

**Financial Scrutiny and Audit Committee**

7 February 2017

Agenda Item No 7

**Investment Strategy and Performance Report 2016/17**  
Report by Treasurer and Financial Adviser and Head of Finance

**Summary:** This report sets out details of the Authority's investment of surplus cash, including the investment principles adopted and performance during the eight months to 30 November 2016.

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

## **1 Introduction**

- 1.1 It has previously 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. However following the decision to bring the treasury function in-house along with the role of the Section 17 Officer, funds have been returned in full from Broadland District Council on 25 November 2016. This report covers that period and the process going forward.

## **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 that is due to expire on 31 March 2017. Previously the use of the Council reflected the limited treasury management knowledge and staff resources that existed within the Broads Authority.
- 2.2 Prior to the 25 November 2016 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 within its own treasury management function. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the eight months to 30 November 2016 were:
- Opening balance      £2.750 million
  - Closing balance      £0 million
  - Highest sum          £4.250 million
  - Lowest sum          £0 million
- 2.3 There were two withdrawals during this period totalling £4,250,000.

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 for 2015/16 was £21,776.59 based on internal monthly returns that ranged from 0.39% to 0.6%. Interest earned for the period 1 April to 30 November 2016 was £11,481.56 based on monthly returns that ranged from 0.31% to 0.47%.

2.7 The total interest earned in 2015/16 was £22,402 which includes the interest from Broadland and other internal investments. Forecast interest for 2016/17 is £15,000.

2.8 Prior to the return of funds in November 2016, fixed term deposits were investigated with other A+ banks to secure best rates of interest going forward. Lloyds bank was identified as offering the best rates (1% for 12 months, 0.60% for 6 months). Following Management Team approval on 21 November the Authority is in the process of opening two fixed term deposits, £1 million for 12 months and £1 million for 6 months. As the Authority is not known to Lloyds, it needs to undertake/perform background checks on the Management Team before this facility is set up. Lloyds has experienced high volumes of applications and the Christmas break has meant this process has not been as speedy as hoped. In the meantime the funds are currently in the Barclays Business Premium Account (instant access) where 0.15% interest rate applies. A verbal update will be provided at the meeting on this.

2.9 These fixed term deposits will be made in line with Broadland's Treasury Management Strategy which covers the Authority until 31 March 2017. Work is currently underway on the Authority's new Investment/Treasury Management Strategy which will be considered by the Authority at its March meeting. It is proposed to continue to adopt a low risk appetite and seek to mitigate counterparty risk by using other high rated banks. Surplus funds will continue to be monitored by the Finance team to ensure future fixed term deposits remain appropriate and do not cause cash flow problems going forward.

Background papers:	None
Author:	Jill Penn/Emma Krelle
Date of report:	11 January 2017
Broads Plan Objectives:	None
Appendices:	Nil