Yorkshire Dales National Park Authority **Item 8**

Finance & Resources Committee

17 December 2024

Treasury Management Mid-Year Review

Purpose of the Report

1. To present details of the Authority's 2024/25 Treasury Management activity up to 30 September 2024, together with a review of the Treasury Management Strategy and a 'Prudential Indicators' update.

Recommendations

2. That Members note:

   (i) the position on the Authority's 2024/25 Treasury Management investment activities up to 30 September 2024; and

   (ii) the continued applicability of the Prudential Indicators for the period 2024/25 to 2026/27, as agreed on 26 March 2024.

Strategic Framework

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

   - Corporate Plan Objective 30:

     - Plan and manage the Authority's work so as to make the most effective use of its resources,

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 2024/25

7. The Authority's Treasury Management and Investment Strategy sets out the Authority's approach to managing its Treasury Management activities for the financial year to 31 March 2025.

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. There is a requirement for a mid-year review as a minimum.

9. It is considered at this time that the Strategy approved in March 2024 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 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 2024/2025 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 2024/25 up to 30 September 2024 were the placing of surplus funds on the money markets for periods of up to one year, to institutions included on NYC's Approved Lending List. The outcomes for the Authority were as follows:

Bank balance as at 30 September 2024	**£4,541k**
Average Rate achieved up to 30 September 2024	**5.35%**
Interest Earned up to 30 September 2024	**£142k**
Bank balance as at 30 September 2023	£4,330k
Average Rate achieved up to 30 September 2023	4.51%

15. The Authority has also made a series of share investments in Broadband for the Rural North (B4RN), in order to facilitate broadband investments across the National Park. As at the date of this report, the value of these investments stood at £64k, including accrued interest of £4k. The remaining shares can be redeemed at the end of their term and will be redeemed early in 2025/26 after the interest has been paid. These investments are held for service delivery purposes.

Interest Rate Forecasts

16. The average interest of 5.35% in June was above the Bank of England rate of 4.75% (average rate for 2024/25 5.09%).

17. The initial budget projection for 2024/25 for bank interest earnings was £200k for the full year. This is likely to be exceeded by approx. £50k.

Prudential Indicators

18. 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.

19. The 2024/25 outturn figures for Prudential Indicators were reported to this Committee on 28 May 2024. That outturn report did not consider any consequential changes to the various indicators set for the period 2024/25 to 2026/27. It is therefore necessary to consider and revise, where appropriate, the Prudential Indicators for the three years up to 31 March 2027. Having reviewed the Authority's budget for 2024/25, 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 30 September 2024.

Financial Implications

20. Interest rates could fall below the budgeted rate, DEFRA could delay payment of grant reducing the available bank balance, or the Treasury Function could produce lower than expected returns. Reserves are held to mitigate this risk.

Legal Implications

21. None

Equality, Diversity and Inclusion Implications

22. None

Conclusion

23. Treasury Management activities are progressing in line with the agreed strategy, and are currently on schedule to over achieve the budgeted investment return for 2024/25.

Michelle Clyde
Treasurer