

Audit and Risk Committee

20 July 2021

Agenda item number 12

Investment Strategy and Performance Annual Report 2020/21

Report by Chief Financial Officer

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 2021.

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 2020/21 agreed under emergency delegated powers on 24 April 2020.
- 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 2021 are below.

Table 1

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

2.3. The figures for the previous year (2019/20) were:

Table 2

2019/20 Summary

Account type	Opening balance £000's	Closing balance £000's	Highest sum £000's	Lowest sum £000's
Instant Access	1,140	593	2,124	569
Fixed Term	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

2.4. The amount of interest received during 2020/21 was £22,334.14 based on interest rates ranging from 0.01% to 1.1%. Forecast interest for 2020/21 was £22,000. The sum received for 2019/20 was £49,014.41 based on interest rates that ranged from 0.1% to 1.1%.

2.5. The balance on the 32-day notice account has remained the same since 31 March 2020 apart from small amounts of interest being added. The instant access has increased to £1.916 million and the 95-day notice by £1 million due to the poor rates available when the fixed term deposits matured in September and March. The uncertainty on the collection of the remaining hire income in September 2020 meant it was not prudent to reinvest at that stage.

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 very low interest rates and the timing differences between external funded projects grant expenditure and claim repayment.

- 2.7. The interest income budget for 2021/22 is £13,500, which assumed that interest receivable would be broadly in line with that received in 2020/21. Since the budget was set, interest rates available have decreased further. Current interest rates indicates that for 2021/22 £7,000 may be all that is achievable without diversification into different types of accounts or products. This will be investigated further over the summer and reported back to this Committee in September.

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Background papers: Capital, Treasury and Investment Strategy 2020/21