

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

Monday 16 November 2020

Mid-Year Treasury Management Review

1. Purpose of the Report

- 1.1 To present details of the Authority's 2020/21 Treasury Management activity up to 30 September 2020, 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 2020.

3. Economic Update and Interest Rate Forecasts

- 3.1 North Yorkshire County Council's treasury advisors Link Asset Services – Treasury Solutions summarised the key points associated with economic activity in Q2 2020/21 up to 30 September 2020:

- Markets still volatile due to uncertainty around Covid-19 and Brexit;
- Economy had regrown, following the sharp contraction in Q1 due to Covid-19, but not as fast as expected and future uncertainty continues with as exemplified by a further lockdown announced in November;
- In September, inflation rebounded from 0.2% to 0.5%, but was still well below the target of 2%
- MPC currently leaving interest rate policy unchanged, with the base rate at 0.1%.

- 3.2 The current Link Asset Services– Treasury Solutions interest rate forecasts (last updated 23 October 2020) are as follows:

<i>Date</i>	<i>Bank rate</i>	<i>5 year PWLB</i>	<i>10 year PWLB</i>	<i>25 year PWLB</i>	<i>50 year PWLB</i>
Current rates	% 0.1	% 1.9	% 2.1	% 2.5	% 2.3
Mar 2021	0.1	2.0	2.1	2.5	2.3
Dec 2021	0.1	2.0	2.2	2.6	2.4

4. Annual Treasury Management and Investment Strategy 2020/21

- 4.1 The Annual Treasury Management and Investment Strategy for 2020/21 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 30 September 2020 was as follows:

- Average Daily Balance: £4,031k
- Interest Earned: £13k
- Average Interest Rate: 0.67%

While interest rates have remained low throughout 2020/21, cash balances have continued at relatively high levels. The current interest earned is higher than the revised budget of £6.7k due to the tapering effect of cash investments.

4.5 The average return to 30 September 2020 of 0.67% compares with the average benchmark returns as follows:

- -0.06% 7 day
- 0.02% 1 month
- 0.11% 3 months
- 0.21% 6 months
- 0.35% 12 months

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 considerable 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 2020 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 2020 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. Recommendation

6.1 That the Executive:

- (i) Notes the position on the Authority's Treasury Management activities during the first half of 2020/21.
- (ii) Approves the revised Prudential Indicators for the period 2020/21 to 2022/23, as set out in **Appendix B**.

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Approved Lending List Q2

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 *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland PLC (RFB)	GBR	75.0	365 days	-	-
National Westminster Bank PLC (RFB)	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
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				
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	-	-
High Quality Foreign Banks					
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		
Local Authorities					
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
Other Deposit Takers					
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 30 September 2020

Prudential Indicators Update – For 2020/21 To 2022/23

The Prudential Indicators set in March 2020 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.

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.

1. Capital Expenditure Plans (Actuals and Estimated)					
Year	Approved March 2020			Updated November 2020	
	Basis	£000		Basis	£000
2018/19	actual	485		actual	485
2019/20	probable	1360		actual	1,283
2020/21	estimate	1709		estimate	2,005
2021/22	estimate	573		estimate	575
2022/23	estimate	640		estimate	594

2. Estimated Ratio of Capital Financing Costs to the Net Revenue Budget (Affordability)				
Year	Approved March 2020		Updated November 2020	
	Basis	%	Basis	%
2018/19	actual	0.00	actual	0.00
2019/20	probable	0.00	actual	0.00
2020/21	estimate	0.00	estimate	0.00
2021/22	estimate	0.00	estimate	0.00
2022/23	estimate	0.00	estimate	0.00

3. Capital Financing Requirement and Forecast (CFR)								
Year	Approved March 2020				Updated November 2020			
	Basis	Borrow	LT Liabilities	Total	Basis	Borrow	LT Liabilities	Total
		£000	£000	£000		£000	£000	£000
2018/19	actual	0.0	178.1	178.1	actual	0.0	178.1	178.1
2019/20	probable	0.0	177.9	177.9	actual	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
2022/23	estimate	0.0	177.3	177.3	estimate	0.0	177.3	177.3

4. Operational Boundary for External Debt						
Year	Approved March 2020			Updated November 2020		
	Borrow	LT Liabilities	Total	Borrow	LT Liabilities	Total
	£000	£000	£000	£000	£000	£000
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
2022/23	0.0	177.3	177.3	0.0	177.3	177.3

5. Authorised Limit for External Debt						
Year	Approved March 2020			Updated November 2020		
	Borrow £000	LT Liabilities £000	Total £000	Borrow £000	LT Liabilities £000	Total £000
2019/20	250.0	177.9	177.9	250.0	177.9	177.9
2020/21	250.0	177.7	177.7	250.0	177.7	177.7
2021/22	250.0	177.6	177.6	250.0	177.6	177.6
2022/23	250.0	177.3	177.3	250.0	177.3	177.3

6. Actual External Debt
The Authority has no external debt at 30 September 2020 and it is expected that this will be the position at March 2021. This indicator remains unchanged from the original position reported in March 2020.

7. Maturity Structure of Borrowing		
Period	Lower Limit	Upper Limit
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%

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