

Investment Strategy and Performance Annual 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 twelve months to 31 March 2014.

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 year to 31 March 2014 were:
- Opening balance £1.500 million.
 - Closing balance £2.750 million.
 - Highest sum £3.500 million.
 - Lowest sum £1.500 million.
- 2.3 During the second half of 2013/14 there was a planned withdrawal of £0.75 million to meet cash flow requirements, which is £0.25 million less than the £1.0 million anticipated in the previous report to the Committee. This is largely due to the timing of receipts of 2014/15 toll income and the underspend in 2013/14 expenditure against the forecast.

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 2013/14 was £19,120.44 based on internal monthly returns that ranged from 0.40% to 0.80%. The sum paid over in 2012/13 was £16,342.27 based on internal monthly returns that ranged from 0.40% to 1.04%. Forecast interest for 2013/14 was £25,000. Rates were again lower during 2013/14, and the Council's low risk strategy resulted in investments being placed with higher rated institutions which generated lower returns.

2.7 Since the 2013/14 year end (31 March 2014), the Authority has transferred a sum of £1,000,000 to the Council, bringing its total investment to £3,750,000. There are currently very low rates on offer for fixed term deposits, although available rates are monitored on an ongoing basis. 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.

2.8 The interest income budget for 2014/15 is £30,000 based on the assumption that there will be a gradual improvement in interest rates and investment returns, however this forecast will be reviewed and if necessary updated at the six month review (end September 2014) to inform year-end and budget planning.

2.9 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

Author: Jill Penn
Date of report: 24 June 2014

Broads Plan Objectives: None

Appendices: Nil