

Investment Strategy and Performance Annual Report 2016/17
Report by Chief Financial Officer

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 2017.

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

1 Introduction

- 1.1 It has been agreed 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 was governed by a Service Level Agreement between the Broads Authority and Broadland District Council. In the past the agreement served the Authority well due to the previous limited treasury management knowledge and staff resources that existed.

- 2.2 Surplus cash sums were calculated by the Authority's Finance staff and transferred to Broadland's bank account. The Council then included 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 2017 were:

- Opening balance £2.75 million.
- Closing balance £0 million.
- Highest sum £4.25 million.
- Lowest sum £0 million.

- 2.3 Following the decision to bring the treasury function in-house along with the role of the Section 17 Officer, funds were returned in full from Broadland District Council on 25 November 2016. In order to maximise returns the decision was made to split these funds between instant access and fixed term deposits with A + rated institutions. Balances at the end of 31 March 2017 were:

- Instant Access £1.929 million.
- Fixed Term Deposits £2 million (£1 million to be repaid on 01/09/17 and 01/03/18).

2.4 The figures for the previous year (2015/16) were:

- Opening balance £3.250 million.
- Closing balance £2.750 million.
- Highest sum £4.250 million.
- Lowest sum £2.750 million.

2.5 A transaction charge was made to cover the Council's costs involved in the administration of the investments (including bank charges for direct money transfers). For 2015/16 and 2016/17 the actual interest receivable by the Broads Authority was based on the actual interest received on Broadland's internal investments.

2.6 The sum paid over in 2016/17 was £11,481.56 based on internal monthly returns that ranged from 0.31% to 0.47%. Interest earned from the fixed term deposits and instant access was £3,289.14 based on rates 0.15% (instant access) to 1% (12 month fixed term deposit). The sum paid over in 2015/16 from Broadland was £21,776.59 based on internal monthly returns that ranged from 0.39% to 0.6%. Forecast interest for 2016/17 was £15,000.

2.7 Since the 2016/17 year end (31 March 2017), the instant access account balance has increased to £2.550 million at the end of June. It should be noted that the automatic transfer between it and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. Cash flow is monitored on a weekly basis but the success of CANAPE and the Landscape Partnership scheme will limit the possibility to make additional fixed term deposits due to the timing differences between expenditure and claim repayment.

2.8 The interest income budget for 2017/18 is £15,000 based on the assumption that interest receivable will remain approximately the same. If there is a gradual improvement in interest rates and investment returns, the forecast will be reviewed and if necessary updated at the six month review (end September 2017) to inform year-end and budget planning.

Background papers: Treasury and Investment Strategy 2017/18

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Broads Plan Objectives: None

Appendices: Nil