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**TREASURY OPERATIONS MID-YEAR REVIEW**

Committee: Finance & Assets Committee

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1.0 **ISSUE**

- 1.1 To provide Members with an update on the Council's 2019/20 Treasury Management Strategy Statement.

2.0 **RECOMMENDATIONS**

Members are asked to recommend to Full Council that the mid-year review of the Council's Treasury Management Strategy for 2019/20, as set out in Appendix 1, be noted.

3.0 **BACKGROUND**

- 3.1 The Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) Revised Code of Practice on Treasury Management requires Councils to adopt the revised Code and fully comply with its requirements.
- 3.2 This report complies with the requirement for a mid-year review.
- 3.3 The size of the Council's investment portfolio is relatively small meaning that investment decisions are made so liquidity and cash flow requirements are the priority focus, this rather than returns. Despite this position, opportunities for proactive investment decisions are taken where appropriate.
- 3.4 The loan that the Council has made to East Cambs Trading Company (ECTC) is not technically an investment, but is included in this report for completeness. ECTC is paying a commercial rate on its loan from the Council – this to avoid breaking State-aid rules.
- 3.5 The Council's 2019/20 Treasury Management Strategy and budget detailed an expected return on investments of £8,000, with then a further £285,934 from interest payments on the loan to ECTC.

#### **4.0 INTEREST RECEIPTS**

- 4.1 During 2019/20 the Council has operated within its approved treasury limits and Prudential Indicators, no changes have been made to the counterparty values detailed in the Annual Treasury Management Strategy.
- 4.2 The interest receipts generated on investments to the end of September 2019 were £32,809. The average return on investments on this date being 0.74%. This is above the benchmark overnight LIBID (London Inter-Bank Bid Rate) of 0.54%. The expected return on investments for the year will be significantly in excess of the budget.
- 4.4 As at 30th September 2019, the Council had cash investments of £12.95 million (£7.95 million 2018), with a further £4.62 million (£4.62 million 2018) loan to ECTC, details of these investments are included in Appendix 1.
- 4.5 While the loan to the Company is not specifically an investment, it is generating the Council interest receipts, £120,911 up until 30<sup>th</sup> September 2019. This is however lower than budgeted as the Company has not needed to drawdown as much of the funding made available to it by the Council as forecast when preparing the budget.
- 4.6 In total, the combination of interest receipts on both general investments and the loan to ECTC, are forecast to come in on budget at yearend.
- 4.6 Interest rates on offer to the Council from Money Market Investment Deposit Accounts remain very low and at times it has been decided to retain money within the Council's Corporate Cash Manager Plus Account with NatWest, rather than invest relatively small amounts overnight as the transaction costs of moving the money would be greater than the interest earned. This approach complies with the Treasury Management Strategy.

#### **5.0 INTEREST PAYMENTS**

- 5.1 The Council has remained external debt free during the first six months of the financial year, and with the healthy cash balance at the end of September, it is expected to remain so for much of the remainder of the year. It is therefore expected that a saving of £70,000 compared to the original budget for external debt interest will be achieved in year.

#### **6.0 CONCLUSIONS**

- 6.1 The Council's Treasury Management Strategy, as approved on 21<sup>st</sup> February 2019, continues to offer the Council the best approach to Treasury Management and the policies contained within it will continue to be followed for the remainder of the financial year.

## **7.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT**

- 7.1 It is now anticipated that a saving will be made on interest payments in relation to external borrowing of around £70,000, compared to the budgeted amount.
- 7.2 An Equality Impact Assessment is not required.

## **8.0 APPENDICES**

- 8.1 Appendix 1: Mid-Year Review

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BACKGROUND DOCUMENTS	LOCATION	CONTACT OFFICER
Treasury Management Strategy as approved by Council on 21 <sup>st</sup> February 2019	Room 104 The Grange Ely	Ian Smith (01353) 616470 E-mail: <a href="mailto:ian.smith@eastcambs.gov.uk">ian.smith@eastcambs.gov.uk</a>
Link Asset Services Revised Interest Rate Forecast		