

NORTH DEVON COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE: 10TH JANUARY 2019

**MINUTE EXTRACT OF THE EXECUTIVE HELD ON 3RD DECEMBER 2018 IN
RESPECT OF ITEM 7 ON THE OVERVIEW AND SCRUTINY COMMITTEE
AGENDA**

77 **TREASURY MANAGEMENT STRATEGY STATEMENT AND
ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT
2018/19**

The Executive considered a report by the Chief Financial Officer (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review report 2018/19.

The Head of Resources highlighted the following:

- The Council was required through regulations issued under the Local Government Act 2003 to produce a mid-year treasury report reviewing treasury management activities and the prudential and treasury indicators for 2018/19.
- The objectives of the Treasury Management Strategy were security and liquidity of money first and then consider yield and return in order to safeguard the Council's investments.
- The capital financing requirement as detailed in paragraph 5.1 of the report had been revised and increased by £600,000 to £4,847,000. The increase had mainly been due to additional capital budget in relation to temporary accommodation approved by Council in February 2018.
- The operational boundary for external debt had originally been set at £2m. Due to increase in cash flows within the authority, the Council was only required to borrow £1,250,000; therefore the borrowing costs were lower.
- An assumption had been made that all projects within the capital programme for 2017/18 would be completed within that financial year. However, some projects within the capital programme had slipped and not been completed and were therefore carried forward and other projects within the capital programme had been moved back from 2019/20 due to timings for the delivery of projects.
- As Chief Financial Officer it was confirmed that no difficulties were envisaged for the current or future years in complying with the prudential indicator.
- Any additional borrowing requirements in excess of the current borrowing limit of £10m would be subject to a separate report being presented to the Executive and to Council.
- As Chief Financial Officer it was confirmed that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2018/19.
- The Council's budgeted investment return for 2018/19 was £60,000. As at 30th September 2018, £39,972 investment interest was earned in the half year period, which was higher than budgeted.

- A new appendix (appendix 2 (a)) had been added to the Treasury Management Policy to deal with non-treasury investments in line with the new CIPFA requirements. This included an approved schedule for non-treasury investments with authorised limits. The acquisition of the sub lease interest at Plot 1, Seven Brethren Bank, Barnstaple to be considered under item 12 on the agenda would be classified as a non-treasury investment. Opportunities for non-treasury investments would be presented to the Executive and full Council as they arose. The approach to risk management was a low risk; non material approach to investment. Any changes to thresholds or limits would require approval by Council. Investments would only be made within the North Devon Council area. The policy set out the roles and parameters; together with authorised limits for category of investment.
- No changes were proposed to the main Treasury Management Policy.
- The Capital Strategy would be presented to the Executive in February 2019.

In response to questions, the Head of Resources advised the following:

- That the procurement of houses for the provision of temporary accommodation fell within the Treasury Management Policy as it was providing Council services.
- The procurement of the leasehold interest at Gaydon Street, Barnstaple would fall within the Non-Treasury investment policy.

RECOMMENDED

- (a) That the changes to the prudential indicators be approved;
- (b) That the report and the treasury activity be noted;
- (c) That the revised Treasury Management Policy and Practices, contained in Appendix two, be approved.

REASONS FOR RECOMMENDATIONS

- (a) This Council is required through regulations issued under the Local Government Act 2003 to produce a mid-year treasury report reviewing treasury management activities and the prudential and treasury indicators for 2018/19. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (revised 2017).
- (b) This Council is also required under the Code to give prior scrutiny to the treasury management reports by the Overview and Scrutiny Committee before they are reported to the full Council.
- (c) The Treasury Management Policy and Practices have been updated to take account of the following:
 - CIPFA Code of Practice on Treasury Management 2017

- CIPFA Prudential Code 2017
- CIPFA Treasury Management in the Public Services Guidance Notes 2018
- Statutory investment guidance where it has been updated in 2018
- Statutory MRP guidance where it has been updated in 2018

The main objective of the above was to respond to the major expansion of local authority investment activity over the last few years into the purchase of non-financial investments, particularly property.

A new appendix has been added to our treasury management policy to deal with non-treasury investments in line with the new CIPFA requirements.