

# Audit and Risk Committee

26 July 2022

Agenda item number 7

## Investment Strategy and performance annual report 2021/22

Report by Director of Finance

### Summary

This report sets out details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2022.

### Recommendation

To note the arrangements regarding the investment of the Authority's unallocated cash.

## 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 Audit and Risk 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 unallocated cash was governed by the Authority's Treasury and Investment Strategy 2021/22 agreed by the Authority on 19 March 2021.
- 2.2. Unallocated cash sums are calculated by the Authority's Finance staff and transferred to either a Fixed Term Deposit or Notice Account, or remain within the instant access bank account. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the year to 31 March 2022 are below.

**Table 1**

2021/22 Summary

Account type	Opening balance £000's	Closing balance £000's	Highest sum £000's	Lowest sum £000's
Instant Access	2,509	1,244	3,253	587
95 Day Notice Account	2,500	4,500	4,500	2,500

Account type	Opening balance £000's	Closing balance £000's	Highest sum £000's	Lowest sum £000's
32 Day Notice Account	503	503	503	503

2.3. The figures for the previous year (2020/21) were:

**Table 2**  
2020/21 Summary

Account type	Opening balance £000's	Closing balance £000's	Highest sum £000's	Lowest sum £000's
Instant Access	593	2,509	2,509	593
Fixed Term	2,000	0	2,000	0
95 Day Notice Account	1,500	2,500	2,500	1,500
32 Day Notice Account	502	503	503	502

- 2.4. The amount of interest received during 2021/22 was £11,522.31 based on interest rates ranging from 0.01% to 0.8%. Forecast interest for 2021/22 was £6,000. The sum received for 2020/21 was £22,334.14 based on interest rates that ranged from 0.01% to 1.1%.
- 2.5. The balance on the 32-day notice account has remained the same since 31 March 2021 apart from small amounts of interest being added. The instant access has decreased to £1.244 million and the 95-day notice increased by £2 million due to the poor rates available when the fixed term deposit matured in March 2021.
- 2.6. It should be noted that the automatic transfer between the instant access 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 against budget profiling to ensure access to sufficient funds. The possibility to make additional fixed term deposits are limited due to the timing differences between external funded projects grant expenditure and claim repayment.
- 2.7. The interest income budget for 2022/23 is £6,000, which assumed that interest receivable would be broadly in line with that received in 2021/22. Since the budget was set, interest rates have increased due to the increase in base rate. Current interest rates for 2022/23 means that £8,000 has already been received and the forecast will be revised in due course.

2.8. Following the audit recommendation from the Key Controls audit (see agenda item 13) options for diversification are currently being explored. Whilst the use of external treasury advisors has previously been discounted due to cost, this and other deposits are being investigated which may result in a change to the Strategy which will be reported back to Committee.

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Background papers: Capital, Treasury and Investment Strategy 2021/22