

## North York Moors National Park Authority Finance, Risk, Audit and Standards Committee

18 November 2019

### Mid-year Treasury Management Review - Report of the Treasurer

#### 1. Purpose of the Report

- 1.1 To present details of the Authority's 2019/20 Treasury Management activity up to 30 September 2019, together with a mid-year review of the Strategy and a Prudential Indicators update.

#### 2. Background

- 2.1 Treasury Management is governed by the CIPFA Code of Practice on Treasury Management. The Authority has adopted the Code and complies with its requirements. The Code requires the Authority to present a mid-year review of activity and other current policy issues. This report therefore, reviews the Authority's investment and borrowing activity for the period 1 April to 30 September 2019.

#### 3. Economic Update and Interest Rate Forecasts

- 3.1 The Council's treasury advisors Link Asset Services – Treasury Solutions summarised the key points associated with economic activity in Q2 2019/20 up to 30 September 2019:

- Markets awaiting outcome of Brexit deadline of 31 October;
- Mixed UK economic growth in first half of 2019;
- Inflation remained around the Bank of England's 2% target (falling to 1.7% in August);
- MPC unlikely to take action on interest rates until uncertainties over Brexit are clear.

- 3.2 The current Link Asset Services– Treasury Solutions interest rate forecasts are as follows

The current interest rate forecasts (last updated 14 October 2019) of Link Asset Services are as follows:

<b>Date</b>	<b>Bank rate</b>	<b>5 year PWLB</b>	<b>10 year PWLB</b>	<b>25 year PWLB</b>	<b>50 year PWLB</b>
	%	%	%	%	%
Current rates	0.75	2.31	2.46	2.66	3.00
Mar 2020	0.75	2.50	2.80	3.40	3.30
Dec 2020	1.00	2.70	3.00	3.70	3.60

#### 4. Annual Treasury Management and Investment Strategy 2019/20

- 4.1 The Annual Treasury Management and Investment Strategy for 2019/20 sets out the Authority's approach to managing its Treasury Management activities for the year ahead.

- 4.2 The Authority's investment priorities are the security of capital and liquidity of investments. The Authority also aims to achieve the optimum return on investments commensurate with the appropriate levels of security and liquidity.
- 4.3 Treasury Management investment is undertaken on behalf of the Authority by North Yorkshire County Council (NYCC). NYCC pools the monies it invests on behalf of the Authority with its own funds and those of other organisations. In order to facilitate this pooling, the Council's Annual Investment Strategy and Lending List has been aligned to that of NYCC.
- 4.4 Investment activity for the period up to the 30 September 2019 was as follows:
- Average Daily Balance: £3,582k
  - Interest Earned: £17k
  - Average Interest Rate: 0.96%

While interest rates have remained low throughout 2019/20, cash balances have continued at relatively high levels. The current interest earned is on target for the annual budget of £30k.

- 4.5 The average return to 30 September 2019 of 0.96% compares with the average benchmark returns as follows:
- 7 day 0.57%
  - 1 month 0.60%
  - 3 months 0.66%
  - 6 months 0.73%
  - 12 months 0.83%

- 4.6 It is also a key requirement of the CIPFA Code of Practice that the annual Treasury Management Strategy should be kept under constant review and reported to Members as appropriate. Although there continues to be uncertainty and volatility in the UK and global economy, Annual Investment Strategy and Prudential Indicator limits approved were not breached during the first six months of the year and **it is considered that the Strategy approved in March 2019 is still fit for purpose in the current economic climate**. No changes are therefore considered necessary to the Strategy at this stage.

- 4.7 The Approved Lending List as at 30 September 2019 is attached as **Appendix A**.

## 5. Prudential Indicators

- 5.1 A list of the Authority's approved Prudential Indicators are shown in **Appendix B**. The indicators reflect the total capital spending plans for the Authority funded by borrowing (if any), National Park Grant and other external funding sources and seek to ensure the Authority's capital plans are prudent and affordable.

6. **Recommendations**

6.1 That the Executive:

- (i) Notes the position on the Authority's Treasury Management activities during the first half of 2019/20.
- (ii) Approves the revised Prudential Indicators for the period 2019/20 to 2021/22, as set out in **Appendix B**.

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## Approved Lending List as At 30 September 2019

Maximum sum invested at any time (the overall total exposure figure covers both Specified and Non-Specified investments)

	Country	Specified Investments (up to 1 year)		Non-Specified Investments (> 1 year £40m limit)	
		Total Exposure £m	Time Limit *	Total Exposure £m	Time Limit *
<b>UK "Nationalised" banks / UK banks with UK Central Government involvement</b>					
Royal Bank of Scotland PLC (RFB)	GBR	75.0	365 days	-	-
National Westminster Bank PLC (RFB)	GBR				
<b>UK "Clearing Banks", other UK based banks and Building Societies</b>					
Santander UK PLC (includes Cater Allen)	GBR	60.0	6 months	-	-
Barclays Bank PLC (NRFB)	GBR	75.0	6 months	-	-
Barclays Bank UK PLC (RFB)	GBR				
Bank of Scotland PLC (RFB)	GBR	60.0	365 days	-	-
Lloyds Bank PLC (RFB)	GBR		6 months		
Lloyds Bank Corporate Markets PLC (NRFB)	GBR		365 days		
HSBC Bank PLC (NRFB)	GBR	30.0	365 days	-	-
HSBC UK Bank PLC (RFB)	GBR				
Goldman Sachs International Bank	GBR	60.0	6 months		
Sumitomo Mitsui	GBR	30.0	6 months		
Standard Chartered Bank	GBR	60.0	6 months		
Handelsbanken	GBR	40.0	365 days		
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	3 months	-	-
<b>High Quality Foreign Banks</b>					
National Australia Bank	AUS	30.0	365 days	-	-
Commonwealth Bank of Australia	AUS	30.0	365 days		
Toronto-Dominion Bank	CAN	30.0	365 days		
Credit Industriel et Commercial	FRA	30.0	6 months	-	-
Landesbank Hessen-Thuringen Girozentrale (Helaba)	GER	30.0	365 days		
DBS (Singapore)	SING	30.0	365 days		
<b>Local Authorities</b>					
County / Unitary / Metropolitan / District Councils		20.0	365 days	5.0	2 years
Police / Fire Authorities		20.0	365 days	5.0	2 years
National Park Authorities		20.0	365 days	5.0	2 years
<b>Other Deposit Takers</b>					
Money Market Funds		20.0	365 days	5.0	2 years
Property Funds		5.0	365 days	5.0	10 years
UK Debt Management Account		100.0	365 days	5.0	2 years

\*Based on data 27 September 2019

### Prudential Indicators Update – For 2019/20 to 2021/22

The Prudential Indicators set in March 2019 have been updated to reflect the revised capital expenditure forecast as well as the latest forecast interest rates for both potential borrowing and investment income.

Following the introduction of the International Financial Reporting Standards (IFRS), finance leases (those where the terms of the agreement effectively determine that the lessee is purchasing the leased item over the term of the lease) are now included within the Balance Sheet and as a result within the Prudential Indicators.

It is important to note that these Prudential Indicators reflect the total capital spending plans for the Authority funded by borrowing, National Park Grant and other external funding sources. All the Prudential Indicators that follow are based upon the possible borrowing element of these spending plans only, but do not commit the Authority to using this source of finance.

<b>1. Capital Expenditure Plans (Actuals and Estimated)</b>					
Year	Approved March 2019			Updated November 2019	
	Basis	£000		Basis	£000
2017/18	actual	199.0		actual	199.0
2018/19	probable	164.6		actual	485.2
2019/20	estimate	789.0		estimate	1771.8
2020/21	estimate	371.8		estimate	908.8
2021/22	estimate	206.1		estimate	646.0

<b>2. Estimated Ratio of Capital Financing Costs to the Net Revenue Budget (Affordability)</b>					
Year	Approved March 2019			Updated November 2019	
	Basis	%		Basis	%
2017/18	actual	0.00		actual	0.00
2018/19	probable	0.00		actual	0.00
2019/20	estimate	0.00		estimate	0.00
2020/21	estimate	0.00		estimate	0.00
2021/22	estimate	0.00		estimate	0.00

<b>3. Capital Financing Requirement and Forecast (CFR)</b>								
Year	Approved March 2019				Updated November 2019			
	Basis	Borrow	LT Liabilities	Total	Basis	Borrow	LT Liabilities	Total
		£000	£000	£000		£000	£000	£000
2017/18	actual	0.0	178.1	178.1	actual	0.0	178.1	178.1
2018/19	probable	0.0	178.1	178.1	actual	0.0	178.1	178.1
2019/20	estimate	0.0	177.9	177.9	estimate	0.0	177.9	177.9
2020/21	estimate	0.0	177.7	177.7	estimate	0.0	177.7	177.7
2021/22	estimate	0.0	177.6	177.6	estimate	0.0	177.6	177.6

<b>4. Operational Boundary for External Debt</b>						
<b>Year</b>	<b>Approved March 2019</b>			<b>Updated November 2019</b>		
	<b>Borrow £000</b>	<b>LT Liabilities £000</b>	<b>Total £000</b>	<b>Borrow £000</b>	<b>LT Liabilities £000</b>	<b>Total £000</b>
2018/19	0.0	178.1	178.1	0.0	178.1	178.1
2019/20	0.0	177.9	177.9	0.0	177.9	177.9
2020/21	0.0	177.7	177.7	0.0	177.7	177.7
2021/22	0.0	177.6	177.6	0.0	177.6	177.6

<b>5. Authorised Limit for External Debt</b>						
<b>Year</b>	<b>Approved March 2019</b>			<b>Updated November 2019</b>		
	<b>Borrow £000</b>	<b>LT Liabilities £000</b>	<b>Total £000</b>	<b>Borrow £000</b>	<b>LT Liabilities £000</b>	<b>Total £000</b>
2018/19	250.0	178.1	428.1	250.0	178.1	428.1
2019/20	250.0	177.9	427.9	250.0	177.9	427.9
2020/21	250.0	177.7	427.7	250.0	177.7	427.7
2021/22	250.0	177.6	427.6	250.0	177.6	427.6

<b>6. Actual External Debt</b>
The Authority has no external debt at 30 September 2019 and it is expected that this will be the position at March 2020. This indicator remains unchanged from the original position reported in March 2019.

<b>7. Maturity Structure of Borrowing</b>		
<b>Period</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Under 12 months	0%	100%
12 months and within 24 months	0%	100%
24 months and within 5 years	0%	100%
5 years and within 10 years	0%	100%
10 years and above	0%	100%

<b>8. Total Principle Sums Invested for Periods longer than 365 days</b>
A maximum of 20% of the Authority's core cash balances is recommended for investments longer than 365 days.