

Investment Strategy and Performance Six Monthly 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 six months to 30 September 2012 and includes a review of the performance in 2011/12.

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

1 Introduction

- 1.1 It has been agreed with the Treasurer and Financial Adviser 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 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 six months to 30 September 2012 were:
- Opening balance £2.490 million.
 - Closing balance £2.490 million.
 - Highest sum £2.490 million.
 - Lowest sum £2.490 million.

There is a planned withdrawal of approximately £1 million in November/December 2012 for capital works.

2.3 The 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.

2.4 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.

2.5 The sum paid over in 2011/12 was £29,887 based on internal monthly returns that ranged from 0.46% to 0.78%. Estimated interest earned for the period 1 April 2012 to 30 September 2012 is £11,560 based on monthly returns that ranged from 0.63% to 1.14%.

2.6 The Authority's Head of Finance also directly invested surplus funds on fixed long term investment options during 2010/11. Two investments were made of £1million each, on 12 month fixed interest rates with Barclays Bank, and these matured in September and December 2011 respectively. The interest received from these investments was £28,000 in 2011/12. £1 million was reinvested for a further 12 month period maturing in September 2012 and April 2013. The investment which matured in September 2012 paid a sum of £15,041 based on a fixed rate interest rate of 1.5%. The matured funds have been retained in general balances to finance the office relocation and Dockyard development works. The investment which will mature in April 2013 has a fixed interest rate of 1.8% and interest due of £18,300. However the taking of a fixed repayment period is not without cash flow risks, or the risk that rates increase more quickly than projected.

2.7 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