
TREASURY OPERATIONS MID-YEAR REVIEW

Committee: Resources & Finance Committee

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[S180]

1.0 ISSUE

- 1.1 To provide Members with an update on the Council's current 2017/18 Treasury position.

2.0 RECOMMENDATIONS

- 2.1 Members are asked to
- 2.2 Note the mid-year review of the Council's Treasury Management Strategy for 2017/18, as set out in Appendix 1.
- 2.3 To approve an increase in the authorised limit for external debt to £10,000,000.

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 Council's 2017/18 Treasury Management Strategy is based on an expected return on investments of £100,000.
- 3.5 East Cambs Trading Company is paying a commercial rate on its loan from the Council – this to avoid breaking State-aid rules.

4.0 ARGUEMENTS

- 4.1 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 3rd August, kept Bank Rate at 0.25% and gave forward guidance that it expected the Bank Rate to be at this rate till the end of the year. This report is based on that information, i.e. that in place at the end of September 2017. However, as members will be aware, the Bank Rate was increased to 0.5% by the Monetary Policy Committee in November 2017.
- 4.2 The interest receipts generated on investments to the end of September 2017 was £68,957 producing an average return on investments of 0.37%. This is above the benchmark 6 month LIBID (London Inter-Bank Bid Rate) of 0.32%. The expected return on investments for the year is now expected to be in excess of the budgeted forecast and with the borrowing to the Company generating significant receipts, total receipts of £150,000 are now expected.
- 4.3 During 2017/18 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.
- 4.4 As at 30th September 2017, the Council had cash investments of £17.2 million, with a further £1.9 million investment in East Cambs Trading Company, details of these investments are included in Appendix 3.
- 4.5 Interest rates on offer to the Council from Money Market Investment Deposit Account 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 additional income received. This approach complies with the Treasury Management Strategy.
- 4.6 The Council is very likely to require to borrow externally before the end of the year, this as a result of the additional funding required by East Cambs Trading Company and the need to buy Waste Service fleet in advance of the 1st April 2018. It is therefore felt appropriate to increase the authorised limit for external debt from the £5,000,000 in the original Treasury Management Strategy to £10,000,000 moving forward this to ensure that flexibility is maintained in order to implement the Corporate Plan. As with the current plan, this external borrowing figure provides a maximum limit of borrowing and it remains the case that no external borrowing will be undertaken unless it provides the Council with the best possible value for money.

5.0 CONCLUSIONS

- 5.1 The Council's Treasury Management Strategy, as approved on 23rd February 2017, 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, with one change being requested with regard to the external debt limit as in 4.6 above.

6.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT

- 6.1 The cost of managing the treasury activity has not changed from the Annual Treasury Management Strategy, but it is now anticipated that additional interest receipts of £50,000 will be generated, compared to the amount originally budgeted.
- 6.2 An Equality Impact Assessment is not required.

7.0 APPENDICES

- 7.1 Appendix 1: Mid-Year Review

BACKGROUND DOCUMENTS

Treasury Management
Strategy as approved by
Council on 23rd February
2017

LOCATION

Room 204
The Grange
Ely

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Capita Asset Services
Revised Interest Rate
Forecast