

## NORTH DEVON COUNCIL

### POLICY DEVELOPMENT COMMITTEE: 19TH NOVEMBER 2020

#### MINUTE EXTRACT OF STRATEGY AND REOURCES HELD ON 2ND NOVEMBER 2020 IN RESPECT OF ITEM 7 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA

#### 206 MID YEAR TREASURY MANAGEMENT REPORT

The Committee considered a report by the Chief Financial Officer (circulated previously) regarding the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21.

The Exchequer Manager highlighted the following:

- The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by this Council on 26th February 2020.
- The underlying TMSS approved previously required revision in the light of economic and operational movements during the year as detailed in paragraph 4.1 of the report.
- The Council's Capital Position (Prudential Indicators) as detailed in paragraph 4.2 of the report.
- Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and Operational Boundary as detailed in paragraph 4.3 of the report. The forecast Capital Financing Requirement had reduced by circa £1.6m from the original estimate. The majority of this reduction related to the slippage in the Leisure Centre capital project with the spend re-profiled into future years.
- The forecast operational boundary has reduced by £6m. Delays to the capital programme expenditure, stronger reserve forecasts and the strategy of postponing or delaying external borrowing means that the external borrowing position was not now expected to exceed £2.25m this financial year.
- Limits to borrowing activity as detailed in paragraph 4.4. of the report.
- Borrowing strategy as detailed in paragraph 4.5 of the report, which remains to delay external borrowing whilst we can use internal cash flow balances. The current forecast for next financial year (2021/22) shows CFR increasing by £9.9m with the bulk of the Leisure centre spend in year, giving a total CFR of £17m. This would potentially require £14.5m of external borrowing in addition to internal borrowing.
- Annual Investment Strategy as detailed in paragraph 4.8 of the report. As shown by the interest rate forecasts in Appendix A, it was now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates were barely above zero now that Bank Rate was at 0.10%. The Council held £24.7m of investments as at 30 September 2020 (£16.25m at 31 March 2020). The Council's budgeted investment return for 2020/21 was £50,000. As at 30th September 2020 £40,689 investment interest was earned in the half-year period.
- Economic and Interests Rates as detailed in Appendix A.

RECOMMENDED:

- (a) The changes to the prudential indicators be approved;
- (b) The report and the treasury activity be noted.