
TREASURY OPERATIONS MID-YEAR REVIEW

Committee: Finance & Assets Committee

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[V112]

1.0 **ISSUE**

- 1.1 To provide Members with an update on the Council's 2020/21 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 2020/21, 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 2020/21 Treasury Management Strategy and budget detailed an expected return on investments of £50,000, with then a further £167,040 from interest payments on the loan to ECTC.

4.0 INTEREST RECEIPTS

- 4.1 During 2020/21 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 2020 were £16,442. This is below that forecast in the budget, but reflects the very low returns on cash investments, especially since the Bank of England reduced the base rate to only 0.1%. The average return on investments on 30th September 2020 was 0.04%, this is above the benchmark 7 day LIBID (London Inter-Bank Bid Rate) which was in negative territory at -0.07%
- 4.3 As at 30th September 2020, the Council had cash investments of £19.60 million (£12.95 million 2019), with a further £5.07 million (£4.62 million 2019) loan to ECTC, details of these investments are included in Appendix 1.
- 4.4 While the loan to the Company is not specifically an investment, it is generating the Council interest receipts, £117,476 up until 30th September 2020. This is significantly above that budget set at the start of the year as the Company has not been able to repay the loan to the timescale reflected in its original business plan during the early part of the year. ECTC has now produced an up-dated business plan to reflect the implications of the Covid-19 pandemic on its cashflows, which will provide the Council with greater interest receipts in this and future years.
- 4.5 In total, the combination of interest receipts on both general investments and the loan to ECTC, are forecast to come in around £43,000 above budget at yearend.
- 4.6 Interest rates on offer to the Council from Money Market Investment Deposit Accounts or fixed term deposits remain extremely 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 the remainder of the year. It is therefore expected that a saving of £15,000, the full value of the external debt interest budget, will be achieved at yearend.

6.0 CONCLUSIONS

- 6.1 The Council's Treasury Management Strategy, as approved on 20th February 2020, 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 & CARBON IMPACT ASSESSMENTS

- 7.1 It is now anticipated that the Treasury Management function will provide a saving of £58,000 when compared to the budgeted amount.
- 7.2 An Equality Impact Assessment is not required.
- 7.3 A Carbon Impact Assessment (CIA) is not required.

8.0 APPENDICES

- 8.1 Appendix 1: Mid-Year Review

BACKGROUND DOCUMENTS	LOCATION	CONTACT OFFICER
Treasury Management Strategy as approved by Council on 20 th February 2020	Room 104 The Grange Ely	Ian Smith (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk
Link Asset Services Revised Interest Rate Forecast		