YORKSHIRE DALES NATIONAL PARK AUTHORITY **ITEM 9**

Committee: **AUDIT AND REVIEW**
Date: **12 July 2022**

Report: **TREASURY MANAGEMENT PERFORMANCE, 2021/22**

Purpose of report

1. To present the annual report on Treasury Management Performance for 2021/22, including compliance with Prudential Indicators.

RECOMMENDATION

2. That Members note the report.

Strategic Planning Framework

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

- ***Corporate Plan objectives***
  34. Plan and manage the Authority's work so as to make the most effective use of our resources.

Background

4. The CIPFA Code of Practice on Treasury Management requires that Treasury Management performance should be subject to ongoing scrutiny: for this Authority, that scrutiny role is delegated to the Audit & Review committee.

5. The Treasury Management function is concerned with:
   (a) the lending and borrowing of money (and the earning of interest on working capital), and
   (b) the long term funding of the Authority's capital programme.

6. Treasury Management in this context is defined as *"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"*.

7. This report has been prepared in the context of the Annual Treasury Management Strategy for 2021/22.

Treasury Management Strategy 2021/22

8. Under the contractual arrangements with North Yorkshire County Council (NYCC) for the investment of cash balances the Authority adopts the investment strategy approved by NYCC; this strategy is risk averse, seeking to ensure as far as possible that funds are protected and that cash remains available as working capital, ahead of achieving investment returns. The net return achieved by this arrangement is monitored by the Treasurer.

9. The projection for interest rates within the Annual Treasury Management Strategy for 2021/22 was for them to stay at historically low levels for the foreseeable future. In the event, the Bank of England base rate spent much of the year at 0.1%, rising slowly after November to end the year at 0.75%; these figures are equivalent to an average of 0.19% across the whole year. Against this background, we achieved an average rate of 0.25%.

Borrowing Outturn for 2021/22

10. The Authority did not have any external loans in place and had no requirement to borrow in order to fund capital expenditure.

Investment Outturn for 2021/22

11. The Cash Investment contract with NYCC covers the day to day investment requirements of the Authority. Any surplus cash is merged with that of other members of this investment pool to secure better overall returns in the money market. In addition, if the Authority were to have an overnight deficit on its account then the 'overdraft' rate this arrangement could offer is cheaper than that available through the Authority's own banking facility; there was no overdraft requirement in 2021/22.

12. This investment arrangement is advantageous to the Authority as day to day balances on the bank account can be volatile and unpredictable and are relatively small in terms of the levels of money market dealings. Interest is paid out at the same overall average rate as earned by NYCC on the total pooled investment. Any loss incurred by NYCC as a result of default by a bank or building society counterparty would be apportioned across the investing authorities (including the Authority) in proportion to the total cash invested at the time of default.

13. NYCC manages its cash investments in-house (including those of the Authority) and only invests with the organisations specified in its Approved Lending List. The only financial investments made by NYCC on behalf of the Authority were the placing of surplus funds on the money market for periods up to one year. For the Authority the results of these investments were as in the following table. No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

	2020/21	2021/22
Average daily balance during the year	£4,514k	£4,554k
Interest Earned	£22.0k	£11.2k
Average Rate achieved	**0.49%**	**0.25%**

Compliance with Treasury Limits and Prudential Indicators

14. The Local Government Act 2003 requires the Authority to "have regard" to CIPFA's Prudential Code and to set Prudential Indicators for the next three years to ensure that capital investment plans are affordable, prudent and sustainable. These indicators set out the amount of expected capital investment for the year ahead, and how much borrowing would need to be undertaken should that investment need to be funded in that manner (although for 2021/22, no such borrowing was planned, nor was any required). The Prudential Indicators covering the period under review were agreed on 30 March 2021, and throughout 2021/22 the Authority operated within these Treasury Limits and Prudential Indicators.

Conclusion

15.Throughout 2021/22, the Authority's Treasury Management systems have been operating in accordance with its stated Treasury Management Strategy.

Richard Burnett
Treasurer

20 June 2022