

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

28 May 2019

Annual Treasury Management and Prudential Indicators Outturn Report 2018/19

Report of the Treasurer

Purpose of the Report

- 1.1 To present the results of the Treasury Management operations of the Authority for 2018/19 and the outturn position on Prudential Indicators.

2. Background

- 2.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the management of the Authority's cash flows, its banking and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The Authority has adopted the Code and complies with its requirements.
- 2.2 This report is submitted under the terms of CIPFA Code of Practice on Treasury Management and has been prepared in the context of the Annual Treasury Management Strategy for 2018/19 approved by the Authority in March 2018.

3. The Economy in 2018/19

- 3.1 The Council's treasury advisors Link Asset Services – Treasury Solutions (Link) summarised the key points associated with economic activity in 2018/19 as follows:
- Brexit negotiations have been a focus of much attention during the year;
 - UK growth in 2018 was weak initially and strengthened throughout the year before falling again in the final quarter;
 - As expected the MPC raised Bank Rate from 0.50% to 0.75% on 2 August 2018;
 - No further rate rises were expected until uncertainties regarding Brexit were resolved;
 - CPI inflation was on a falling trend throughout the year.

4. Treasury Management Strategy 2018/19

- 4.1 The expectation for interest rates incorporated within the Annual Treasury Management Strategy for 2018/19 were as follows:

Bank Base Rate was expected to rise from 0.50% to 0.75%. This increase was pushed back from May to August 2018 due to weak GDP growth. It was not expected that Bank Rate would increase again in 2018/19 as a result of the major uncertainty surrounding Brexit.

PWLB Borrowing Rates were forecast to rise gradually throughout the next three years in all periods. Variable and short term rates were expected to be the cheaper form of borrowing over the period.

4.2 Based on the above, the Strategy adopted by the Authority for 2018/19 was as follows:

(a) Investment Strategy 2018/19

The Authority's investment priorities are firstly the security of capital and secondly the liquidity of its investments. The highest return (yield) will also be sought on investments provided that proper levels of security and liquidity are achieved. The investment risk appetite of the Authority is low in order to give priority to the security of investments.

The investment strategy was to maximise interest receipts by investing all cash balances until required for varying periods on the money market, commensurate with proper levels of security and liquidity and within the constraints of the approved Annual Investment Strategy (AIS).

(b) Borrowing Strategy 2018/19

Consideration would be given to financing capital expenditure by taking borrowing from the PWLB (over periods up to 50 years) or the money markets (over a period of up to 70 years). Depending on the relationship between short term variable interest rates and the fixed term PWLB rates for longer periods, consideration would also be given to financing capital expenditure by short term borrowing from the Authority's cash balances. However, it was anticipated unlikely that the Authority would undertake borrowing in year.

5. Borrowing and Investment Rates in 2018/19

5.1 The movement in relevant UK market interest rates for the year was as follows:

Bank Rate

From 1 April 2018 to 2 August 2018 0.50%
 From 2 August 2018 to 31 March 2019 0.75%

PWLB Rate

Item	Range during Year %	Start of Year %	End of Year %	Average In Year %
Fixed Interest Maturity				
1 year	1.28 – 1.64	1.48	1.48	1.50
5 years	1.50 – 2.07	1.85	1.55	1.80
10 years	1.80 – 2.50	2.23	1.85	2.20
25 years	2.33 – 2.93	2.57	2.40	2.66
50 years	2.16 – 2.79	2.29	2.23	2.47

Investment Rates

Deposit rates continued into the start of 2018/19 at previously depressed levels but then slowly increased after the 2 August.

<i>Item</i>	<i>Range during Year</i>	<i>Start of Year</i>	<i>End of Year</i>	<i>Average during Year</i>
	%	%	%	%
7 day LIBID	0.35 – 0.59	0.36	0.57	0.51
1 month	0.37 – 0.61	0.39	0.61	0.54
3 month	0.48 – 0.81	0.59	0.72	0.68
6 month	0.59 – 0.92	0.70	0.83	0.79
1 year	0.75 – 1.06	0.88	0.94	0.94

6. Investment and Borrowing Outturn 2018/19

Investment Outturn 2018/19

- 6.1 Under the contractual arrangements with North Yorkshire County Council for the investment of cash balances the Authority adopts the investment strategy approved by the County Council. The net return achieved by the County Council is closely monitored by the Treasurer.
- 6.2 The only financial investments made by the Authority in 2018/19 were the placing of funds on the money markets/other local authorities with institutions included in the Approved Lending List. The results of the Authority's investment activities for 2018/19 were as follows:

Average Daily Balance	£3,150k
Interest Earned	£25k
Average Rate Achieved 2018/19	0.81%

The Interest Earned exceeds the £20k budgeted for in 2018/19.

Borrowing Outturns 2018/19

- 6.3 The Authority does not have any external loans in place and had no requirement to borrow in order to fund capital expenditure. Despite this position, the possibility of borrowing is an option that the Authority has ensured is available to it when making decisions on the optimum way to finance capital expenditure.

7. Approved Lending List

- 7.1 The Approved Lending List as at 31 March 2019 is attached as **Appendix A**.

8. Prudential Indicators

- 8.1 A list of the Authority's approved Prudential Indicators are shown in **Appendix B**. Officers can confirm that the Prudential Indicators were not breached.

Recommendations

- 9.1 That Members note the performance of the Treasury Management operation during 2018/19 and the outturn position on Prudential Indicators.

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Appendix A

Approved Lending List As At 31 March 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 £20m 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	364 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	364 days	-	-
Lloyds Bank PLC (RFB)	GBR		6 months		
Lloyds Bank Corporate Markets PLC (NRFB)	GBR				
HSBC Bank PLC (NRFB)	GBR	30.0	364 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	364 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	364 days	-	-
Commonwealth Bank of Australia	AUS	30.0	364 days		
Toronto-Dominion Bank	CAN	30.0	364 days		
Credit Industriel et Commercial	FRA	30.0	6 months	-	-
Landesbank Hessen-Thüringen Girozentrale (Helaba)	GER	30.0	364 days		
DBS (Singapore)	SING	30.0	364 days		
Local Authorities					
County / Unitary / Metropolitan / District Councils		20.0	364 days	5.0	5 years
Police / Fire Authorities		20.0	364 days	5.0	5 years
National Park Authorities		20.0	364 days	5.0	5 years
Other Deposit Takers					
Money Market Funds		20.0	364 days	5.0	5 years
Property Funds		5.0	364 days	5.0	10 years
Housing Associations		20.0	364 days	5.0	5 years
UK Debt Management Account		100.0	364 days	5.0	5 years

Prudential Indicators Update 2018/19

The Authority is required to comply with the CIPFA Prudential Code and set Prudential Indicators for the next three years to ensure that capital investment plans are affordable, prudent and sustainable.

During the financial year the Authority operated within the Treasury Limits and Prudential Indicators as set out in the Treasury Management Policy Statement and Annual Treasury Management Strategy for 2018/19.

As part of this Annual Treasury Management Report for 2018/19 it is therefore appropriate to report the 2018/19 outturn position on these Prudential Indicators compared with the last updated set of indicators:

1. Statutory Affordable Borrowing Limit for 2018/19

	Borrowing	Other Long Term Liabilities	Total
	£k	£k	£k
Initial figure approved March 2018	250.0	178.1	428.1
Revised March 2019	250.0	178.0	428.0
Actual limit reached during 2018/19	0	178.0	178.0

2. Actual External Debt

	Borrowing	Other Long Term Liabilities	Total
	£k	£k	£k
At 31 March 2018	0	178.1	178.1
At 31 March 2019	0	178.0	178.0

3. Ratio of Capital Financing Costs to Net Revenue Budget

Reported March 2018	%
• 2017/18 actual	0
• 2018/19 probable	0
Actual 2018/19 outturn	0

4. Capital Expenditure Actual and Forecasts

Reported March 2019	£k
• 2017/18 actual	199.0
• 2018/19 probable	164.6
Actual 2018/19 outturn	485.2
Note : the movement in capital is the inclusion of capital works on the Land of Iron project which are fully funded.	

5. Capital Financing Requirement as at 31 March 2019

	Borrowing	Other Long Term Liabilities	Total
	£k	£k	£k
Reported March 2019			
• 2017/18 actual	0	178.1	178.1
• 2018/19 probable	0	178.1	178.1
Actual 2018/19 Outturn	0	178.0	178.0

6. External Debt Limits

	Borrowing	Other Long Term Liabilities	Total
	£k	£k	£k
Reported March 2019			
• Authorised Limit for 2018/19	250.0	178.1	428.1
• Operational Boundary for 2018/19	0	178.1	178.1
Actual 2018/19 Outturn	0	178.0	178.0

7. Interest Rate Exposures

	Limits agreed March 2018 %	Actual Position at 31/03/2019 %
Borrowing		
Fixed	60 to 100	0
Variable	0 to 40	0
Investments		
Fixed	0 to 30	0
Variable	70 to 100	100

8. Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowings are set to allow maximum flexibility -

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%

9. Total Principal Sums Invested for Periods longer than 364 days

The agreed maximum sum for investment longer than one year was 20% of estimated core funds available for investment but there were no such investments in place at 31 March 2019.