

Financial Performance and Direction
Report by Chief Financial Officer

Summary:	This report provides a strategic overview of current key financial issues and items for decision.
Recommendation:	<p>Section 2-6</p> <p>(i) That the income and expenditure figures be noted.</p> <p>Section 7</p> <p>(ii) That the Treasury & Investment Strategy be adopted.</p> <p>Sections 8</p> <p>(iii) That the waiver to standing orders be noted.</p>

1 Introduction

1.2 This report covers two items, the Consolidated Income and Expenditure from 1 April – 31 January 2018 and the Annual Treasury and Investment Strategy for 2018/19.

2 Overview of Actual Income and Expenditure

Table 1 – Actual Consolidated I&E by Directorate to 31 January 2018

	Profiled Latest Available Budget	Actual Income and Expenditure	Actual Variance
Income	(6,467,665)	(6,547,970)	+ 80,305
Operations	2,803,367	2,760,792	+ 42,575
Strategic Services	1,820,427	1,712,107	+ 108,319
Chief Executive	982,133	933,781	+ 48,352
Projects, Corporate Items and Contributions from Earmarked Reserves	(65,129)	(52,125)	- 13,004
Net (Surplus) / Deficit	(926,867)	(1,193,414)	+ 266,547

2.1 Core navigation income is above the profiled budget at the end of month ten. The overall position as at 31 January 2018 is a favourable variance of £266,547 or 28.76% difference from the profiled LAB. This is principally due to:

- An overall favourable variance of £78,975 within toll income:
 - Hire Craft Tolls £42,732 above the profiled budget.
 - Private Craft Tolls £29,259 above the profiled budget.
- A favourable variance within Operations budgets relating to:
 - Construction and Maintenance Salaries is under profiled budget by £40,074 due to a number of vacancies this year.
 - Water Management is under profiled budget by £52,918 due to two contracts being delayed; both are scheduled for delivery by 31 March 2018.
 - Land Management is under profiled budget by £10,569 due to income being received ahead of profile.
 - Practical Maintenance is over the profiled budget by £138,859 due to timing differences on the profile originally set. This is due to Acle Bridge being purchased.
 - Ranger Services is under profiled budget by £20,669 due to additional income and underspends within salaries and expenditure.
 - Premises is under profiled budget by £60,579 due to timing differences around the Dockyard Wet Shed repairs.
- A favourable variance within Strategic Services budgets relating to:
 - Strategy and Projects is over profiled budget by £17,425 due to a number of small variances within all budgets.
 - Human Resources is under profiled budget by £15,341 due to vacancies and timing differences on staff training.
 - Project Funding is under profiled budget by £47,531 due to timing differences.
 - Communications is under profiled budget by £17,184 due to staff to timing differences.
 - Visitor Centres and Yacht stations is under profiled budget by £18,744 due to salary savings and increased income
 - Collection of Tolls is over profiled budget by £13,990 due to timing differences.
 - ICT is under profiled budget by £12,568 due to timing differences.
 - Strategic Services Management and Administration is under profiled budget by £11,805 due to a previous vacancy.
- A favourable variance within Chief Executive budgets relating to:
 - Governance is under budget by £12,810 due to timing differences around the invoicing for the Peer Review and Members workshop.
 - Asset Management is under budget by £30,022 due to savings on the property contract.
- An adverse variance within Reserves relating to timing differences around the Dockyard Wet Shed repairs.

2.2 The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB.

3 Latest Available Budget

3.1 The Authority's income and expenditure was being monitored against the latest available budget (LAB) in 2017/18. The LAB is based on the original budget for the year, with adjustments for known and approved budget

changes such as carry-forwards and budget virements. Details of the movements from the original budget are set out in Appendix 2.

Table 2 – Adjustments to Consolidated LAB

	Ref	£
Original budget 2017/18 – deficit	Item 12 27/01/17 (BA)	41,178
Peer review budget	Item 17 24/03/17 (BA)	25,000
Approved budget carry-forwards	Item 11 19/05/17 (BA)	31,245
LAB at 31 January 2018 – deficit		97,423

4 Overview of Forecast Outturn 2017/18

- 4.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. A summary of these adjustments are given in the table below.

Table 3 – Adjustments to Forecast Outturn

Item	£
Forecast outturn deficit per LAB	97,423
Adjustments reported 26/01/18	(70,031)
Increase to Hire Craft Tolls to reflect actuals	(271)
Increase to Private Craft Toll to reflect actuals	(10,500)
Decrease to Construction and Maintenance salaries following vacancies throughout the year	(51,000)
Decrease to Asset Management expenditure to reflect savings on Property Services Contract and leases	(17,500)
Increase to Asset Management income to reflect actuals	(2,000)
Increase in Visitor Services and Yacht Station income to reflect actuals	(7,500)
Forecast outturn surplus as at 31 January 2018	(61,379)

- 4.2 The main reason for the difference between the forecast outturn and the LAB is the change in predictions for hire and private craft toll income. There is also additional savings within other budgets.

5 Reserves

Table 4 – Consolidated Earmarked Reserves

	Balance at 1 April 2017	In-year movements	Current reserve balance
	£	£	£
Property	(429,005)	(51,500)	(480,505)
Plant, Vessels	(214,671)	10,500	(204,170)

and Equipment			
Premises	(178,942)	14,809	(164,133)
Planning Delivery Grant	(194,908)	11,075	(183,833)
Upper Thurne Enhancement	(77,752)	(21,057)	(98,808)
Section 106	(109,020)	7,550	(101,470)
Heritage Lottery Fund	(92,936)	25,444	(67,493)
CANAPE	-	(84,752)	(84,752)
Catchment Partnership	(94,833)	7,335	(87,497)
Total	(1,392,066)	(80,595)	(1,472,661)

5.1 £649,656 of the current reserve balance relates to navigation reserve.

6 Summary

6.1 The current forecast outturn position for the year suggests a deficit of £19,934 for the national park side and a surplus of £81,313 on navigation resulting in an overall surplus of £61,379 within the consolidated budget, which would indicate a general fund reserve balance of approximately £1,022,000 and a navigation reserve balance of approximately £407,000 at the end of 2017/18 before any transfers for interest. This will mean that the navigation reserve will be above the recommended level of 10% of net expenditure during 2017/18.

7 Annual Treasury and Investment Strategy

Overview

- 7.1 The Prudential Code for capital finance in local authorities requires local authorities, including the Broads Authority, to prepare an Annual Investment and Capital Financing (borrowing) Strategy. This strategy must be approved, before the start of each financial year, by the full Authority.
- 7.2 Due to the Authority's purchase of the dredging operation from May Gurney financed by a loan from the Public Works Loan Board, the Annual Treasury, Investment and Capital Financing Strategy needs to take account of the prudential indicators required by the Prudential Code.
- 7.3 The Prudential Code aims to ensure that the capital investment plans are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
- 7.4 The Annual Treasury, Investment and Capital Financing Strategy includes the key prudential indicators that are necessary for an authority that has borrowing. The prudential indicators are designed to support and record local decision making in a manner that is publicly accountable. At the beginning of each year estimates for the prudential indicators are set and agreed by

Members. The actual indicators are then compared to the estimates once the annual accounts are produced in May each year.

Annual Treasury, Investment and Capital Financing Strategy

- 7.5 The Annual Treasury, Investment and Capital Financing Strategy for 2018/19 is attached at Appendix 3, for Members' consideration. A draft has also been reviewed by Financial Scrutiny and Audit Committee on 6 March 2018.
- 7.6 This year sees the inclusion of non-treasury investments following an update to the CIPFA Treasury code of practice. Typically these type of investments include investment properties which are held to earn income. Further details are found in the Treasury Strategy paragraph 2.5 and the Annual Investment Strategy paragraph 6.

Capital Financing

- 7.7 Capital borrowing powers are reviewed on an annual basis as part of the budgeting process. However in practice long term borrowing is limited to the acquisition of the dredging operation from May Gurney.

Financial Implications

- 7.8 There are no additional financial implications for the Authority as a result of this report as the expenditure proposed, including the loan interest and capital repayments to the Public Works Loan Board have been incorporated into approved budgets.

8 Waiver of Standing Orders relating to contracts

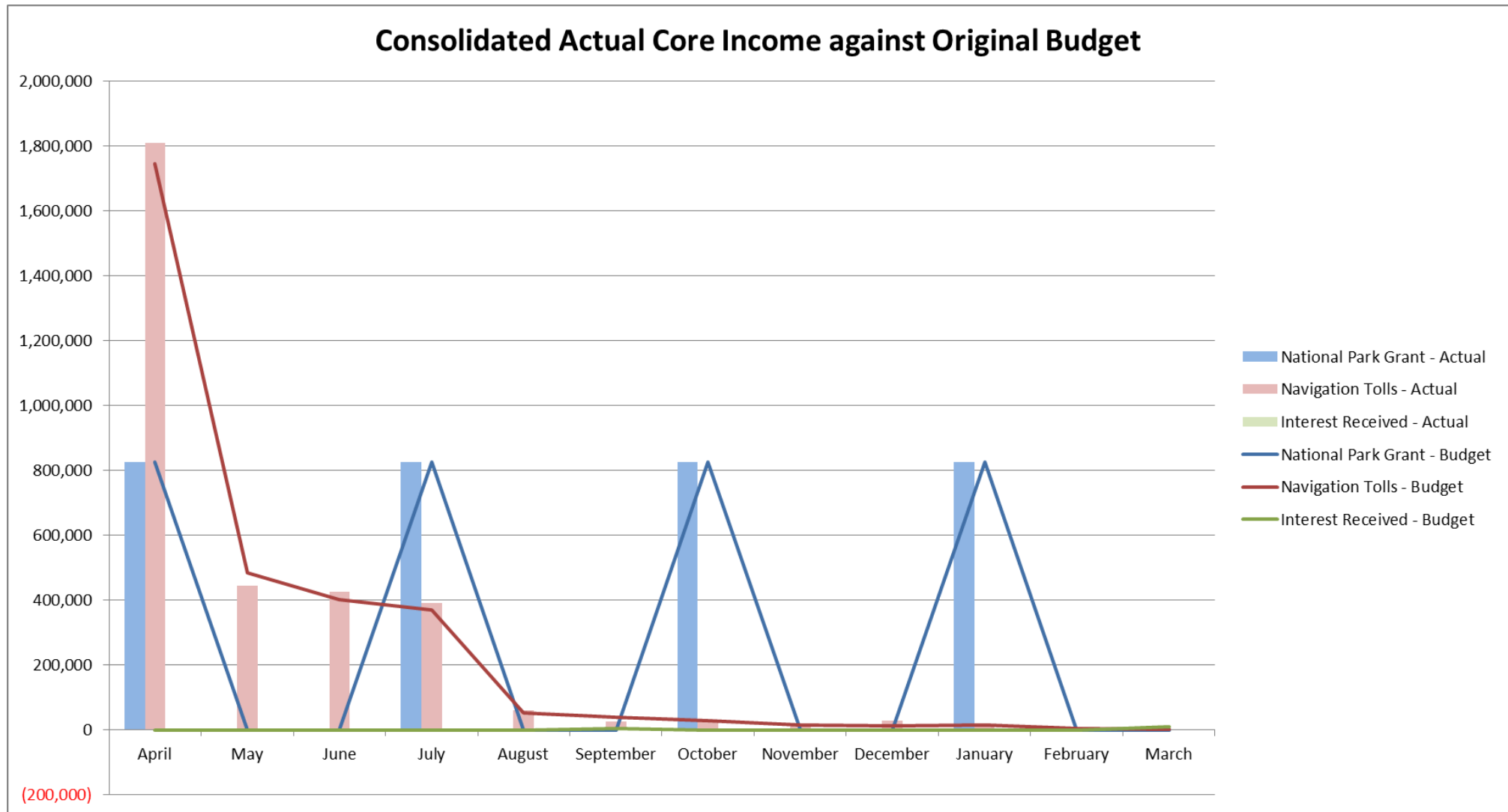
- 8.1 As part of the Discover England Fund bid that National Parks England had successfully won to create and market visitor experiences to the Australian and German travel trade, each of the 9 participating National Parks are looking to appoint a business support consultant to work with local businesses.
- 8.2 It was originally envisaged that the Peak District would undertake the recruitment, selection and contract award to reduce the burdens on the other Parks. However in the case of the Broads only one quote was received from a consultant who had previously worked for the Peak District via an agency. In order to minimise additional agency fees it has been agreed that the Broads contracts directly with the consultant (DB Consulting Solutions) and the costs (£20,000) are recharged to the Peak District. As no other quotes have been received a waiver of standing orders has been considered and approved by the Chief Executive on 2 March 2018 on the grounds "that it is not considered reasonably practicable in the Authority's interest to do so, subject to a report to the Broads Authority".

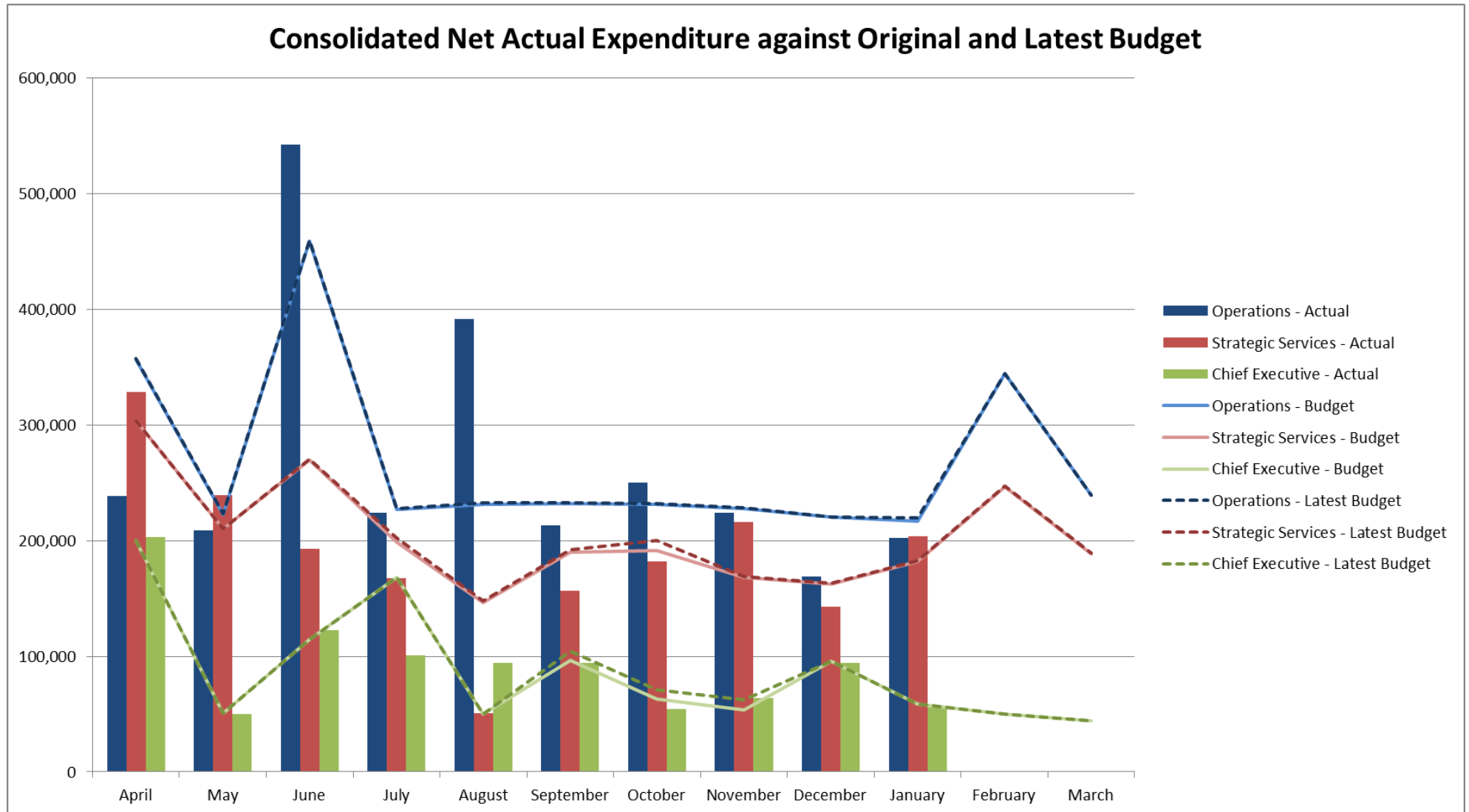
Background papers: None

Author: Emma Krelle
Date of report: 2 March 2018

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 31 January 2018
APPENDIX 2: Financial Monitor: Consolidated Income and Expenditure 2017/18
APPENDIX 3: Treasury and Annual Investment Strategy





To 31 January 2018

Budget Holder (All)

Row Labels	Values				
	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(6,486,595)		(6,486,595)	(6,564,827)	78,232
National Park Grant	(3,299,595)		(3,299,595)	(3,299,595)	0
Income	(3,299,595)		(3,299,595)	(3,299,595)	0
Hire Craft Tolls	(1,073,400)		(1,073,400)	(1,116,132)	42,732
Income	(1,073,400)		(1,073,400)	(1,116,132)	42,732
Private Craft Tolls	(2,040,000)		(2,040,000)	(2,070,500)	30,500
Income	(2,040,000)		(2,040,000)	(2,070,500)	30,500
Short Visit Tolls	(39,800)		(39,800)	(39,800)	0
Income	(39,800)		(39,800)	(39,800)	0
Other Toll Income	(18,800)		(18,800)	(18,800)	0
Income	(18,800)		(18,800)	(18,800)	0
Interest	(15,000)		(15,000)	(20,000)	5,000
Income	(15,000)		(15,000)	(20,000)	5,000
Operations	3,410,265	9,160	3,419,425	3,403,425	16,000
Construction and Maintenance Salaries	1,168,140		1,168,140	1,117,140	51,000
Income	(4,420)		(4,420)	(4,420)	0
Salaries	1,172,560		1,172,560	1,121,560	51,000
Expenditure			0		0
Equipment, Vehicles & Vessels	497,500	4,000	501,500	501,500	0
Income			0		0
Expenditure	497,500	4,000	501,500	501,500	0
Water Management	147,500		147,500	147,500	0
Income			0		0
Expenditure	147,500		147,500	147,500	0
Land Management	(36,000)		(36,000)	(36,000)	0
Income	(90,000)		(90,000)	(90,000)	0

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Expenditure	54,000		54,000	54,000	0
Practical Maintenance	433,200	2,565	435,765	465,765	-30,000
Income	(10,500)		(10,500)	(10,500)	0
Expenditure	443,700	2,565	446,265	476,265	-30,000
Ranger Services	698,790	7,300	706,090	706,090	0
Income	(127,130)		(127,130)	(127,130)	0
Salaries	623,420	7,300	630,720	630,720	0
Expenditure	202,500		202,500	202,500	0
Pension Payments			0		0
Safety	119,590		119,590	126,590	-7,000
Income	(9,000)		(9,000)	(2,000)	-7,000
Salaries	64,090		64,090	64,090	0
Expenditure	64,500		64,500	64,500	0
Volunteers	68,800		68,800	66,800	2,000
Income	(1,000)		(1,000)	(1,000)	0
Salaries	49,800		49,800	49,800	0
Expenditure	20,000		20,000	18,000	2,000
Premises	198,170	(8,650)	189,520	189,520	0
Income	(20,000)		(20,000)	(20,000)	0
Expenditure	218,170	(8,650)	209,520	209,520	0
Operations Management and Administration	114,575	3,945	118,520	118,520	0
Income	(3,465)		(3,465)	(3,465)	0
Salaries	105,540	3,945	109,485	109,485	0
Expenditure	12,500		12,500	12,500	0
Strategic Services	2,206,055	17,380	2,223,435	2,203,955	19,480
Development Management	255,270	2,850	258,120	258,120	0
Income	(80,000)		(80,000)	(80,000)	0
Salaries	308,770		308,770	308,770	0
Expenditure	26,500	2,850	29,350	29,350	0
Pension Payments			0		0
Strategy and Projects Salaries	427,155		427,155	437,745	-10,590

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Income	(3,500)		(3,500)	(14,090)	10,590
Salaries	307,155		307,155	317,745	-10,590
Expenditure	123,500		123,500	134,090	-10,590
Strategy and Projects			0		0
Expenditure			0		0
Biodiversity Strategy	10,000	400	10,400	10,400	0
Income			0		0
Expenditure	10,000	400	10,400	10,400	0
Human Resources	130,590	1,000	131,590	131,590	0
Salaries	71,090		71,090	71,090	0
Expenditure	59,500	1,000	60,500	60,500	0
Waterways and Recreation Strategy	85,920		85,920	85,920	0
Salaries	76,420		76,420	76,420	0
Expenditure	9,500		9,500	9,500	0
Project Funding	105,500		105,500	105,500	0
Income			0		0
Expenditure	105,500		105,500	105,500	0
Pension Payments			0		0
Communications	328,330	13,130	341,460	341,460	0
Income	(4,120)		(4,120)	(4,120)	0
Salaries	257,950		257,950	257,950	0
Expenditure	74,500	13,130	87,630	87,630	0
Pension Payments			0		0
Visitor Centres and Yacht Stations	214,070		214,070	196,070	18,000
Income	(237,500)		(237,500)	(245,000)	7,500
Salaries	319,570		319,570	309,070	10,500
Expenditure	132,000		132,000	132,000	0
Collection of Tolls	128,550		128,550	131,930	-3,380
Salaries	115,850		115,850	119,230	-3,380
Expenditure	12,700		12,700	12,700	0
ICT	304,860		304,860	301,810	3,050

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	181,360		181,360	181,360	0
Expenditure	123,500		123,500	120,450	3,050
Strategic Services Management and Administration	215,810		215,810	203,410	12,400
Income	(1,525)		(1,525)	(1,525)	0
Salaries	142,470		142,470	130,070	12,400
Expenditure	74,865		74,865	74,865	0
Chief Executive	1,045,653	29,705	1,075,358	1,055,858	19,500
Legal	106,980		106,980	106,980	0
Income			0		0
Salaries	46,980		46,980	46,980	0
Expenditure	60,000		60,000	60,000	0
Governance	124,440	25,000	149,440	149,440	0
Salaries	72,540		72,540	72,540	0
Expenditure	51,900	25,000	76,900	76,900	0
Chief Executive	110,970		110,970	110,970	0
Salaries	110,970		110,970	110,970	0
Expenditure			0		0
Asset Management	119,890	4,705	124,595	105,095	19,500
Income	(22,220)		(22,220)	(24,220)	2,000
Salaries	52,360	(3,945)	48,415	48,415	0
Expenditure	89,750	8,650	98,400	80,900	17,500
Finance and Insurance	341,680		341,680	341,680	0
Income	(6,490)		(6,490)	(6,490)	0
Salaries	148,170		148,170	148,170	0
Expenditure	200,000		200,000	200,000	0
Premises - Head Office	241,693		241,693	241,693	0
Income			0		0
Expenditure	241,693		241,693	241,693	0
Projects and Corporate Items	126,800		126,800	159,490	-32,690
Partnerships / HLF	50,000		50,000	97,690	-47,690
Income	(45,736)		(45,736)	(56,096)	10,360

Row Labels	Original Budget (Consolidated)	Budget Adjustments (Consolidated)	Latest Available Budget (Consolidated)	Forecast Outturn (Consolidated)	Forecast Outturn Variance (Consolidated)
Salaries	23,945		23,945	34,305	-10,360
Expenditure	71,791		71,791	119,481	-47,690
Corporate Items	76,800		76,800	61,800	15,000
Expenditure	16,800		16,800	1,800	15,000
Pension Payments	60,000		60,000	60,000	0
Contributions from Earmarked Reserves	(261,000)	0	(261,000)	(319,280)	58,280
Earmarked Reserves	(261,000)	0	(261,000)	(319,280)	58,280
Expenditure	(261,000)	0	(261,000)	(319,280)	58,280
Grand Total	41,178	56,245	97,423	(61,379)	158,802

Treasury Strategy

1. Introduction

- 1.1. Both CIPFA's Treasury Management Code of Practice (2017 Edition) and the Prudential Code requires the Authority to produce a strategy which explains the Authority's borrowing and investment activities and the effective management and control of those risks. This strategy seeks to incorporate the best practice recommendations from this guidance whilst also bearing in mind the Guidance for Smaller Public Service Organisations (2014 Edition).

2. Treasury Management Policy Statement

- 2.1. The Authority defines its treasury management activities as:

- 2.1.1. The Management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; the pursuit of optimum performance consistent with those risks and any financial instruments entered into to manage these risks.

- 2.1.2. The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- 2.1.3. The Authority acknowledges that effective treasury management will provide support towards the achievement of its strategic objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

2.2. Borrowing Principles

- 2.2.1. The Authority intends to fund all of its capital expenditure from either its earmarked reserves, capital receipts or from its revenue accounts. However if any of those accounts hold insufficient funds borrowing may be considered.

- 2.2.2. The Authority currently has one long term loan from the Public Works Loan Board that was utilised to purchase the dredging operation from May Gurney in November 2007 for £290,000. This is to be paid over a 20 year period at a fixed interest rate of 4.82%. Repayments are incorporated into the revenue budget.

- 2.2.3. The Authority also has the option to enter into finance leases to purchase capital items. Typically this has included the purchase of large pieces of equipment such as the JCB, the Doosan excavator and the concrete pump. International Financial Reporting Standards include these types of leases as borrowing due to the risk and reward of the asset transferring to the Authority.

- 2.2.4. If additional borrowing was deemed necessary following committee consultation then the Authority would need to minimise the costs to the revenue budgets including future year repayments and undertake new borrowing at the cheapest cost.

2.3. Investment Principles

2.3.1. The Authority's main objective is the prudent investment of its treasury balances. The main priorities are the security of capital and the liquidity of its investments. It will be only after these have been satisfied that it will aim to achieve optimum return on its investments. The Authority will not engage in borrowing purely to invest or to on-lend to make a return. Such activity is considered unlawful.

2.4. Treasury Management Practices

2.4.1. Risk Management

2.4.1.1. The Authority adopts a low risk appetite to its treasury management but is not totally risk averse. It will invest with other institutions with appropriate credit ratings rather than just making use of government deposits. If additional borrowing should be required it will seek to borrow on a fixed rate basis to build in assurance for future year liabilities.

2.4.1.2. As part of the Authority's strategic risk register risks are monitored and managed on a regular basis. This includes investment risks. These are reported at least twice a year to the Financial Scrutiny and Audit Committee. Responsible Officers review these throughout the year and are discussed at Management Forum.

2.4.1.3. Risks specific to treasury management include:

2.4.1.3.1. *Credit and Counterparty*

The main objective of the Authority is to secure the principal sum it invests and therefore takes a prudent approach as to whom it invests funds with. This is limited to organisations who meet minimum criteria and is covered in more detail within the investment strategy. The Authority also faces this risk through the default of its debtors. Payment terms are limited to 30 days or where appropriate payment is asked for in advance. Corrective action is taken as required to secure outstanding debts. Bad debts are kept to a minimum.

2.4.1.3.2. *Liquidity*

The Authority will maintain adequate cash balances and borrowing arrangements to enable it to achieve its strategic objectives. The Authority will only borrow in advance of need where there is a clear business case to do so and will only do so for the current capital programme. Debt repayments are included in the annual revenue budget.

2.4.1.3.3. *Interest rate*

The Authority will manage its exposure to fluctuations to interest rate risks in line with its budgets. It will achieve this through the prudent use of its approved instruments, methods and techniques to create stability and certainty of costs and revenues, whilst remaining sufficient flexibility to take advantage of unexpected changes to interest rates. The Authority will limit fixed term deposits to a period of no longer than one year to limit risks to liquidity.

2.4.1.3.4. *Exchange rate*

The Authority will manage its exposure to fluctuations in exchange rates to minimise any impact on its budgeted income/expenditure levels. External advice will be sought to manage this in the most appropriate way as it could have a significant impact; this is particularly important in regards to EU grants.

2.4.1.3.5. *Inflation*

The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.

2.4.1.3.6. *Re-financing*

If the Authority was in a position to re-finance its borrowing it will ensure that such arrangements are negotiated, structured and documented and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or re-financing. These will be competitive and as favourable to the organisation that can be reasonably achieved in the light of market conditions at the time. It will manage its relationships with its counterparties to secure this objective and will avoid the over reliance on any one source of funding if this might jeopardise achievement of the above.

2.4.1.3.7. *Legal and regulatory*

The Authority will ensure all of its treasury management activities comply with its statutory powers and regulatory requirements. The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as reasonable to do so, will seek to minimise any adverse risks.

2.4.1.3.8. *Fraud, error and corruption, and contingency management*

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error or corruption. It will employ suitable systems and procedures to ensure segregation of duties, and will maintain effective contingency management arrangements to do so. In addition the Authority holds Fidelity Guarantee Insurance with Zurich Municipal as part of its overall insurance management arrangements.

2.4.1.3.9. *Price*

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from such fluctuations.

2.4.2. Performance Measurement

2.4.2.1. Treasury management will be subject to regular review of its value for money and if other alternative methods of delivery will become more appropriate. The Financial Scrutiny and Audit Committee will receive reports twice a year detailing performance. It will also review the Treasury Strategy prior to the Authority meeting which remains responsible for its adoption. Further details of those performance measures are included within the Investment Strategy.

2.4.3. Decision making and analysis

2.4.3.1. The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of

learning from the past, and for demonstrating that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account at that time.

2.4.4. Approved Instruments, methods and techniques

2.4.4.1. The Authority will undertake its treasury management activities by employing instruments, methods and techniques as detailed in the Investment Strategy.

2.4.5. Organisation, clarity & segregation of responsibilities, and dealing arrangements

2.4.5.1. In order for there to be effective control and risk management it is essential that there is clear segregation of duties. This will be subject to regular review by Internal Audit as part of its key control test. If at any time there is a lack of resources that does not allow this, it will be reported to the Financial Scrutiny and Audit Committee. Such duties are detailed in the Finance department's job descriptions and are reviewed annually.

2.4.5.2. The Chief Financial Officer is responsible for the development of the strategy, whilst cash flow monitoring is undertaken by the Senior Finance Assistant and reviewed by the Financial Accountant. The Chief Financial Officer will remain responsible for identifying appropriate counter parties in line with agreed criteria. Funds to be transferred will be carried out by the Senior Finance Assistant and Financial Accountant following approval by the Chief Financial Officer. All funds will be automatically transferred back into the Authority's main bank account.

2.4.6. Reporting requirements and management information

2.4.6.1. The Chief Financial Officer will prepare regular reports for consideration on the implementation of its policies, decisions taken and transactions executed. The reports will also consider the impact of any changes on the budget or other regulatory, economic and market factors.

2.4.6.2. The Full Authority will receive an annual report on the strategy and the plan for the coming year. The Financial Scrutiny and Audit Committee will review this strategy and receive a mid year review and an annual report on activity over the last year. Any impact on investment income will be reported throughout the year to the Full Authority as part of its Finance Performance and Direction reports.

2.4.7. Budgeting, accounting and audit arrangements

2.4.7.1. The Chief Financial Officer will prepare the annual budget which will include the costs of the treasury function as well as the investment income as deemed by statute and regulation. The Chief Financial Officer will be responsible for exercising control over these items and will report any changes as required as detailed above.

2.4.8. Cash and cash flow management

2.4.8.1. The Chief Financial Officer will be responsible for all monies in the hands of the Authority and will be reviewed for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis to ensure that liquidity risk is monitored. This will be undertaken on a weekly basis by the Senior Finance Assistant and reviewed by the Financial Accountant. This weekly forecast will also look at predictions for

the current month. Annual cash flow predictions will be prepared by the Chief Financial Officer following preparation of the annual budget.

2.4.9. Money laundering

2.4.9.1. The Authority is aware that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Further details can be found in the Authority's Counter Fraud, Bribery and Corruption policy and its Financial Regulations. Copies are available to all staff on the Intranet.

2.4.10. Training and qualifications

2.4.10.1. The Authority recognises the importance of ensuring that all staff involved in the treasury management are equipped to undertake the duties and responsibilities allocated to them. Recruitment of vacant posts will reflect this position and training opportunities will be identified through the annual Individual Performance Review (IPR).

2.4.10.2. The Chief Financial Officer will ensure that the Financial Scrutiny and Audit Committee who have treasury management/scrutiny responsibilities have access to training relevant to their needs and responsibilities.

2.4.11. Use of External providers

2.4.11.1. The Authority recognises that responsibility for treasury management decisions remain with the Authority at all times. It recognises that there may be value in employing external providers in order to access specialist skills and resources. However the use of external providers is not currently used based on the Authority's limited amount of surplus funds and the costs associated. If this position changed it would ensure a full evaluation had been undertaken as to the costs and benefits through the Authority's Standing Orders.

2.4.12. Corporate Governance

2.4.12.1. Treasury Management activities will be undertaken with openness and transparency, honesty, integrity and accountability. This together with the other arrangements detailed in the Investment Strategy are considered vital to the achievement of proper corporate governance in treasury management. The Chief Financial Officer will monitor and report upon the effectiveness of these arrangements.

2.5. Management Practices for Non-Treasury Investments

2.5.1. The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

2.5.2. The Authority will ensure that all investments are covered in the investment strategy, and will set out, where relevant, the Authority's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. A schedule of these types of investments will be included.

Annual Investment Strategy 2018/19

1. This strategy builds on those principles and practices as laid out in the Treasury Management Strategy. It continues to give priority to the security of capital and liquidity before returns are considered.

1.1. The Authority will continue to invest in Sterling.

2. **Specified Investment**

2.1. These investments are made in Sterling and have a duration of 1 year or less. Typically these are low risk investments due to being made with high credit rating bodies, examples include:

- UK government or local authorities;
- UK/European banks and building societies
- Money Market funds (AAA rated by credit rating agency)
- Debt Management Agency deposit facility

2.1.1. This list is not exhaustive but highlights where the Authority is most likely to place its funds.

2.1.2. To mitigate against the risks of credit and counterparty the Authority will only seek investments with bodies that have at least a short term rating of F-1 as stated by Fitch credit ratings.

2.1.3. The Authority will monitor these ratings monthly through online credit watches and use these to determine any new investments. This may mean those failing to meet the criteria will be removed from the list, whilst those new counterparties who do may be added. Other market information including the financial press will be monitored.

3. **Non Specified Investments**

3.1. These investments tend to be any other type of permitted investment which have durations of more than a year. This also includes equity-type investments. At this point the Authority does not consider these types of investments as appropriate but may do so in the future if surplus funds permit.

3.2. Longer term investments will only be considered with those institutions that have a Fitch credit rating of A (+/-).

3.3. The Authority will seek proper advice and will consider that advice when entering into arrangements on derivatives to ensure that it fully understands those products.

4. **Liquidity**

4.1. The Authority will seek to spread its investments to avoid over reliance on one institution. This is currently split between the Authority's current account provider (Barclays) and fixed term deposits with Lloyds. Funds held at Barclays are automatically swept each day into its Business Premium Account that pays a small amount of interest. This facility is instant access. Based on its cash flow forecasts the Authority anticipates that its cash balances will range between £2.5m and £4m.

4.2. Current Holdings as at 02/03/18

Counterparty	Holding/Investment	Interest Rate	Investment Date	Maturity Date
Lloyds Fixed Term	1,000,000	0.8%	02/03/18	01/03/19
Lloyds Fixed Term	1,000,000	0.65%	05/09/17	04/09/18
Barclays Notice Account	500,000	Base rate +	95 days notice	

		0.25%	
Barclays Premium Account	1,289,000	0.4%	Instant access

5. Capital Financing (Borrowing) Principles

5.1. The following table shows the current forecast for capital expenditure for the next three years. Commentary is also provided below.

Prudential indicator	2018/19	2019/20	2020/21
Estimate of capital expenditure	£200,000	£200,000	£200,000
Authorised limit for external debt	£500,000	£500,000	£500,000
Operational Boundary	£400,000	£400,000	£400,000

5.2. The use of reserves to finance capital expenditure will have an impact on level of investments. However budgeted contributions to earmarked reserves should mitigate this as well as the sale of assets. The table below shows estimates of year end balances for each resource.

Estimated Year-End reserves	2018/19	2019/20	2020/21
General and Navigation Reserves	£1,250,000	£1,227,000	£1,254,000
Earmarked reserves	£1,665,000	£1,944,000	£2,290,000
Total Investments 31 March	£2,915,000	£3,171,000	£3,544,000

5.3. Affordability

5.3.1. The prudential code indicator for affordability asks the Authority to estimate the ratio of financing costs to net revenue stream. However as the only current borrowing was to finance the acquisition of the dredging operation from May Gurney, the financing costs have a zero effect on the bottom line of navigation income and expenditure as the dredging operation (financing costs and ongoing running cost including any additional capital expenditure) are less than or equal to the cost paid to contract out to May Gurney in the past. It is therefore felt that this indicator is not appropriate for use by the Authority in this instance.

5.4. External Debt

5.4.1. Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objective of ensuring that external debt is kept within sustainable, prudent limits is addressed year on year.

5.4.2. Therefore, the Authority will at this time only borrow to finance the capital expenditure incurred on the acquisition of the dredging operation from May Gurney.

5.5. Authorised limit

5.5.1. The Authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, separately identifying borrowing from other long term liabilities (excluding pension liability and government grants deferred). It should be noted that the Authority does not have any other long term liabilities at present or plans to have any in the future. This prudential indicator is referred to as the authorised limit and is shown in the table above.

5.6. Operational Boundary

5.6.1. The Authority will set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt. This Prudential indicator is referred to as the operational boundary and is shown in the table above. The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case, scenario.

5.7. Capital expenditure

5.7.1. The Authority will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. This Prudential indicator will be referred to as estimate of capital expenditure and is included in the table above.

5.8. Treasury Management

5.8.1. The Prudential Code requires authorities to set upper limits for its exposure to the effects of changes in interest rates. However, as explained above under paragraph 5.3.1, the current borrowing costs will not be an additional cost to the Authority. The Authority has borrowed at a fixed interest rate, thus reducing its exposure to changes in interest rates. This Prudential indicator is therefore not considered necessary in this instance.

5.8.2. There remains a small risk to the Authority in using fixed term deposits that interest rates may increase in the short term. However given the historic low interest rates on offer following the financial crisis any increase in rates is likely to be slow. By minimising fixed term deposits to a minimum of 1 year and staggering them it will allow the Authority to take advantage of any increase as funds become available for re-investment. Funds in instant access will be able to take advantage of any increase in rates.

5.9. Maturity structure of borrowing

5.9.1. The Prudential Code requires authorities to set upper and lower limits with respect to the maturity structure of its borrowing. However as the Authority only has a single loan this indicator is not considered relevant.

6. Non-Treasury Investments

6.1. The schedule below provides details of the non-treasury investments the Authority currently holds:

Classification	Investment	Details
Investment Property	Ludham Fieldbase	Previously an operational base which was reclassified following reorganisation in 2013. Subsequently held to achieve rental income which has seen limited success following the specialist nature of the property and its location. This has led to the Authority agreeing to dispose of the property and holding it for sale.

7. End of Year Investment and Capital Financing Report

7.1. The Authority will provide a report on its investments and capital financing activity at the end of the financial year, as part of its final accounts reporting procedure.