
TREASURY OPERATIONS MID YEAR REVIEW

Committee: Corporate Governance & Finance Committee

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[R143]

1.0 **ISSUE**

1.1 To provide Members with an update on the Council's current 2016/17 Treasury position.

2.0 **RECOMMENDATION**

2.1 That Members note the mid-year review of the Council's Treasury Management Strategy for 2016/17, as set out in Appendices 1 and 2.

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 Council's 2016/17 Treasury Management Strategy is based on expected return on investments of £100,000.

3.4 The Council's treasury advisors, Capita Asset Services, undertook a quarterly review of its interest rate forecasts after the Monetary Policy Committee (MPC) meeting of 4th August, cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end

3.5 The interest receipts generated on the investments to the end of September 2016 was £59,666 against an original budget of £50,000 producing an average return on investments of 0.54%. This is above the benchmark 6 month LIBID (London Inter-Bank Bid Rate) of 0.52%. The expected return on investments for the year continues to be forecast at £100,000. As at the 30th September the return on investment was £10,000 over budget.

- 3.6 The Strategy approved by Council in February and June 2016, enabled investments to be consolidated in larger, highly rated institutions, generally offering higher interest rates.
- 3.7 The size of the Council's investment portfolio is relatively small meaning that investment decisions are made so liquidity, cash flow requirements, are the priority focus, this rather than returns. Despite this position, opportunities for proactive investment decisions are taken where appropriate.
- 3.8 During 2016/17 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.
- 3.9 As at 30th September 2016, the Council had investments of £23.5 million, details of these investments are included in Appendix 2
- 3.10 The current investment rates on offer to the Council are:
- ✓ Fixed term deposits – 0.55% to 0.75%
 - ✓ Money market deposits – 0.25% to 0.30%
 - ✓ Notice/Deposit accounts – 0.0% to 0.1%
- 3.11 Interest rates on offer to the Council from some Money Market Deposits, has at times been lower than the Council's Corporate Cash Manager Plus with Natwest. To maximise the interest receipts generated on investments, balances in the Natwest Sweep account have therefore been higher than in previous years. This approach complies with the Treasury Management Strategy.
- 3.12 Whilst economic growth improved in the final quarter of 2015 this improvement fell back during quarter 1 of 2016. During quarter 2 growth bounced back.
- 3.13 The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and into 2017
- 3.14 The decision to proceed with the Leisure Centre was confirmed by Council on 28th June 2016. The timeline for the build shows that cash will be required from Quarter 3 in 2016/17 until quarter 4 2017/18 with a targeted opening date early in 2018. The Funding Strategy for the Leisure Centre shows that it will be funded by a grant from Sport England, CIL and Council internal cash balances; with the operator profit providing funding to repay the Council's internal borrowing over time.

3.15 Following the decision to proceed with the Leisure Centre, Council agreed the Revised Treasury Management Strategy Statement on 28th June 2016.

3.16 The Local Authority Trading Company (LATC) began trading in April 2016. The timeline for the building projects shows a potential maximum loan requirement of £5 million. The peak in borrowing is projected during 2017/2018. The LATC will be required to pay a commercial interest rate and also repay the loan the Council makes available to it within the five year period.

4.0 **CONCLUSIONS**

4.1 The Council's Treasury Management Strategy, as approved on 28th June 2016, continues to offer the Council the best approach to Treasury Management and the policies contained within it will continue to be followed in the remainder of the financial year.

5.0 **FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT**

5.1 The cost of managing the treasury activity and the estimated income generated have not changed from the Annual Treasury Management Strategy.

5.2 An Equality Impact Assessment is not required.

6.0 **APPENDICES**

6.1 Appendix 1: Mid Year Review
Appendix 2: Current Investments

BACKGROUND DOCUMENTS

Corporate Governance &
Finance Committee 28th
June 2016

Capita Asset Services
Revised Interest Rate
Forecast
Treasury Register

LOCATION

Room 204
The Grange
Ely

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