

NORTH DEVON COUNCIL

COUNCIL: 24TH NOVEMBER 2021

MINUTE EXTRACT OF POLICY DEVELOPMENT COMMITTEE HELD ON 18 NOVEMBER 2021 IN RESPECT OF ITEM 13(A) ON THE COUNCIL AGENDA

31. MID YEAR TREASURY MANAGEMENT REPORT 2021-22

The Committee considered a report by the Director of Resources and Deputy Chief Executive to the Strategy and Resources Committee of 1st November 2021 together with minute extract regarding the Mid-Year Treasury Management Report 2021/22.

The Head of Governance outlined the report and drew the Committee's attention to the following points:

- The Treasury Management Strategy Statement (TMSS) was approved by Full Council on 24th February 2021.
- The previously approved TMSS required revision in light of economic and operational movements during the year. He outlined the proposed changes as set out in table 4.1 of the report.
- The forecast Capital Financing Requirement had increased by £6.2m from the original budget. The main reason for this increase was the additional capital budget of £9m for the acquisition of a strategic asset, offset by £1.4m slippage on the new Leisure Centre budget and £1.2m slippage on the Watersports Centre budget. These two budgets had been re-profiled into the 2022/23 capital programme.
- The Council's forecast capital financing requirement (CFR) for 2021/22 was £23.6m. The CFR denoted the Council's underlying need to borrow for capital purposes. If the CFR was positive the Council may borrow from the Public Works Loan Board (PWLB), or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing was generally driven by market conditions.
- At present, the Council had projected total external borrowing of £17.5m and utilising £6.1m of cash flow funds in lieu of borrowing (internal borrowing). This was a prudent and cost effective approach in the current economic climate but would require ongoing monitoring of economic conditions.
- Debt rescheduling opportunities had been very limited in the current economic climate and following the various increases in the margins added to gilt yields which had impacted PWLB new borrowing rates since October 2010. No debt rescheduling had therefore been undertaken to date in the current financial year.
- It was a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2021, the Council had operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021/22. The Chief Finance Officer reported that no difficulties were envisaged for the current or future years in complying with these indicators.

- The Council held £40m of investments as at 30 September 2021 (£22.8m at 31 March 2021) and the investment portfolio yield for the first six months of the year was 0.05% against the benchmark 7 day LIBID of -0.08%.
- The Council's budgeted investment return for 2021/22 was £35,000. As at 30th September 2021 £9,375 investment interest was earned in the half-year period. Although investment returns had been low; using the cash flow balances for internal borrowing had reduced the borrowing costs on the expenditure budget.
- The cash position included the residual balance of business support grants due to be repaid to central government shortly, this was currently estimated at £16m.

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