YORKSHIRE DALES NATIONAL PARK AUTHORITY **ITEM 7**

Committee: **FINANCE & RESOURCES**

Date: **5 March 2024**

Report: **TREASURY MANAGEMENT- QUARTER 3 REVIEW**

Purpose of the report

1. To present details of the Authority's 2023/24 Treasury Management activity up to 31 December 2023, together with a review of the Treasury Management Strategy and a 'Prudential Indicators' update.

RECOMMENDATION

2. That Members note:

   (i) the position on the Authority's 2023/24 investment (Treasury Management) activities up to 31 December 2023.
   (ii) the continued applicability of the Prudential Indicators for the period 2023/24 to 2025/26, as agreed at the Authority meeting on 28 March 2023.

Strategic Planning Framework

3. The information and recommendations contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework:

- **Corporate Plan**
  Objective 30: *Plan and manage the Authority's work so as to make the most effective use of our resources, including generating sufficient income to maintain expenditure at the same level as 2014/15 in real terms across the extended National Park area*.

Background

4. The Treasury Management function is concerned with the management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

5. Members will be aware that day to day investment activity is undertaken on behalf of the Authority by North Yorkshire Council (NYC) under contract.

6. The process of Treasury Management in the Public Services is regulated by the **CIPFA Code of Practice on Treasury Management 2021**. The Authority must also comply with the **CIPFA Prudential Code for Capital Finance in Local Authorities.**

Review of the Annual Treasury Management and Investment Strategy for 2023/24

7. The Authority's Treasury Management and Investment Strategy (approved on 28 March 2023) sets out the Authority's approach to managing its Treasury Management activities for the financial year to 31 March 2024.

8. The CIPFA Code of Practice for Treasury Management (2021) requires that Annual Treasury Management Strategies are kept under constant review and reported to Members as appropriate.

9. It is considered at this time that the Strategy approved in March 2023 remains fit for purpose. The approach adopted in this strategy is uncomplicated and risk averse: we aim to make a reasonable interest-related return on our cash holdings, and have no plans to incur capital borrowing.

Investment Activity

10. Under the contractual arrangements with NYC for the investment of cash balances the Authority adopts the investment strategy adopted by the NYC. The net return achieved is closely monitored by the Treasurer.

11. NYC operates a 'pooling' arrangement under which cash held by the Authority is merged with that of other organisations, to secure better overall returns in the money market. Interest is paid at the overall average rate achieved.

12. Any loss incurred by NYC as a result of default by a counterparty would be apportioned between the participants of the pool (which includes NYC itself), in proportion to the total surplus cash funds at the time of default.

13. The Authority's Treasury Management and Investment Strategy for 2023/24 states that the Authority's investment priorities are (a) security of capital, and (b) liquidity. We aim to achieve the optimum return on investments within this context.

14. The only financial investments made by NYC in 2023/24 up to 31 December were the placing of surplus funds on the money markets for periods of up to one year, to institutions included on NYCC's Approved Lending List. The outcomes for the Authority were as follows:

Bank balance as at 31 December 2023	**£4,988k**
Average Rate achieved up to 31 December 2023	**4.82%**
Interest Earned up to 31 December 2023	**£186k**
Bank balance as at 31 December 2022	£4,880k
Average Rate achieved up to 31 December 2022	1.65%

15. The budget projection for 2023/24 for bank interest earnings is £160k for the full year. Based on current interest rates and bank balance we are likely to exceed this target by up to £90k as interest rates remain high, at the time of writing this report the Bank of England rate was holding at 5.25%.

16. Through the Sustainable Development Fund, the Authority has also made a series of investments (initially loans, and more recently share purchases) in Broadband for the Rural North (B4RN). The investments – which accrue interest – are intended to facilitate the roll out of hyper-fast broadband to remote rural communities in the National Park. As at the date of this report, the value of these investments stands at £88k (£12k loans, £76k shares), including accrued interest of £8k. A further application for £20k is currently being considered.

17. The loans will be fully repaid by 24th March 2024, and £30k of shares and associated interest will also be redeemed in 2024/25. This keeps the Authority well below the £180k limit on investments initially approved by Members in 2016. The remaining shares all have a three-year retention and will be redeemed after this period.

Interest Rate Forecasts

18. The current prediction is that the base rate of 5.25% will fall to 4.65% by December 2024 and to 3% by December 2025.

Prudential Indicators

19. The Prudential Code requires appropriate arrangements for the monitoring, reporting and revision of Prudential Indicators. These indicators set out the potential borrowing requirements of the Authority, a necessary step were it to be decided that borrowing should take place. Although there are no plans currently for any borrowing, that fact does not exempt the Authority from complying with this aspect of the Prudential Code.

20. The 2022/23 outturn figures for Prudential Indicators were reported to this Committee on 30th May 2023. That outturn report did not consider any consequential changes to the various indicators set for the period 2023/24 to 2025/26. It is therefore necessary to consider and revise, where appropriate, the Prudential Indicators for the three years up to 31 March 2026.

20. Having reviewed the Authority's budget for 2023/24, and its performance in terms of income and expenditure to date, no changes are proposed to the existing Prudential Indicators. None of the limits set for Prudential Indicators were breached up to 31 December 2023.

Conclusion

21. Treasury Management activities are progressing in line with the agreed strategy, and are currently on schedule to achieve the budgeted investment return for 2023/24.

Michelle Clyde
Treasurer12 February 2024

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