Financial Scrutiny and Audit Committee
9 July 2013
Agenda Item No 7

Investment Strategy and Performance Annual Report 2012/13

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 twelve months to 31 March 2013.
Recommendation:	That the current arrangements regarding the investment of surplus cash are noted.

1 Introduction

1.1 The Treasurer and Financial Adviser reports on a six monthly basis on the performance of the Authority's investments 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 year to 31 March 2013 were:

- Opening balance £2.490 million.
- Closing balance £1.500 million.
- Highest sum £2.490 million.
- Lowest sum £1.500 million.

2.3 During 2012/13 the Authority made a planned withdrawal of £990,000 in December to support the completion of capital works relating to the Dockyard, the relocation to Yare House and day to day cash flow requirements.

2.4 The corresponding figures for the previous year (2011/12) were:

- Opening balance £1.990 million

- Closing balance £2.490 million
- Highest £2.990 million
- Lowest £1.990 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 2011/12 and 2012/13 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 due for 2012/13 was £16,342.27 (2011/12: £29,887) based on internal monthly returns that ranged from 0.40% to 1.04% (2011/12: 0.46% to 0.78%).

2.7 The Authority's Head of Finance also directly invested surplus funds on fixed long term investment options during 2011/12 and 2012/13. Two investments were made of £1 million each, on 12 month fixed interest rates with Barclays Bank, and these matured in September 2012 and April 2013 respectively. The investment which matured in September 2012 paid a sum of £15,041 based on a fixed rate interest rate of 1.5%. These matured funds were retained in general balances to help finance the office relocation and Dockyard development works. The investment which matured in April 2013 had a fixed interest rate of 1.8% and paid a sum of £18,300.

2.8 The total interest earned in 2012/13 was £42,760 (2011/12: £50,214).

2.9 Since the 2012/13 year end (31 March 2013), the Authority has transferred a sum of £1,500,000 to the Council, bringing its total investment to £3,000,000. There are currently very low rates on offer for fixed term deposits, and the Authority has a greater need for cash flow flexibility having drawn down reserves in 2012/13. It is therefore not proposed to make any direct investments at present, and a larger balance will be invested with the Council at this time. The Council has placed £2 million of the Authority's investment for three months in order to achieve a better rate of return, but the usual notice terms have been retained for the remaining £1 million. This provides the Authority with appropriate cash flow flexibility while simultaneously maximising the available return.

2.10 The projections for 2013/14 interest income are likely to be below the levels achieved in 2012/13 due to a combination of the lower rates currently available in the market, and the lower balance of reserves which the Authority has to invest following the drawdown of reserves in 2012/13.

2.11 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.

Background papers:	None
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Broads Plan Objectives:	None
Appendices:	Nil