

Committee: FINANCE & RESOURCES

Date: 5 December 2023

Report: MID-YEAR TREASURY MANAGEMENT REVIEW

Purpose of the report

1. To present details of the Authority's 2023/24 Treasury Management activity up to 30 September 2023, together with a mid-year 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 30 September 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:
 - Plan and manage the Authority's work so as to make the most effective use of our 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 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. 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 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 30 September 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 30 September 2023	£4,330k
Average Rate achieved up to 30 September 2023	4.51%
Interest Earned up to 30 September 2023	£112k
Bank balance as at 30 September 2022	£4,872k
Average Rate achieved up to 30 September 2022	1.07%

15. The budget projection for 2023/24 for bank interest earnings is £160k for the full year. Based on current interest rates we are likely to exceed this target by up to £70k as interest rates remain high, at the time of writing this report the Bank of England rate was holding at 5.25%.
16. The Authority has also made a series of loans to, and 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 £88k (£12k loans, £76k shares), including accrued interest of £8k. The loans will be fully repaid by 24th March 2024. These investments are held for service delivery purposes. Further detail regarding the funding support for B4RN can be found in the **Annex**.

Interest Rate Forecasts

17. The current prediction is that the base rate of 5.25% will hold or even increase by 0.25% by March 2023, but is likely to decrease to 4.5% by the end of 2024, the speed of this change will depend on how quickly inflation falls next year.

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 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 30 September 2023.

Conclusion

20. 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
Treasurer

8 November 2023

Annex

Funding Support for Broadband for the Rural North

1. Broadband provision is seen by many as critical to the economy of the area. The Authority has been able to support the development of high quality provision.
2. Since 2016, the Authority has been supporting the roll-out of community broadband schemes in areas that other schemes would not have reached. Funding has been provided primarily from by the Sustainable Development Fund (SDF), with some additional funding provided to the Authority from Craven's New Homes Bonus (NHB).
3. The focus has been on schemes that are not only community-led but which avoid the proliferation of masts and other infrastructure that have typified 'mainstream' broadband schemes, thus minimising impacts on the National Park's landscape
4. The most significant element of this roll-out has been the programme developed and installed by Broadband for the Rural North Ltd (B4RN).

What we have achieved

5. The Authority has contributed over £200,000 in loans and share purchases to B4RN's community-led broadband schemes. This has supported fifteen communities, mostly in the north west of the National Park: Ireby, Masongill, Chapel le Dale, Dent, Garsdale, Casterton, Thornton-in-Lonsdale/Westhouse, Barbon/Middleton, Clapham, Sedbergh, Lunds, Mallerstang, Cotterdale, Ravenstonedale and Wharton).
6. All of the schemes are now fully operational (see Table 1), with over 3,100 properties able to receive speeds of 1000 Mbps. The schemes have made a significant contribution to achieving National Park Management Plan objective E1 – providing fibre-to-the-premises broadband by 2024, and helping to fill in gaps for many residents and businesses in more isolated locations.
7. In December 2022, the Government awarded a contract to Fibrus for the provision of Gigabit broadband to around 60,000 properties in Cumbria, including the part in this National Park. Outside the current B4RN deployment areas, residents are now encouraged to register their interest with Fibrus. As a result, there have been no new enquiries for SDF funding relating to community broadband projects in the last 12 months.

SDF Contributions

Community	Total project cost	Approx. no properties	SDF £	NHB £	Total Investment £	Loan/share date	Interest Rate	Interest - full term £	Repayment
IREBY	£12.5k	30	5,000		5,000	27/09/16	Single loan agreement (5 years) 5%	12,764.21	Repaid 27/09/21
MASONGILL	£15k est.	20		5,000	5,000				
DENT/GARSDALE	£450k est.	600	11,300		11,300				
CHAPEL LE DALE	£65k	52	9,950	5,000	14,950				
CASTERTON	£125k	130	9,950		9,950				
THORNTON IN LONSDALE	£70k	31	10,000	4,435	14,435	24/12/16	Single loan agreement 5%	6,748.18	Repaid 24/12/21
BARBON/MIDDLETON	£130k	164	9,990		9,990				
CLAPHAM	£20.5	88	10,000		10,000	01/02/17	Loan - 4%	2,166.53	Repaid 01/02/22
SEDBERGH EAST	£350k	1107	10,000		10,000	25/10/17	Loan - 4%	2,166.53	Repaid 25/10/22
SEDBERGH WEST	£268k	268	10,000		10,000	25/10/17	Loan - 4%	2,166.53	Repaid 25/10/22
SEDBERGH - CAUTLEY	£80k	85	10,000		10,000	31/03/18	Loan - 4%	2,166.53	Repaid 31/03/23
GARSDALE	£117k est.	131	10,000		10,000	02/06/18	Loan - 4%	2,166.53	Repaid 02/06/23
CHAPEL LE DALE	£23k	11	9,970		9,970	25/03/19	Loan - 4%	2,130.03	Due 25/03/24
LUNDS	£56k	23	10,000		10,000	20/03/20	Shares – 5% PA	1,576.25 (min 3 year term) 5% pa thereafter	20/03/23 – Still held
MALLERSTANG	£180k	85	10,000		10,000	17/11/20	Shares – 5% PA	1,576.25 (min 3 year term) 5% pa thereafter	17/11/23 – Still held
COTTERDALE	£75k	24	10,000		10,000	12/10/20	Shares – 5% PA	1,576.25 (min 3 year term) 5% pa thereafter	12/10/23 – Still held

Community	Total project cost	Approx. no properties	SDF £	NHB £	Total Investment £	Loan/share date	Interest Rate	Interest - full term £	Repayment
RAVENSTONEDALE	£500k	300	20,000		20,000	17/02/22	Shares – 5% PA	3,152.50 (min 3 year term) 5% pa thereafter	17/02/25
WHARTON	£80k	20	20,000		20,000	17/02/22	Shares – 5% PA	3,152.50 (min 3 year term) 5% pa thereafter	17/02/25
TOTALS		3169	186,160	14,435	200,595			43,508.82 (+ 5% PA on held shares after term date)	