

Investment Strategy and Performance Six Monthly Report 2015/16
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 2015 and includes a review of the performance in 2014/15.

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 2015 were:

- Opening balance £3.250 million
- Closing balance £3.750 million
- Highest sum £4.250 million
- Lowest sum £3.250 million

2.3 There has been one withdrawal in September 2015 of £500,000.

2.4 The figures for the previous year (2014/15) were:

- Opening balance £2.750 million
- Closing balance £3.250 million
- Highest sum £3.750 million
- Lowest sum £2.750 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 2014/15 and 2015/16 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 for 2014/15 was £18,371.23 based on internal monthly returns that ranged from 0.34% to 0.72%. Interest earned for the period 1 April 2015 to 30 September 2015 is £11,960.37 based on monthly returns that ranged from 0.41% to 0.60%.

2.7 The total interest earned in 2014/15 was £19,452. Forecast interest for 2015/16 is £20,000.

2.8 Since the 2014/15 year end (31 March 2015), the Authority has transferred a sum of £1,000,000 to the Council, and has requested back £500,000, bringing its total investment to £3,750,000. There are currently very low rates on offer for fixed term deposits and 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.

2.9 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. Broadland Council is updating its Treasury Management Strategy but will be risk aware and ensure to the best of its ability the security of any investments from the Authority.

Background papers: None

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Broads Plan Objectives: None

Appendices: Nil