

NORTH DEVON COUNCIL

COUNCIL: 25 NOVEMBER 2020

MID YEAR TREASURY MANAGEMENT REPORT 2020-21

**REPORT OF THE POLICY DEVELOPMENT COMMITTEE HELD ON 19
NOVEMBER 2020**

68. MID YEAR TREASURY MANAGEMENT REPORT 2020-21

The Committee considered a report to the Strategy and Resources Committee on 2nd November 2020 by the Head of Resources together with a minute extract (circulated previously) regarding the Mid-Year Treasury Report 2020-21.

The Head of Resources advised that the report had already been subject to consideration by the Strategy and Resources Committee on 2nd November 2020.

He highlighted the following points to the Committee:

- The updated Treasury Management Strategy Statement and Annual Investment Strategy Update confirmed a reduction in the proposed borrowing requirement of £1.6m.
- The Revised Prudential Indicator figure of £7.169m was lower than the original estimate due to a number of capital projects, including the Leisure Centre, moving to the 2021-22 financial year. The spend had been re-profiled to the next 2021-22 financial year. This was an improvement of the forecasted figures which were now not expected to exceed £2.25m on external debt.
- The forecasted borrowing was below the allowed limits and were operated within the Treasury Strategy.
- The Authority may need to take on a low level of capital borrowing. Internal borrowing would be achieved from the Authority's own cash reserves in order to delay any requirement for external borrowing for as long as possible in order to reduce costs.
- The Council's capital financing requirement (CFR) for 2020-21 was £7.2m. The forecast for 2021-22 showed this increasing by £9.9m (with the bulk of the Leisure Centre spend in the year) giving a total CFR of £17m.
- The rate of Business Rate Collections may reduce over the next financial year due to the impact from the pandemic
- Bank rates were currently low (0.1%) and expected to remain so for some time. This resulted in limited investment returns. The Authority had earned £0.041m interest on investments in 2020-21 however the majority of this had been earned within the first two financial quarters of the year.

In response to questions, the Head of Resources advised;

- Where some banking institutions were currently offering negative interest rates, this did mean that the investors were being charged on such investments North Devon Council did not have any investments with products with negative interest

rates. The situation was being monitored and investments could be moved to alternative products if required.

There were opportunities to borrow funds while the borrowing rates were low. These funds could be used to fund commercial projects.

RESOLVED, that the decisions and recommendations of the Strategy and Resources Committee be endorsed.