
TREASURY OPERATIONS MID-YEAR REVIEW

Committee: Resources & Finance Committee

Date: 29th November 2018

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[T139]

1.0 **ISSUE**

1.1 To provide Members with an update on the Council's 2018/19 Treasury Management Strategy Statement.

2.0 **RECOMMENDATIONS**

2.1 Members are asked to recommend to Full Council:

- That the mid-year review of the Council's Treasury Management Strategy for 2018/19, as set out in Appendix 1, be noted.
- That the use of Money Market Funds (LVNAV) funds be authorised, as detailed in paragraph 4.2.

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 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 2018/19 Treasury Management Strategy and budget detailed an expected return on investments of £12,100, with then a further £235,000 from interest payments on the loan to ECTC.

4.0 **ARGUMENTS**

4.1 During 2018/19 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 However, the Money Markets Fund sector is now in the final stages of introducing new regulations. These will see existing non-government Constant Asset Value (CNAV) funds converted to Low Volatility Net Asset Value (LVNAV) pricing. This new "title" for these investments is not included in our current TMSS and as such, this needs to be added to the authorised specified investments as detailed on page 25 of the original TMSS. It is proposed that the limit for such institutions will be £5 million in line with other Money Market funds.

4.3 The interest receipts generated on investments to the end of September 2018 were £17,916. The average return on investments on this date being 0.62%. This is above the benchmark overnight LIBID (London Inter-Bank Bid Rate) of 0.57%. The expected return on investments and loans for the year will be in excess of the budgeted forecast and with the loan to the Company generating significant interest receipts (£126,263 up until 30th September 2018), total receipts of £267,000 are now expected.

4.4 As at 30th September 2018, the Council had cash investments of £7.95 million (£17.2 million 2017), with a further £4.62 million (£1.9 million 2017) loan to East Cambs Trading Company, details of these investments are included in Appendix 1.

4.5 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 **CONCLUSIONS**

5.1 The Council's Treasury Management Strategy, as approved on 22nd February 2018, 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, subject to the one proposed change as detailed in Paragraph 4.2.

6.0 **FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT**

6.1 It is now anticipated that additional interest receipts of around £20,000 will be generated, compared to the amount 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 22nd February
2018

LOCATION

Room 204
The Grange
Ely

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Link Asset Services
Revised Interest Rate
Forecast