
TREASURY OPERATIONS MID-YEAR REVIEW

Committee: Finance & Assets Committee

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[W110]

1.0 **ISSUE**

1.1 To provide Members with an update on the Council's 2021/22 Treasury Management Strategy.

2.0 **RECOMMENDATION**

2.1 Members are asked to recommend to Full Council that the mid-year review of the Council's Treasury Management Strategy for 2021/22, 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 and often short-term 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 of interest on its loan from the Council – this to avoid breaking State-Aid rules.

3.5 The Council's 2021/22 Treasury Management Strategy and budget detailed an expected return on investments of £10,877, with then a further £110,800 from interest payments on the loan to ECTC.

4.0 INTEREST RECEIPTS

- 4.1 During 2021/22 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 2021 were £11,184. This is above that forecast in the budget and reflects the higher than expected level of cash that the Council is currently holding. The average return on investments on 30th September 2021 was 0.06%, this is above the benchmark 7 day LIBID (London Inter-Bank Bid Rate) which was in negative territory at -0.08%
- 4.4 As at 30th September 2021, the Council had cash investments of £31.99 million (£19.60 million 2020), with a further £4.9 million (£5.07 million 2020) 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, £85,632 up until 30th September 2021. This is above the budget set at the start of the year as the Company drawdown the full value of the approved loan on the 31st March 2021 and has held this throughout the first six-months of the year.
- 4.6 In total, the combination of interest receipts on both general investments and the loan to ECTC, are forecast to come in around £52,500 above budget at yearend.
- 4.7 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.

6.0 CONCLUSIONS

- 6.1 The Council's Treasury Management Strategy, as approved on 23rd February 2021, 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 additional income of £52,500 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 Report 2021/22

| BACKGROUND DOCUMENTS | LOCATION | CONTACT OFFICER |
|---|-------------------------------|---|
| Treasury Management Strategy as approved by Council on 23 rd February 2021 | Room 104 The Grange Ely | Ian Smith (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk |
| Link Asset Services Revised Interest Rate Forecast | | |