

## **REPORT FOR RESOLUTION**

**SUBJECT:** Annual Investment Strategy 2012/13

**REPORT OF:** The Lead Officer on behalf of the Advisory Board

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### **PURPOSE OF THE REPORT**

To present an annual investment strategy for 2012/13

### **RECOMMENDATIONS**

It is recommended that the Joint Committee:

1. Approves the Annual Investment Strategy 2012/13

### **FINANCIAL CONSEQUENCES OF THE REVENUE BUDGET**

There are no immediate consequences to the revenue budget other than to secure additional income through interest.

### **CONTACT OFFICER**

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## 1. BACKGROUND

- 1.1 With effect from 1<sup>st</sup> April 2011, the PATROL bank account stands independently from the Lead Authority. This means that the Joint Committee's reserves can be managed to take account of opportunities for increased interest/income from a longer term deposit account
- 1.2 This paper sets out responsibilities in relation to investment decisions and arrangements for 2012/13.

## 2. Background

- 2.1 At its meeting on 25 January 2011, the Joint Committee approved the Reserves Policy Statement 2011/12 which identified three specific elements of reserves:

### 2.2 Operating Reserves

These reserves ensure the continuation of service should there be an unexpected underachievement of income or unforeseen expenditure. The approved operational reserve for 2011/12 was £487,793.

### 2.3 Property Reserves

These reserves provide assurance to the Lead Authority in respect of entering into a new lease. This was set at £408,000

### 2.4 Capital Investment

The Joint Committee committed £200,000 towards the cost of the new case management system and web portal.

## 3.0 Current Position

- 3.1 On behalf of the Joint Committee, the Tribunal placed the following amounts on a 6-month deposit:

£487,793 at an interest rate of 1.53125%

£206,437 at an interest rate of 1.53125%

- 3.2 The variation from the amount invested in respect to the property element, and the amount required for the Reserves is due to the changes in respect of the property criteria during 2011.

3.3 The six month deposit period has been determined because the risk of having to withdraw the operational reserve or the property reserve within the six month period is low and the penalty of doing so will be loss of interest rather than having to rely on borrowing.

3.4 These interest rates compare with a flat rate of 0.5% previously. This was based on all monies on deposit (interest paid in arrears calculated on the average balance from the previous quarter). The interest attracted from these deposits is estimated at this time to increase the amount of interest received during the second half of 2011/12 from £3,200 to £5,311. The minimum value that must be retained within the ordinary account is £25,000.

#### **4. Annual Investment Strategy 2012/13**

4.1 The Joint Committee or its Executive Sub Committee will be responsible for approving the Joint Committee's Annual Investment Strategy.

4.2 The Head of Service will prepare the Annual Investment Strategy in consultation with the Treasury Manager of the Lead Authority.

4.3 The Annual Investment Strategy will be informed by the Joint Committee's Risk Management Strategy. The Joint Committee has defined this as:

*"We will avoid risks that threaten our ability to undertake our principal objectives in a way which provides quality and value. We will maintain a sufficient level of reserves to support liquidity and absorb short term fluctuations in income and expenditure beyond our control."*

4.4 The impact of actions undertaken under the Annual Investment Strategy will be monitored and reported to the Joint Committee in terms of benefit and impact on day to day financial management.

4.5 The Annual Investment Strategy is informed by the CIPFA Code "Treasury Code" (2009) with regard to proportionality given the size of the Joint Committee's resources

4.6 The current deposit arrangements have been in place for four months and no cash flow issues have been encountered.

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- 4.7 The six month period will fall at the end of March. In advance of this and in consultation with the Lead Authority's Treasurer Manager, it is proposed to undertake a market test of similar arrangements before embarking upon a further deposit period. The results of this exercise will be reported at the June 2012 meeting.
- 4.8 It is proposed to enter into a second deposit period of six months for the operational and property reserves. In the light of the changes to the Lead Authority arrangements, the deposit in respect of property reserves revert to that stated in the Reserves Policy Statement for 2011/12 i.e. £408,000. The deposit terms must be guaranteed fixed rate to minimise risk. The operational reserves level will be approved as part of the Reserves Policy Statement for 2012/13 reported separately.
- 4.9 With regard to balances within the current account, one month and three month deposit arrangements will be considered, where appropriate.
- 5.0 Bank interest will be included in monitoring reports to the Joint Committee and its Executive Sub Committee.

## **5. Recommendations**

It is recommended that the Joint Committee:

1. Approves the Annual Investment Strategy 2012/13