
TREASURY OPERATIONS MID-YEAR REVIEW

Committee: Finance & Assets Committee

Date: 24th November 2022

Author: Director, Finance

[X110]

1.0 **ISSUE**

1.1 To provide Members with an update on the Council's 2022/23 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 2022/23, 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 covering 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 2022/23 Treasury Management Strategy and budget detailed an expected return on investments of £38,644, with then a further £154,350 of interest on the loan to ECTC.

4.0 INTEREST RECEIPTS

- 4.1 During 2022/23 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 Interest rates on offer to the Council from Money Market Investment Deposit Accounts or fixed term deposits have increased significantly during the year, from almost zero at the start of the year to, on average, 1.87% on the 30th September 2022. The interest receipts generated on these investments to the end of September 2022 were £132,473 significantly above that forecast in the budget.
- 4.4 As at 30th September 2022, the Council had cash investments of £37.563 million (£31.99 million 2021), details of these investments are included in Appendix 1. With a further £4.9 million (£4.9 million 2021) loan to ECTC.
- 4.5 While the loan to the Company is not specifically an investment, it generated the Council interest receipts, £93,234 up until 30th September 2022. This is above the budget set at the start of the year as the Company refinanced in early 2023/24, Council decision of the 21st April 2022, at which point the interest rate on the new loan was set at 4.5%, this compared to 3.5% on the previous loans.
- 4.6 In total, the combination of interest receipts on both general investments and the loan to ECTC, are forecast to come in around £326,000 above budget at yearend.

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 22nd February 2022, 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.
- 6.2 It should be noted that the economic and interest rate forecasts detailed in appendix 1 were those in place as at the 30th September 2022. With the recent changes to the economic outlook triggered by the new Prime Minister, things have clearly moved on, but these reflect a point in time in line with the drafting of the report.

7.0 **FINANCIAL IMPLICATIONS / EQUALITY & CARBON IMPACT ASSESSMENTS**

- 7.1 It is now anticipated that the Treasury Management function will provide additional income of £326,000 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 Report 2022/23

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Treasury Management Strategy as approved by Council on 22 nd February 2022	Room 104 The Grange Ely	Ian Smith (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk
Link Asset Services Revised Interest Rate Forecast		