

# Audit and Risk Committee

21 July 2020

Agenda item number 10

## Investment Strategy and Performance Annual Report 2019/20

Report by Chief Financial Officer

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### 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 2020.

### Recommendation

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

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## 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 2019/20 agreed by the Authority on 5 March 2019.
- 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 2020 are below.

**Table 1**

2019/20 Summary

Account type	Opening balance £'000	Closing balance £'000	Highest sum £'000	Lowest sum £'000
Instant Access	1,140	593	2,124	569
Fixed Term <sup>1</sup>	2,000	2,000	2,000	2,000
95 Day Notice Account	1,500	1,500	1,500	1,500
32 Day Notice Account	0	502	502	0

2.3. The figures for the previous year (2018/19) were:

**Table 2**

2018/19 Summary

Account type	Opening balance £'000s	Closing balance £'000s	Highest sum £'000s	Lowest sum £'000s
Instant Access	1,530	1,140	2,670	661
Fixed Term	2,000	2,000	2,000	2,000
95 Day Notice Account	500	1,500	1,500	500
32 Day Notice Account	0	0	0	0

2.4. The amount of interest received during 2019/20 was £49,014.41 based on interest rates ranging from 0.1% to 1.1%. Forecast interest for 2019/20 was £47,500. The sum received for 2018/19 was £37,052.60 based on interest rates that ranged from 0.4% to 1.1%.

2.5. Balances on the Fixed Term Deposit, 95 and 32 day notice accounts have remained the same since 31 March 2020. The instant access has increased to £1.362 million. 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

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<sup>1</sup> During 2019/20 the Authority held two separate £1 million investments, these were due for repayment on 05/09/19 and 04/03/20. Both were reinvested for a further year.

claim repayment. An additional factor this year is the uncertainty around the timing and amount of toll income receivable.

- 2.6. The interest income budget for 2020/21 is £41,000, which was based on the assumption that interest receivable will be broadly in line with that received in 2019/20. Since the budget was set, interest rates have decreased significantly. Current forecast indicates that £21,860 may be what is received at the end of 2020/21. This will also depend on whether funds are reinvested, depending on cash flow requirements. 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 2020) to inform year-end and budget planning.

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Date of report: 26 June 2020

Background papers: Capital, Treasury and Investment Strategy 2019/20