuller 'year end analysis' at the July meeting, and a mid year progress report at the appropriate half year meeting.

## **2 Investment Principles and Performance**

- 2.1 The investment of surplus cash is governed by a Service Level Agreement between the Broads Authority and Broadland District Council. The use of the Council reflects the limited treasury management knowledge and staff resources that exist within the Broads Authority.
- 2.2 Surplus cash sums are calculated by the Authority's Finance staff and transferred to Broadland's bank account. The Council then includes the investment of this cash with its own treasury management function. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the six months to 30 September 2013 were:
- Opening balance      £1.500 million.
  - Closing balance      £3.500 million.
  - Highest sum          £3.500 million.
  - Lowest sum          £1.500 million.
- 2.3 Since September 2013 there has been a planned withdrawal of £0.5 million to meet cash flow requirements (on 02/12/2013), with the expectation that a further £0.5 million may need to be drawn down before the year end.

- 2.4 The figures for the previous year (2012/13) were:
- Opening balance £2.490 million.
  - Closing balance £1.500 million.
  - Highest sum £2.490 million.
  - Lowest sum £1.500 million.
- 2.5 A transaction charge is made to cover the Council's costs involved in the administration of the investments (including bank charges for direct money transfers). For 2012/13 and 2013/14 the actual interest receivable by the Broads Authority was/is based on the actual interest received on Broadland's internal investments.
- 2.6 The sum paid over in 2012/13 was £16,342.27 based on internal monthly returns that ranged from 0.40% to 1.04%. Estimated interest earned for the period 1 April 2013 to 30 September 2013 is £10,657.85 based on monthly returns that ranged from 0.40% to 1.10%.
- 2.7 The Authority's Head of Finance also directly invested surplus funds on fixed long term investment options during 2011/12 and 2012/13. These investments matured in September 2012 and April 2013 and earned sums of £15,041 and £18,300 respectively.
- 2.8 Including the relevant proportion of income from these fixed term investments, the total interest earned in 2012/13 was £42,760. Forecast interest for 2013/14 is £25,000.
- 2.9 Since the 2012/13 year end (31 March 2013), the Authority transferred a sum of £2,000,000 to the Council, bringing its total investment to £3,500,000. There are currently very low rates on offer for fixed term deposits, and the Authority has a greater need for cash flow flexibility having drawn down reserves in 2012/13. It is therefore not proposed to make any direct investments at present, and a larger balance will continue to be invested with the Council at this time. During the six months to 30 September 2013, the Council placed £2 million of the Authority's investment for a fixed period of three months in order to achieve a better rate of return, with the usual notice terms having been retained for the remaining £1.5 million.
- 2.10 The projections for 2013/14 interest income are below the levels achieved in 2012/13 due to a combination of the lower rates currently available in the market, and the lower overall balance of reserves which the Authority has to invest following the drawdown of reserves in 2012/13.
- 2.11 It has been agreed (although Broadland's low risk appetite did mean that the Council had no exposure to Icelandic banks in 2008/09) that if the Council were to suffer credit risk exposure, any losses would be shared pro-rata between the two organisations.

Background papers: None  
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Broads Plan Objectives: None  
Appendices: Nil