

# Public Document Pack

**Peak District National Park Authority**

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Aldern House, Baslow Road, Bakewell, Derbyshire. DE45 1AE



**Our Values: Care – Enjoy – Pioneer**

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Our Ref: A.1142/3365

Date: 9 March 2023



## NOTICE OF MEETING

Meeting: **National Park Authority**

Date: **Friday 17 March 2023**

Time: **10.00 am**

Venue: **Aldern House, Baslow Road, Bakewell**

PHILIP MULLIGAN  
CHIEF EXECUTIVE

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## AGENDA

1. **Roll Call of Members Present, Apologies for Absence and Members Declarations of Interest**
2. **Minutes of previous meeting of 3 February 2023** (*Pages 5 - 12*) 5 mins
3. **Urgent Business**
4. **Public Participation**  
To note any questions or to receive any statements, representations, deputations and petitions which relate to the published reports on Part A of the Agenda.

## FOR INFORMATION

5. **Chair's Briefing** 5 mins
6. **Chief Executive's Report (PM)** (*Pages 13 - 16*) 5 mins  
Appendix A

## FOR DECISION

7. **Capital Strategy 2023/24 - 2027/28 (JW)** (*Pages 17 - 26*) 15 mins  
Appendix 1  
  
Appendix 2  
  
Appendix 3
8. **Treasury Management Policy Statement and Annual Treasury Management and Investment Strategy (JW)** (*Pages 27 - 96*) 10 mins  
Appendix 1  
  
Appendix 2  
  
Appendix 3

## FOR INFORMATION

9. **Reports from Outside Bodies** (*Pages 97 - 98*) 5 mins
10. **Exempt Information S100(A) Local Government Act 1972**  
  
The Committee is asked to consider, in respect of the exempt item, whether the public should be excluded from the meeting to avoid the disclosure of Exempt Information.

## **Draft Motion:**

**That the public be excluded from the meeting during consideration of agenda item 11 to avoid the disclosure of Exempt Information under S100 (A) (4) Local Government Act 1972, Schedule 12A, paragraph 3 “information relating to the financial or business affairs of any particular person (including the Authority holding that information)”**

## **PART B**

### **11. Exempt Minutes of the Meeting held on 3 February 2023 (Pages 99 - 100)**

#### **Duration of Meeting**

In the event of not completing its business within 3 hours of the start of the meeting, in accordance with the Authority's Standing Orders, the Authority will decide whether or not to continue the meeting. If the Authority decides not to continue the meeting it will be adjourned and the remaining business considered at the next scheduled meeting.

If the Authority has not completed its business by 1.00pm and decides to continue the meeting the Chair will exercise discretion to adjourn the meeting at a suitable point for a 30 minute lunch break after which the committee will re-convene.

#### **ACCESS TO INFORMATION - LOCAL GOVERNMENT ACT 1972 (as amended)**

##### **Agendas and reports**

Copies of the Agenda and Part A reports are available for members of the public before and during the meeting. These are also available on the website <http://democracy.peakdistrict.gov.uk>

##### **Background Papers**

The Local Government Act 1972 requires that the Authority shall list any unpublished Background Papers necessarily used in the preparation of the Reports. The Background Papers referred to in each report, PART A, excluding those papers that contain Exempt or Confidential Information, PART B, can be inspected on the Authority's website.

##### **Public Participation and Other Representations from third parties**

Since the Coronavirus restrictions have eased the Authority has returned to physical meetings. However, meetings of the Authority and its Committees may still take place at venues other than its offices at Aldern House, Bakewell when necessary. Public participation is still available and anyone wishing to participate at the meeting under the Authority's Public Participation Scheme is required to give notice to the Head of Law to be received not later than 12.00 noon on the Wednesday preceding the Friday meeting. The Scheme is available on the website <http://www.peakdistrict.gov.uk/looking-after/about-us/have-your-say> or on request from the Democratic and Legal Support Team 01629 816362, email address: [democraticandlegalsupport@peakdistrict.gov.uk](mailto:democraticandlegalsupport@peakdistrict.gov.uk).

##### **Written Representations**

Other written representations on items on the agenda, except those from formal consultees, will not be reported to the meeting if received after 12noon on the Wednesday preceding the Friday meeting.

##### **Recording of Meetings**

In accordance with the Local Audit and Accountability Act 2014 members of the public may record and report on our open meetings using sound, video, film, photograph or any other means this includes blogging or tweeting, posts on social media sites or publishing on video sharing sites. If you intend to record or report on one of our meetings you are asked to contact the Democratic and Legal Support Team in advance of the meeting so we can make sure it will not disrupt the meeting and is carried out in accordance with any published protocols and guidance.

The Authority uses an audio sound system to make it easier to hear public speakers and discussions during the meeting and makes an audio visual broadcast and recording available after the meeting. From 3 February 2017 the recordings will be retained for three years after the date of the meeting. During the period May 2020 to April 2021, due to the Covid-19 pandemic situation, Authority meetings were broadcast via YouTube and these meetings are also retained for three years from the date of the meeting.

### **General Information for Members of the Public Attending Meetings**

Since the Coronavirus restrictions have eased the Authority has returned to physical meetings. However, meetings of the Authority and its Committees may still take place at venues other than its offices at Aldern House, Bakewell when necessary, the venue for a meeting will be specified on the agenda. There may be limited spaces available for the public at meetings and priority will be given to those who are participating in the meeting. It is intended that the meetings will be visually broadcast via YouTube and the broadcast will be available live on the Authority's website.

This meeting will take place at Aldern House, Baslow Road, Bakewell, DE45 1AE.

Aldern House is situated on the A619 Bakewell to Baslow Road. Car parking is available. Local Bus Services from Bakewell centre and from Chesterfield and Sheffield pick up and set down near Aldern House. Further information on Public transport from surrounding areas can be obtained from Traveline on 0871 200 2233 or on the Traveline website at [www.travelineeastmidlands.co.uk](http://www.travelineeastmidlands.co.uk).

Please note that there is no refreshment provision for members of the public before the meeting or during meeting breaks. However, there are cafes, pubs and shops in Bakewell town centre, approximately 15 minutes walk away.

### **To: Members of National Park Authority:**

Chair: Cllr A McCloy  
Deputy Chair: Mr J W Berresford

Cllr W Armitage	Cllr P Brady
Cllr M Chaplin	Cllr D Chapman
Cllr C Farrell	Cllr C Furness
Cllr C Greaves	Cllr A Gregory
Prof J Haddock-Fraser	Mr Z Hamid
Ms A Harling	Cllr A Hart
Cllr Mrs G Heath	Cllr I Huddleston
Cllr C McLaren	Cllr D Murphy
Cllr Mrs K Potter	Cllr V Priestley
Cllr K Richardson	Miss L Slack
Mr K Smith	Cllr P Tapping
Cllr D Taylor	Cllr J Wharmby
Ms Y Witter	Cllr B Woods

Constituent Authorities  
Secretary of State for the Environment  
Natural England

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 Aldern House, Baslow Road, Bakewell, Derbyshire. DE45 1AE



## MINUTES

Meeting: **National Park Authority**

Date: Friday 3 February 2023 at 10.00 am

Venue: Aldern House, Baslow Road, Bakewell

Chair: Cllr A McCloy

Present: Mr J W Berresford, Cllr W Armitage, Cllr P Brady, Cllr M Chaplin, Cllr D Chapman, Cllr C Farrell, Cllr C Furness, Cllr C Greaves, Cllr A Gregory, Prof J Haddock-Fraser, Mr Z Hamid, Cllr A Hart, Cllr I Huddleston, Cllr C McLaren, Cllr Mrs K Potter, Cllr V Priestley, Cllr K Richardson, Miss L Slack, Mr K Smith, Cllr P Tapping, Cllr D Taylor, Cllr J Wharmby and Ms Y Witter

Apologies for absence: Ms A Harling, Cllr Mrs G Heath, Cllr D Murphy and Cllr B Woods.

### 1/23 **ROLL CALL OF MEMBERS PRESENT, APOLOGIES FOR ABSENCE AND MEMBERS DECLARATIONS OF INTEREST**

#### Item 13

Cllr Gregory declared that the Peak District Foundation had made donations which had benefitted his ward.

Mr Hamid, Cllr McLaren and Cllr McCloy, all declared a prejudicial interest as Trustees of the Foundation and stated that they would leave the room for the duration of this item.

### 2/23 **MINUTES OF PREVIOUS MEETINGS HELD ON THE 11TH NOVEMBER & 2ND DECEMBER 2022**

The minutes of the previous meetings of the National Park Authority held on 11<sup>th</sup> November and 2<sup>nd</sup> December 2022 were approved as a correct record.

### 3/23 **URGENT BUSINESS**

There was no urgent business.

### 4/23 **PUBLIC PARTICIPATION**

There were no members of the public present to make representations to the meeting.

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## **5/23 CHAIR'S BRIEFING**

The Chair of the Authority provided a verbal update to Members on the following:

- Former Parish Member, Peter Harrison had sadly passed away. The Chair had attended his funeral on behalf of the Authority. Peter had been a much loved and very active member of his community and had served on the Authority twice.
- The Chair and Chief Executive had made a submission to the consultation on the proposal for an East Midlands devolved authority, a copy of which would be circulated to Members for their information.
- The Chair had participated in regular meetings with constituent Authorities.
- The delayed Ministerial visit from Trudy Harrison MP had taken place, and she had been accompanied by Sarah Dines MP. They had been taken out to see the work of the Authority and to some sites which had been recipients of Farming in Protected Landscapes scheme (FiPL) grants.
- A Transport Symposium had taken place earlier in the week in Buxton. This had been convened by the National Park Authority and guests were invited from both the public and private sector and community groups. A constructive and interesting discussion had taken place.

## **6/23 CHIEF EXECUTIVE REPORT**

The Chief Executive's report gave updates to Members on the following:-

- Meetings that he had attended with partners
- Nature Prescription Launch
- National Park Partnership Bulletin
- The Authority's preparation of a response to a letter from DLUHC notifying the Authority that it may be liable for designation for the speed of its decision making on applications for non major development under section 62A of the Town and Country Planning Act 1990.

In addition to the written report, the Chief Executive gave the following verbal update:

The letter to DLUHC regarding potential Planning Performance Designation had been responded to in full.

The Government Environmental Improvement Plan had been launched. This was an update to the 2018 Environmental Strategy. Several matters were of relevance to the National Park including:

- A commitment that everyone should be within 15 minutes' walk of a green space.
- A one-year extension to the FiPL scheme and a 15% uplift in funding
- Strengthening of the National Landscapes Partnership
- Reiteration of the goals of the Landscape Review, including the strengthening of Management Plans.
- Confirmation of Access for All funding.
- Green prescribing
- The development of a Natural History GCSE

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**7/23      EXTERNAL AUDIT 2021/22 ANNUAL REPORT**

The report, which asked Members to consider the External Auditors 2021/22 Annual Report was presented by Mark Surridge of Mazars LLP..

The Head of Finance advised that the two internal control recommendations which had been made regarding the segregation of duties and the fixed asset register were accepted, and that steps were being taken to mitigate the risk in that the Head of Law & Monitoring Officer will conduct a review of the significant year end journals.. However, to fully implement the recommendations the Authority would have to invest in a new finance system and a new IT solution for assets, both of which were being looked at with a view to procurement in the next 12 months. The resource implications of this would form part of the wider proposed organisational review.

The recommendations set out in the report were moved, seconded, put to the vote and carried.

**RESOLVED**

- 1. To note the 2021/22 External Auditors Annual Audit Report as set out in Appendix 1 of the report.**
- 2. To note that the letter of management representation at Appendix A within Appendix 1 of the report needed to be signed by the Chief Finance Officer**

**8/23      STATEMENT OF ACCOUNTS 2021/22 (JW)**

The report which sought approval for the statement of accounts for 2021/22 was introduced by The Head of Finance.

Regarding section 2.7, Mark Surridge of Mazars confirmed that the pension deficit position had dropped by a third due to the market position, and reflected calculations based on various factors which fluctuated from year to year.

Members asked whether in section 2.4 the wording could be reconsidered, as what was in fact grant income which was not intended to be spent over a single year looked as if it was money which could be available to the Authority this year. The Head of Finance advised that while the correct accounting terminology had been used it could be considered whether there was a clearer way to communicate this.

The recommendation set out in the report was moved, seconded, put to the vote and carried.

**RESOLVED**

- To approve the audited Statement of Accounts for 2021/22 as set out in Appendix 1 of the report.**

**9/23      2021/22 ANNUAL GOVERNANCE STATEMENT AND AMENDED CODE OF CORPORATE GOVERNANCE (AGM)**

Cllr Chaplin joined the meeting at 10.30am

The report, which asked Members to approve the Annual Governance statement for 2021/22 at Appendix 1 of the report, and to approve the amended Code of Corporate Governance at Appendix 2 of the report, was introduced by the Head of Law.

The Authority had heard earlier from the External Auditors that they had not been able to complete the Value for Money element of the 2021/22 audit but that they had considered the Annual Governance Statement and to date had not identified any issues and did not contemplate finding any issues that would lead to anything other than an unmodified clean opinion.

Members raised the following points:

- The Authority's rigorous approach to corporate governance was welcomed, particularly in the light of the recent public interest report which had been published regarding breaches of corporate governance by Cheshire East Council in 2014/15.
- Corporate governance could be included in training for new Members.
- Member involvement in this area could be increased via the Governance Review Working Group.
- It would be useful for Members to have a concise summary of the main points of the Code of Corporate Governance to aid understanding.

The Head of Law confirmed that Member's suggestions would be considered and that lessons learned in public interest reports were always studied. She also reminded Members that the Member Code of Conduct and the Nolan principles were their key sources of guidance.

The recommendations set out in the report were moved, seconded, put to the vote and carried.

## **RESOLVED**

- 1. To approve the unaudited Annual Governance Statement for 2021/22 for sign off by the Chief Executive Officer and the Chair of the Authority at Appendix 1 of the report.**
- 2. To approve the Code of Corporate Governance set out in Appendix 2 of the report.**
- 3. To authorise the Head of Law & Monitoring Officer, following consultation with the Chair of the Authority, to make minor changes to the Code of Corporate Governance each year following publication of the Annual Governance Statement.**

## **10/23 INTERNAL AUDIT REPORT BLOCK 2022/23**

The report, which presented to Members the Internal Auditors recommendations for the first block on the 2022/23 Internal Audits and the agreed actions for consideration, was presented by Ian Morton of Veritau.

The highest level of assurance, substantial assurance was gained in three of the four audits – complaints, procurement/creditors and payroll. The Head of Law advised that with regards to Occupational Safety and Health being given reasonable assurance, the issues outlined in the audit had been responded to by the Authority and were being progressed by the Head of People Management. This had been discussed in detail at

the Programmes and Resources Committee which had recently received and approved the Occupational Safety and Health Policy.

Ian Morton confirmed that the Authority had provided a satisfactory response for the issues identified in the audit. There had been some issues with training records which had been due to the system used to record them, which had now been resolved.

Members queried whether casual staff received the same level of training as contract staff, and were advised by the Chief Executive that he would provide a written response.

The recommendations set out in the report were moved, seconded, put to the vote and carried.

## **RESOLVED**

**That the Internal Audit reports for the four areas covered under Block 1 for 2022/23: Payroll, Occupational Safety & Health, Procurement/Creditors and Complaints (in Appendices' 1- 4 of the report), be received and the agreed actions considered and approved.**

### **11/23 REVENUE BUDGET, 2023/24 AND MEDIUM-TERM FINANCIAL PLAN 2023/24 TO 2026/27 (JW)**

The report, which presented the Authority's 2023/24 revenue budget for Member approval was presented by the Head of Finance, who advised that there was an error at paragraph 21, for the estimate as at 31/3/24 the total should read £8.674 million which gave rise to a difference of £938,000.

In response to Member queries, Officers advised the following:

- Part of the overall reserve figure included £1.5 million of grant funding which cannot all be spent in one year.
- The Authority's Visitor Centres had cost the Authority money to run but Cycle Hire was operating at a profit.
- Further details of reserves would be given in due course as part of the outturn report.
- The Covid reserve was being used to support hybrid working
- The Authority purchases green electricity but this alone does not reduce the cost.

The recommendations set out in the report were moved, seconded, put to the vote and carried.

## **RESOLVED**

- 1. To approve the Authority's annual budget for the 2023/24 financial year as shown in Appendix 1a of the report.**
- 2. To note the budget reductions at Appendix 2 of the report, taken to balance the 2023/24 budget.**
- 3. To note the Medium-Term Financial Position (MTFP) of the Authority in the period up to March 2027.**

**The meeting adjourned for a short break at 11.15 and reconvened at 11.30**

## **12/23 CAR PARKS REVIEW - CONSULTATION OUTCOMES**

The report, which updated Members on the outcomes of the Byelaw and Traffic Regulation Order (TRO) consultation and sought approval to continue the process to implement the 2021 Car Park Review was presented by the Interim Head of Asset Management who requested that the names of the visitors and holiday permits were amended to more accurately reflect their purpose to annual and weekly permits respectively.

A motion to approve the recommendations as set out in the report was moved.

In response to questions from Members the Interim Head of Asset Management confirmed that:

- Enforcement would continue to be carried out under the Derbyshire Enforcement Partnership, who retain the income from any fines.
- The new ticket machines will not take cash and older ones that do will be phased out.
- Payment could be made via the RingGo app.
- All proposed charging sites had been tested for phone signal viability.
- Authority signage had reduced irresponsible parking, e.g. on verges, around North Lees and this could be reproduced elsewhere if necessary.

The motion was seconded.

Members asked who would pay for additional parking control measures that may be required to prevent irresponsible parking, such as bunds or thin yellow lines. Officers advised that the bunds at North Lees had been paid for by the Authority as they were on Authority land. Yellow lines would be the responsibility of the County Council Highways department and any such scheme would involve a consultation process. The landscape impact would also have to be considered.

It was also confirmed that provision had been made to prevent overnight parking in the affected car parks.

The motion for approval of the recommendations was put to the vote and carried.

### **RESOLVED**

- 1. To note the consultation feedback and Officers' responses to that feedback.**
- 2. To continue the processes to implement the proposed increase in charges and the introduction of charging to the additional proposed car parks as approved, by requesting DEFRA to confirm the amended Byelaws and requesting Derbyshire County Council to make the Traffic Regulation Order (subject to its own approval processes).**

## **13/23 PEAK DISTRICT NATIONAL PARK FOUNDATION PARTNERSHIP AGREEMENT AND ANNUAL REPORT**

Cllr McCloy, Mr Hamid and Cllr McLaren left the room at 11.56 for the duration of this item, having declared a prejudicial interest as trustees of the Foundation and Mr Berresford took the Chair for this item.

The report, which informed Members of the progress of the Peak District National Park Foundation ("the Foundation") partnership agreement and gave the Foundation's Annual report was presented by the Head of Engagement.

The Head of Engagement noted thanks offered by Members for funding which the Foundation had awarded to Moors for the Future Partnership, communities in South Yorkshire, and to Mosaic. She confirmed that the Authority would not, moving forward, charge the Foundation for office accommodation and that the Foundation already had its own website and independent IT systems.

Members suggested that a mid-term review of progress could be appropriate to reassure the Authority that continued investment in an independent Foundation was well founded. The Chief Executive advised that the Foundation needed security for 5 years and if that security was caveated it could cause problems and tie the hands of the Foundation unacceptably. However, monitoring rather than review, would be appropriate.

The recommendations set out in the report were moved, seconded, put to the vote and carried.

## **RESOLVED**

- 1. To note the 2021/22 annual report of the Peak District National Park Foundation ("the Foundation") and progress in its first three years of operation.**
- 2. To approve a short extension of the current Memorandum of Understanding ("MoU") and Grant Agreement on similar terms, to enable the Authority and Foundation to negotiate terms of the ongoing relationship for the next five years. The extension would come to an end on completion of the new five-year agreement, or after a period of twelve months, whichever is the earlier.**
- 3. To approve in principle a new five-year Grant Agreement and MoU with the Foundation.**
- 4. To delegate approval of the terms of the new MoU and Grant Agreement to the CEO, in consultation with the Deputy Chair of Authority and Chair of Programmes and Resources Committee.**
- 5. To authorise applications for and acceptance of grants from the Foundation up to a maximum of £200,000 per annum, subject to approval of the relevant Head of Service, without the need to comply with Standing Order 7.C-2 in respect of each individual grant.**

Cllr McCloy, Mr Hamid and Cllr McLaren, re-joined the meeting and Cllr McCloy resumed the Chair.

## **14/23 REPORTS FROM OUTSIDE BODIES - NONE SUBMITTED**

There were no Outside Body reports.

## **15/23 EXEMPT INFORMATION S100(A) LOCAL GOVERNMENT ACT 1972**

### **RESOLVED**

**That the public be excluded from the meeting during consideration of agenda item 16 to avoid the disclosure of Exempt Information under S100 (A) (4) Local Government Act 1972, Schedule 12A, paragraph 3 'information relating to the**

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**financial or business affairs of any particular person (including the Authority holding that information).**

16/16 Organisational Change (PM)

The meeting ended at 1.40 pm

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**6. CHIEF EXECUTIVE REPORT (PM)**

**1. Purpose of the report**

To up-date members of key items since the previous Authority meeting

**2. Recommendation**

**1. For Members to note the report**

**3. Key Items**

Since my last report on 3 February I have continued to meet with stakeholders, partners and organisations based in and around the National Park Authority including:

- Peak Resort – Rupert Carr and John Milligan
- Chatsworth – Stephen Vickers CEO – we now have regular quarterly meetings set up for 2023
- North East Derbyshire District Council – Lee Hicken
- YHA – James Blake
- Hassop Station – Duncan Stokes
- Hope Valley Climate Change Action Group – Virtual briefing on Travelling light.
- Derbyshire Wildlife Trust – Site visits various
- RSPB – Site visits Eastern Moor
- Peak District and Derbyshire Annual Tourism Awards
- Hope Cement works – tour with Andrew McCloy
- Peak District Rural Housing Association – CEO and Deputy
- British Canoeing – Ben Seals
- Holmesfield Parish Council Meeting

During the rest of March I have meetings with:

- Visit by representatives of Billund Municipality, Denmark on a fact-finding tour to look at Tourism, Climate Change and Child Friendly initiatives
- Visit from US Climate Alliance and Defra with a focus on 30 by 30
- Derwent and Hope Woodlands Parish Council meeting
- Great Hucklow Parish Council
- Small Business Event at Aldern House
- Haddon Hall – Lord Edward Manners with Andrew McCloy
- David Rutley MP – meeting at Trentabank Visitors Centre for catch up
- Affordable Housing in the National Park meeting with:
  - Paul Wilson of Derbyshire Dales District Council
  - Mark Roe – EMH Group
  - Allan Fisher – NCHA
  - Gary Turner – GCT Consultants
  - Brian Taylor – Head of Planning
- Peak Park Summit – organised by Derbyshire Police to look at rural crime.
- Lee Rowley MP

I will provide more information on the visits of the Danish and US delegation in my next report, details are still being finalised.

I have now put aside the majority of my calendar to enable me to focus on the Organisational Change process and will be providing an update in the Members Forum following this meeting.

**National Parks England Bulletin** – attached is the bulletin from National Parks England (appendix A) covering the period January to February 2023 and provides updates on some of the key activities across all the English National Parks.

#### **4. Appendices**

##### **Appendix A – National Parks England Bulletin January – February 2023**

##### **Report Author, Job Title and Publication Date**

Belinda Wybrow, ,  
PA to Chief Executive & Chair



National Tree Week, Brockenhurst. © New Forest NPA

Jan-Feb 2023

## NPE Bulletin

### A Message from Andrew McCloy, NPE Chair:

*"The Government's recently-published Environmental Improvement Plan contained some positive commitments, most notably building on the success of FiPL and taking some of the Landscapes Review recommendations forward. But, as others noted, there was scant mention of National Parks and the role we already play in nature recovery and public engagement, nor how the panacea of green finance will pay our day to day bills. We need to be bolder and smarter in getting our message across to Government; and while overt lobbying and PR might not come naturally to some of us, it's clear that it has to be our focus now if National Parks are to assume a more strategic national role - and secure the resources that go with it."*

### Meetings & correspondence

- **APPG for National Parks:** following the postponement of the last APPG in November and a planning session with Sir Gary Streeter, Chair of the APPG, the next meeting will be 7th March, entitled: *'National Parks: our offer to the nation'*. Minister Trudy Harrison has accepted our invitation to speak along with Richard Benwell, CEO of Wildlife and Countryside Link, and outdoor enthusiast/advocate Charlotte Ditchburn. We are aiming to launch our new infographic, highlighting some of the key benefits that National Parks bring.

- **Landscapes, Parks and Trails Partnership (LPT):** we were pleased to see the Partnership mentioned in the EIP, though the budget attached to the Partnership has yet to be signed off by the Secretary of State. Two workshops are taking place in February relating to Partnership workstreams: nature recovery, and equality, diversity & inclusion. Specialists from all of the partners will be joining, to brainstorm draft objectives for the Partnership under these headings.

- **Letters to Ministers and parliamentarians:** we have recently written to Rachel Reeves MP, Shadow Chancellor and Alex Sobel MP, Shadow Defra Minister, introducing them to NPE and inviting them to the Yorkshire Dales. We had a positive response from Mark Spencer, Defra Minister, stating his support for FiPL and expressing his thanks to National Parks team for the "valuable contributions" they have made to the programme. He has also welcomed our invitation to visit a National Park.

- **NPE Board:** we were pleased to hear from Jim McMahon, Labour MP for Oldham West and Royton, at our board meeting in January, while on a visit to Dartmoor. This was an opportunity for us to set out our priorities and also hear his, which included access to nature, the right to roam and the water industry. Defra's Sion McGeever also attended and suggested that a Government announcement relating to the Landscapes Review is due soon. The next NPE Board meeting is on Thursday 8th June, venue tbc.

- **ENPOG:** at the January meeting, we had a presentation from the Princes Countryside Fund on partnership working and their Farm for the Future programme. Further updates on our priorities later in this bulletin.

### Key events & activities

- **New staff:** we welcome our new **Strategic Engagement Manager** Deborah Brookes, who will be working with partners across all the protected landscapes, including National Parks, AONBs, and National Trails. She'll be leading for NPE on the development of DEFRA's new National Landscape, Parks and Trails Partnership (as mentioned earlier) and also supporting NPE priorities. We also welcome our new **Strategic Lead for Nature Recovery**. Helen Byron will be joining us on a short term contract to work on National Parks role in delivering our offer for nature recovery. Helen brings a wealth of experience from the RSPB, AONBs and elsewhere.

*continued overleaf...*

### Spotlight

Environmental Improvement Plan (EIP): as mentioned above, the EIP was published at the end of January. NPE attended the Ministerial launch event and published an initial media statement, as well as social media activities and more in-depth articles on LinkedIn. The inclusion of an extension to FiPL in the plan is a huge success - a real testament to the hard work of lead NPO for sustainable farming Kevin Bishop, and colleagues from across the National Parks who have been supporting, delivering and promoting the Programme. Other key elements include investment in the new Landscape Partnership, a commitment to strengthening Management Plans and reference to the Access for All funding. However, with the exception of private green finance and using the levers of farm policy, it's unclear where the balance of cost will come from to fund delivery of the Plan. With our own figures indicating the cost of achieving 120,000 hectares running to £800 million, it's important the ambition is matched with the means to achieve it.

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## Key Events & activities

*continued*

- **Communications Plans:** we have finalised our topline strategy, and are engaging with Heads of Coms across the National Parks in England. We will be working closely with them to ensure a collaborative approach to the crucial months ahead, building the case for increasing support and resources for National Parks.
- **Levelling Up and Regeneration Bill (LURB):** NPE worked with CNP to provide briefings and coms activities around the 2nd Reading in the Lords on 17th January. Several Peers referenced National Parks, particularly in relation to implementation of Glover, including Baroness Willis, Lord Randall and Baroness Jones of Whitchurch, who will be taking forward amendments from CNP. In her response, the Minister did not address the specific issues raised during the debate regarding National Park purposes and Glover, but is open to meeting people to discuss any issues not covered. The Lords Committee stage begins on 20th February, and we are discussing next steps with CNP.
- **Nature Recovery:** as discussed previously, our work is continuing through the our Strategic Lead Helen. Ali Barnes, Lead NPO, is continuing to co-ordinate the various strands on Nature Recovery being pursued through the Landscape Partnership, Protected Landscape targets, EIP and 30x30. This will aim to ensure that National Parks are front and centre for delivering nature recovery.
- **Climate Leadership:** Chris Fairbrother, Landscape and Biodiversity Strategy Lead for the South Downs, and Jo Swiers from NPE are meeting with Natural England to discuss possible funding for the next stage of our climate change work. It is hoped this will build on the work carried out by Small World Consulting around carbon baselines.
- **Sustainable Farming and land management:** as referenced earlier, the extension of FIPL until March 2025 is a very positive outcome for National Parks in England. We will be building on this work in the coming months, and are aiming to use the summer APPG, due to take place some time in June, to focus on our asks.
- **Social Media highlights:** on 31st January, we tweeted from the launch of the **EIP**, and as highlighted in the *Spotlight* section in this Bulletin. We used social media to raise our profile as part of the narrative, including LinkedIn, which provides a good space to share more detailed analysis of key themes. We utilised social media during the **LURB debate** to include messaging about strengthening National Park purposes, and produced a more detailed blog, setting out our views on the importance of including National Parks in this Bill. Over the last few months, we also highlighted activities across the NPAs tackling the biodiversity crisis. We used **Cop15** as a hook to showcase fantastic initiatives like the South Downs **Re:Nature** campaign, and the extensive work tackling **Himalayan balsam** in Dartmoor. We also celebrated **International Volunteers Day**, reflecting on the crucial role volunteers play in supporting the work of National Parks.
- **Consultation responses:** we submitted a response from NPE to the Forestry Commission Review of Consultation Procedures. We called for efficiencies and streamlining where possible, and avoidance of duplication to get good and timely outcomes.



**Did you know?**.....41,000  
volunteer days have been  
supported by National Park Authorities in  
England in 2021/2022



## UK Collaboration

- **National Parks Partnerships:** following a General Meeting including vote with the 15 NPAs on 20th January, NPP is working with DEFRA and alongside the NAAONB on the finalisation of the Grant Agreement to fund a 2 year programme of work focussing on private finance into nature. This grant agreement for private finance will work alongside the new Landscape Parks and Trails Partnership, with NPP also participating in 'nature' themed workshops and thinking as part of the LPT Partnership activity.
- **NPUK:** NPE and the NPUK Comms Unit will be coordinating Discover National Parks Fortnight from April 3-16 with the theme nature recovery and conservation. In February the second phase of National Parks Green Pathways goes live featuring Green Leaders - those we are supporting to deliver outdoor learning experiences and inspiration to young people. DEFRA has been liaising with National Parks on appropriate ways of celebrating the Coronation on May 6, reflecting His Majesty The King's longstanding interest in landscape, nature, and rural affairs. Funding for the UK Comms Unit concludes in June and a review of collective communications activities, addressing NPUK, NPP and NPE, has started. Tom Hind is representing NPE on this Review Panel, which also includes UK Comms Unit leadership, Chief Executives from Scotland and Wales, and a Head of Communications from each of the nations. Gordon Watson of Loch Lomond and Trossachs National Park Authority is representing NPP.



Volunteers clearing invasive privet at Seaford Head, East Sussex; © Roger Kiernan

For Questions or More Information - please contact NPE's Communication's Officer, Lucy, at [Lucy.Hooper@nationalparksengland.org.uk](mailto:Lucy.Hooper@nationalparksengland.org.uk)

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## **7. CAPITAL STRATEGY 2023/24 TO 2027/28 (JW)**

### **1. Purpose of the report**

The purpose of this report is to update the Capital Strategy approved by the Authority in 2015, including the revision of the principles and to approve the Capital Programme in the medium term. The Capital Strategy is linked to the Treasury Management Policy and the Treasury and Investment Strategy.

#### **Key Issues**

- The refresh of the capital strategy is overdue. It is recommended that future reviews of the capital strategy and capital programme is incorporated into the annual treasury management report.
- Approval of the capital budget for 2023/24 and key principles of the capital strategy.
- The planned capital programme to 2027/28.

### **2. Recommendations**

- 1. To approve the Capital Budget for 2023/24 at Appendix 1.**
- 2. To approve the four key principles of the Capital Strategy at Appendix 2.**
- 3. To note the overall Capital Programme at Appendix 3 and that projects will be subject to individual authorisations as per financial regulations.**
- 4. To note that future capital strategy reports will be combined with the Treasury Management report and reviewed annually.**

#### **How does this contribute to our policies and legal obligations?**

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) requires that a Capital Strategy be produced alongside a Treasury Management and Investment Strategy (also on this agenda). This is because decisions made on capital and treasury management will have financial consequences for a Local Authority for many years into the future.
4. The Capital Strategy is intended to provide a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Authority's services.

#### **Background Information**

5. Capital investment decisions are made with reference to the approved asset management plan, they need to show an appropriate value for money appraisal, and align fully with Authority objectives. All capital projects over £150,000 are the subject of a committee report and Member approval, in line with Standing Orders. The Authority approves the Prudential code indicators in March of each year – the Prudential code indicators concern the Authority's borrowing, where borrowing is required to support capital investments which cannot be financed by other means. This is included in the Treasury Management report on the same agenda.
6. Capital expenditure is when the Authority spends money on assets such as property

and vehicles that will be used for more than one year. The Authority has some limited discretion on what is classed as capital expenditure, for example assets that cost less than £10k are not classed as capital and charged to revenue. This is often referred to as the de-minimis level.

7. The Authority generally incurs capital expenditure for either new assets (acquisitions), improvements to existing assets (enhancements) or replacement of obsolete assets. Such expenditure is usually from one across five categories; property (land and buildings), information technology (hardware and software), vehicles, fixtures and fittings and equipment.
8. All capital expenditure must be fully financed, either from external sources such as grants and other contributions, the Authorities own resources (revenue budgets, revenue reserves or capital reserves) or from debt (borrowing or leasing)
9. The prudential code allows Local Authorities to determine their capital strategy and capital programme but provides a framework to ensure that capital expenditure and investment plans are affordable and that external borrowing and long term commitments are prudent and sustainable.

### **Proposals**

10. The previous capital strategy was for the five year period 2015 to 2020, therefore the review of the capital strategy was overdue. Work has been completed to pull together the business plans for Asset Management and IT into one capital programme document (see appendix 1).
11. To prevent a delay like this in the future it is recommended that the capital strategy be incorporated into the annual Treasury Management report. Another advantage of this is that the current Treasury Management reports and appendices set the annual prudential indicators and borrowing limits as well as the minimum revenue provision (MRP) which are directly linked to the capital programme and have an impact on how much the Authority can borrow (internally or externally) for capital expenditure.
12. The capital budget is usually approved with the revenue budget in February each year, however it has been included in the capital strategy report this year. Members are asked to approve the budget at Appendix 1, but will also note that any new projects included in the budget will be subject to individual business case approvals as per the Authority's financial regulations. The Capital budget for 2023/24 included expenditure of £991k of previously approved projects that will continue into 2023/24 plus an additional £750k for new projects (subject to the appropriate approvals). This is financed by £1.36m of capital receipts, £246k of internal borrowing as well as £72k from revenue reserves and £65k of revenue budget.
13. Members are also being asked to approve the key principles at Appendix 2 which can be used as a guide for making capital decisions in the future. The four key principles are:
  - Capital expenditure for health and safety and other regulations.
  - Capital projects that fit strategically with the Authority's purposes.
  - Whole life costs of the project are fully assessed and included
  - Creation and replacement assets have long term sustainability.
14. The overall plans from the asset management and IT services have been pulled

together to show the long term planned capital programme to 2027/28 as shown at Appendix 3. New and approved projects between 2023/24 and 2027/28 total £2.98m of which £1.93m is expected to be funded by capital receipts (net proceeds of the sale of capital assets). Appendix 3 also shows that actual capital expenditure was £510k in 2021/22 and forecast expenditure for 2022/23 is £1.17m. This planned capital programme does not prevent any other business cases being brought forward at any time to be assessed on their own merits subject to the key principles as well as being affordable, prudent and sustainable.

15. The Asset Management service have an asset disposal plan which forms part of the overall asset management plan. This plan is reviewed annually and reported separately to members. The assets for disposal include a range of operational assets and those from our estates, however these will be subject to individual approvals through the disposal toolkit. It should be noted that receipts received from any disposal from the Warslow Estate will need to be reinvested back in the Estate as per the disposal approvals from the Department for Digital, Culture, Media and Sport (DCMS). The forecast capital receipts are as follows:

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	Total £'000s
<b>Forecast capital receipts</b>	425	150	275	200	200	<b>1,250</b>

16. As per the prudential code, capital receipts can only be spent on future capital projects and other capital expenditure, unspent capital receipts are held in the capital receipts reserve. The balance as at 31 March 2022 was £1.597m of which only £126k is currently unallocated, therefore the disposal of surplus assets will be required to fund the capital programme. This was a part B report brought to Members in March 2022 as part of the Action and Disposal Plan (Min 28/22).
17. Finally, the actual and estimated capital financing requirement (the underlying need for borrowing) underpinning any borrowing requirements in the capital programme to 2027/28 is included in Appendix 2 of the Treasury Management report on this same agenda. The estimates are that borrowing will be £1.23m at the end of 2022/23 and reduced slightly to £1.11m at the end of 2023/24 as more repayments are made than new borrowing entered into. Actual external debt will be £361k at the end of 2022/23 and £330k at the end of 2023/24, therefore the remaining balances of £869k and £780k respectively is internal borrowing.

### **Are there any corporate implications members should be concerned about?**

#### **Financial:**

18. The issues have been covered in the report.

#### **Risk Management:**

19. The Prudential Code indicators help to manage risks inherent in borrowing for capital expenditure. The Treasury Management and Investment Strategy manages and minimises the risks inherent in the Authority's investing activities. The current plans is reliant on the disposal of surplus assets and as such some projects would be affected or may not go ahead if sufficient receipts are not available and these would need to be addressed in the relevant business case when brought to committee for approval.

#### **Sustainability:**

20. This report represents ensuring the sustainability of the Authority's Capital Programme and being able to manage the investment required in the Authority's assets in the future.

21. **Equality, Diversity and Inclusion:**  
There are no implications to identify in this report.

22. **Climate Change**  
There are no implications to identify in this report.

23. **Background papers (not previously published)**  
None

24. **Appendices**  
Appendix 1 – Capital Budget 2023/24  
Appendix 2 – Capital Strategy Key Principles  
Appendix 3 – Capital Programme to 2027/28

**Report Author, Job Title and Publication Date**

Justine Wells, Head of Finance and Chief Finance Officer, 08 March 2023

## **Appendix 1 - 2023/24 Budget**

### **2023/24 Capital Programme (£'000s)**

	<b>New</b>	<b>Approved</b>	<b>Total</b>
<b><u>Acquisition of Land and Existing Buildings</u></b>	0	0	0
<b><u>New Construction, conversion and Renovation</u></b>			
Core Infrastructure Condition Surveys (Authority 124/15)	0	204	<b>204</b>
Structures (ARP 51/16)(Authority 16/19)	0	72	<b>72</b>
Corporate Assets (Authority 24/22)	0	519	<b>519</b>
Warslow Moors	335	10	<b>345</b>
North Lees	350	186	<b>536</b>
<b><u>Vehicles, Plant, Equipment and Machinery</u></b>			
Desktop/laptop purchases 4 yearly replacement	65	0	<b>65</b>
Vehicle purchases (ARP 04/19)	0	0	<b>0</b>
Wiggininstall Cottage ASHP	0	0	<b>0</b>
<b><u>Intangible Fixed Assets</u></b>	0	0	<b>0</b>
<b>Total Capital Expenditure</b>	<b>750</b>	<b>991</b>	<b>1,741</b>
<b><u>Financed by</u></b>			
<b>Capital Grants</b>	0	0	<b>0</b>
<b>Borrowing</b>			
Public Works Loan Board / Internal Borrowing	50	196	<b>246</b>
<b>Reserves</b>			
Capital Receipts Reserve	635	723	<b>1,358</b>
Other Reserves	0	72	<b>72</b>
<b>Financed from Revenue Account</b>	65	0	<b>65</b>
<b>Total Financing</b>	<b>750</b>	<b>991</b>	<b>1,741</b>

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## **Appendix 2 – Capital Strategy Key Principles**

As well as the principles of affordability, prudence and sustainability from the prudential code, the Authority has four key principles to underpin the capital strategy:

1. Health and Safety Regulations. The Authority has a number of obligations as a result of owning assets and as such, expenditure that makes sure these obligations are met carry with them a high priority. Examples include health and safety obligations to our employees and the public and lease and landlord responsibilities ensuring that properties are free from hazards and to comply to meet legal responsibilities.
2. New or enhanced assets fit strategically with the Authority's purposes over the long term. In line with an approved Asset Management Plan and Authority Plan, assets created or replaced will be assessed to establish the extent to which they fit strategically with the Authority's purposes over the longer term. This should include assets which deliver revenue savings or additional income streams.
3. Whole life costs of capital investment are considered including initial costs, ongoing revenue obligations, future income streams and future disposal receipts or costs. Capital investment proposals will need to consider whole life costs of the asset, this includes the initial capital investment costs as well as any revenue income streams or ongoing revenue expenditure. Any future residual value income or expenditure incurred at disposal should also be included where relevant. This may include any sale proceeds to invest back into replacements, especially for items such as vehicles.
4. The creation and replacement of assets should have long term sustainability. This means that the Authority has the ability to replace assets when they have reached the end of their useful life. Subject to the Asset Management Plan and the Authority Plan these should be given priority; these replacement costs ideally need to be available within existing budgetary provision (such as capital or revenue reserves, revenue budgets or borrowing costs can be met from existing budgets or additional income streams).

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### **Appendix 3 - Capital Programme to 2027/28**

<b><u>Estimates of Capital Expenditure</u></b>	<b>Actual 2021/22 £'000s</b>	<b>Forecast 2022/23 £'000s</b>	<b>Estimate 2023/24 £'000s</b>	<b>Estimate 2024/25 £'000s</b>	<b>Estimate 2025/26 £'000s</b>	<b>Estimate 2026/27 £'000s</b>	<b>Estimate 2027/28 £'000s</b>	<b>Total 2023/24 to 2027/28 £'000s</b>
Trails Structures	64	465	72	0	0	0	0	72
Condition Survey Improvements	0	12	204	0	0	0	0	204
Millers Dale	99	0	0	0	0	0	0	0
North Lees	104	119	536	130	0	0	0	666
Corporate Assets (Minute 24/22)	0	289	519	0	0	0	0	519
Warslow Moors Estate	111	140	345	245	145	100	110	945
Cycle Stock	50	0	0	0	0	0	0	0
IT Capital	82	114	65	65	65	65	65	325
Vehicle Replacement	0	31	0	0	0	0	250	250
<b>Total</b>	<b>510</b>	<b>1,170</b>	<b>1,741</b>	<b>440</b>	<b>210</b>	<b>165</b>	<b>425</b>	<b>2,981</b>

<b><u>Financing of Capital Programme</u></b>	<b>Actual 2021/22 £'000s</b>	<b>Forecast 2022/23 £'000s</b>	<b>Estimate 2023/24 £'000s</b>	<b>Estimate 2024/25 £'000s</b>	<b>Estimate 2025/26 £'000s</b>	<b>Estimate 2026/27 £'000s</b>	<b>Estimate 2027/28 £'000s</b>	<b>Total 2023/24 to 2027/28 £'000s</b>
Capital Grants	66	0	0	0	0	0	0	0
Public Works Loan Board / Internal Borrowing	178	70	246	130	25	0	250	651
Capital Receipts Reserve	16	702	1,358	245	120	100	110	1,933
Other Reserves	0	276	72	0	0	0	0	72
Financed from Revenue Account	250	122	65	65	65	65	65	325
<b>Total</b>	<b>510</b>	<b>1,170</b>	<b>1,741</b>	<b>440</b>	<b>210</b>	<b>165</b>	<b>425</b>	<b>2,981</b>

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## 8. **TREASURY MANAGEMENT POLICY STATEMENT AND ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY (JW)**

### **Purpose of the report**

1. The purpose of this report is to meet the necessary statutory requirements governing Treasury Management functions by asking Members to approve:-
  - 1) An over-arching Treasury Management Policy Statement. (Appendix 1)
  - 2) An Annual Treasury Management and Investment Strategy.(Appendix 2)

Incorporated into 2) above is the requirement to set appropriate Prudential Code indicators and limits, and approve a Minimum Revenue Provision policy.

### **Key Issues**

2. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:-

“The management of the organisation’s borrowing, investments and cash flows, including 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”. (The Prudential Code 2021 edition).

Because we are able to draw down National Park Grant in advance to meet our expenditure obligations when they arise, in practice this Authority has relatively uncomplicated requirements. They are predominantly the need to invest securely temporary cash balances until they are required, in exchange for a reasonable rate of return, and also to arrange appropriate loans for our limited borrowing exposure.

This document therefore asks Members to approve the framework, and limits, within which these arrangements are carried out by the Chief Finance Officer.

Our temporary cash balances are invested on our behalf by North Yorkshire County Council (NYCC), which relies upon the Annual Investment Strategy of North Yorkshire County Council. NYCC moves to being a new Unitary Council, North Yorkshire Council (NYC), from April 2023 and as such the Annual Treasury Management Strategy has been established for the new NYC and was approved full Council on 22 February 2023 (Appendix 3 – NYCC Treasury Management Report, Appendix C and Schedules 1 to 6 only). Members are asked to adopt this as the Authorities overarching strategy. There have been no changes in NYC’s investment and risk management approach as the strategy for the new Unitary Council is broadly in line with the previous NYCC strategy.

The current Service Level Agreement (SLA) with NYCC ends on 6 April 2023, however work is being undertaken to enter into a new 3 year SLA with NYC which has been agreed to in principle by NYC. This arrangement continues to be the best option for the Authority to safeguard its surplus funds with the required security and in compliance with current legislation and guidance for Local Authorities. The cost of which remains complete at £5.3k for 2023/24.

In 2021, CIPFA issued a revised Treasury Management Code of Practice and Prudential Code. The revised Codes require all local authorities to produce a Capital Strategy. The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management contribute to the provision of Corporate and service objectives and takes account of stewardship, value for money, prudence, sustainability and affordability. The

revised Capital Strategy covering the period up to 31 March 2028 is to be approved by members on this agenda (17 March 2023).

### **Recommendations**

3.
  1. **That the Authority approves the Treasury Management Policy Statement in Appendix 1.**
  2. **That the Authority approves the Annual Treasury Management and Investment Strategy in Appendix 2, with specific approval of the Prudential Indicators and borrowing limits (paragraphs 6 to 13), and the policy on Minimum Revenue Provision (paragraphs 14 and 15), and adopts the Investment Strategy of North Yorkshire Council (Appendix 3 – NYC Section 4 Annual Investment Strategy and associated Appendices at Section 5).**

### **How does this contribute to our policies and legal obligations?**

4. This report is produced in order to comply with the requirements of:-
  - The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Services
  - The CIPFA Prudential Code for Capital Finance in Local Authorities (revised 2021)
  - The Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments and Minimum Revenue Provision

### **Proposals**

5. Borrowing

The Authority finances its overall capital expenditure from a combination of use of capital receipts, capital grants from external bodies, direct revenue contributions, and borrowing. The ability to finance capital expenditure directly from revenue contributions tends to be limited, so the Authority looks to maximise capital grant opportunities if they are available, and use a combination of capital receipts (from asset disposals) and borrowing to meet some of the capital investment challenges. Borrowing is only practical if the debt repayments can be achieved safely from income arising from the capital investments themselves, as increasing reliance on National Park Grant to finance debt repayments is not considered to be sustainable.

The revised Capital Programme contains estimates of capital expenditure from 2023/24 to 2027/28 of £1.9m, of which approximately £455k is estimated to be from borrowing, subject to individual business cases.

Borrowing therefore remains an important tool to allow the Authority to consider vital expenditure investments, in particular those invest-to-save or invest-to-income proposals which could comfortably repay debt charges, and the Prudential Code indicators have been set at levels which are mindful of the need to accommodate this potential expenditure, whilst giving space for future investments not yet developed. The Prudential Code retains revisions made that were related to borrowing for commercial purposes, the context being that there were concerns that some Local Authorities had over extended themselves using borrowing powers to finance commercial activities leading to disproportionate risk. The Prudential Code explicitly states that:

“...an authority must not borrow to invest primarily for financial return.” (CIPFA Prudential Code 2021).

This change will not have an impact on the Authority as this is not, nor has been part of the Authority's Investment Strategy.

A decision to borrow leads to what is called a "Capital Financing Requirement (C.F.R)" which is the underlying need for the Authority to borrow to support the capital expenditure, assuming it is not financed by other means. The actual borrowing may or may not be taken out at the same time – it remains more cost effective to use temporary cash funds despite growth to investment returns as interest rates continue to increase. The Authority's C.F.R. estimate for 31<sup>st</sup> March 2023 is £1.232m (£1.325m at March 31<sup>st</sup> 2022) of which £330k is a Public Works Loan and the remainder, £902k, is financed temporarily from internal cash funds.

One consideration in the use of Capital and Revenue funds might be a decision to reduce debt by repaying outstanding loan principals. This might be an option if the alternative capital expenditure proposals are not considered to produce a reasonable rate of return on capital. There is however a penalty in early repayment of Public Works Loan board debt, over and above the principal outstanding, as the repayment amount is calculated on current market rates. There is no such penalty where internal cash funds are used and this might be an option to consider.

Capital resources can be used for revenue purposes only if agreed by the Secretary of State (for the Department for Levelling Up, Housing and Communities (DLUHC) by way of a Capitalisation Direction, which must be bid for. There are currently no plans to apply for this use of resource.

6. For any extension of borrowing the Prudential Code requires that explicit regard must be taken of option appraisal, asset management planning, and strategic planning. Capital expenditure and associated borrowing has a long term impact and therefore it is important to ensure that strategic plans have a longevity matching these underlying financial commitments. Some of the decision making methods which are used to help support these decisions are common accounting decision making tools such as net present value, profitability indices and interest cover ratios. Another test is the "exit" value of any investment proposal; these tests are intended to reduce the risk of the debt being a future burden on the Authority's revenue budget. These tools are looking to determine can the project afford to repay its debt costs, without additional burden on the revenue of the Authority.

## 7. Investing

Assuming the Investment Strategy is approved (Appendix 2 & 3) in this report, the Authority will invest its surplus cash resources with North Yorkshire Council on a shared risk, and shared return basis. The 2022/23 original budget of £15k assumed that a rate of return of around 0.18% would be achieved, however this was revised to £75k and approved by members in December 2022 based on a rate of return of 1.6%. However, the Bank of England base rate has continued to increase (4% as at February 2023) with actual receipts as at 31 December 2022 at £94k meaning a possible year end return of between £120k and £140k. The 2023/24 budget was set on the basis that rates would remain high and give rise to a return of £110k. The key principal for investment is security of funds rather than rate of return.

**Are there any corporate implications members should be concerned about?**

8. **Financial:** Financial issues are covered by virtue of the nature of the report

9. **Risk Management:** The Prudential Code indicators help to manage risks inherent in borrowing for capital expenditure. The Treasury Management and Investment Strategy manages and minimises the risks inherent in the Authority's investing activities.
10. **Sustainability:** The indicators include consideration of the sustainability of capital borrowing.
11. **Equality, Diversity and Inclusion:** There are no implications to identify.
12. **Climate Change:** There are no implications to identify.
13. **Appendices:**

Appendix 1 – PDNPA Treasury Management Policy Statement

Appendix 2 – PDNPA Annual Treasury Management and Investment Strategy

Appendix 3 – NYC Section 4 Annual Investment Strategy and associated Appendices at Section 5).

**Report Author, Job Title and Publication Date**

Justine Wells, Head of Finance and Chief Finance Officer, 9<sup>th</sup> March 2023

## **APPENDIX 1 TREASURY MANAGEMENT POLICY STATEMENT**

1. The Authority defines its Treasury Management activities as “The management of the organisation’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”.
2. The identification, monitoring and control of risk is the primary criterion by which the effectiveness of Treasury Management activities will be measured, with value for money an important but secondary objective.
3. The Annual Treasury Management and Investment Strategy sets out the means by which the above objectives will be achieved.
4. The Peak District National Park Authority has determined responsibilities for Treasury Management within its Standing Orders as follows:-

### **K. INVESTMENTS AND BORROWING**

- K1 The Authority maintains a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and adopts suitable Treasury Management Practices, setting out the manner in which the organisation will manage and achieve those policies and objectives.
- K2 The Authority receives reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close.
- K3 The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Budget Monitoring Group, and for the execution and administration of treasury management decisions to its Chief Finance Officer, who will act in accordance with the organisation’s policy statement and Treasury Management Practices, and CIPFA’s Standard of Professional Practice on Treasury Management.
- K4 The Authority nominates its Programmes and Resources Committee to be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.
- K5 The Authority’s borrowing limits will be approved annually at an Authority meeting based on the advice of the Chief Finance Officer.

### **Treasury Management Practices**

The Authority’s Chief Finance Officer will design, implement and monitor arrangements for the proper control of Treasury Management activities, within the constraints of the Annual Treasury Management and Investment Strategy approved by Members, categorised into the 12 “practices”, or subject areas, defined by the Code:-

#### **1 Risk Management**

Credit & Counter-party risk – The security of sums invested  
Liquidity Risk Management – working capital requirements  
Interest Rate Risk – exposure to fluctuations in interest rates (costs or revenues)  
Exchange rate risk – fluctuations in exchange rates  
Re-financing risk – terms of renewal  
Legal and Regulatory risk – compliance  
Fraud, error, corruption – suitable systems and procedures  
Market Risk – protection of principal sums invested

#### **2 Performance Measurement**

Consideration of alternative methods of delivery and performance indicators

### **3 Decision Making & Analysis**

Maintenance of records of decisions

### **4 Approved Instruments, Methods & Techniques**

Subject to those approved in the Annual Strategy, or by specific resolution of committee

### **5 Organisation, Clarity and Segregation of Responsibilities and dealing Arrangements**

Responsibilities and procedures for transactions and staff handling of financial transactions

### **6 Reporting Arrangements**

Standing Orders Section K above sets out the respective Member and Officer responsibilities

### **7 Budgeting, Accounting and Audit Arrangements**

The cost of, and income arising from, Treasury Management activities will be reported in the annual Outturn report and to the Budget Monitoring Group

### **8 Cash Flow Management**

Central control and aggregation of all cash flows to ensure liquidity

### **9 Money Laundering**

Verifying and recording the identity of counterparties

### **10 Training and Qualifications**

Experience and training in Treasury Management activities

### **11 Use of External Service Providers**

Monitoring and procurement of external advice

### **12 Corporate Governance**

Assessment of effectiveness of Treasury Management activities

## **Appendix 2 Annual Treasury Management and Investment Strategy**

### **1. Borrowing**

The Authority may borrow for two reasons:

- (i) To fund its capital programme within the Prudential Code limits, and
- (ii) temporarily pending the receipt of revenue monies.

- 2. The main source of any new long term borrowing will be from the Public Works Loans Board (PWLb). Where leases are taken out the lease provider will provide finance, if considered to be cost effective.
- 3. Where the Authority is financing capital expenditure over a long term period (up to 25 years) the policy will be to seek fixed interest rate borrowing over the same time period in order to reduce overall interest rate risk in future budgets.
- 4. The Prudential Code requires the Authority to agree and monitor a number of prudential indicators with the objective of controlling and managing the Authority's overall debt exposure. These indicators are mandatory, but can be supplemented with local indicators if this aids interpretation; no local indicators are currently used; however as part of the decision making on investment proposals common accounting decision making tools such as net present value, profitability indices and Interest cover ratios are used, together with assessment of the "exit" value of any investment proposal; these tests are intended to reduce the risk of the debt being a future burden on the Authority's revenue budget. The mandatory prudential indicators cover affordability, prudence, capital expenditure and debt levels. The main benefit to the Authority is that there remains no external restriction on capital investment, subject to Government reserve powers to restrict borrowing for national economic reasons.

### **5. Overview**

Members approved the Authority's Capital Strategy in December 2015 and a Capital Programme (Appendix 2 of that report) was approved listing potential capital projects. The Capital Strategy outlined a number of principles and working assumptions which set out the approach to capital expenditure, and how it should be financed, of which borrowing was one component. Members have delegated to officers decisions to borrow for capital projects under £150,000, subject to the Authorised Limit and an annual analysis of these decisions in this report. There has been one approval in this current financial year.

Minute	Date	Approval	Reason	Amount financed from internal funds	Debt from PWLB	Annual charge to budget	Ending
60/22	16/08/2022	£15,745	Used Mini Excavator for CMPT	£15,745	0	£2,515	2029/30

- 6. **Actual and Estimate of Total Capital Expenditure to be incurred** – these figures represent best estimates. As the title suggests, the figures include total expenditure on capital items, including assets financed from revenue, capital grants or use of capital receipts, as well as borrowing. The estimates for future capital expenditure tend to be aggregations of a number of capital projects already delegated to officers (e.g. refurbishment of tenanted properties, ICT expenditure etc.) projects already approved by Members (e.g. Trails infrastructure of £600,000, North Lees Estate of £305,560), plus the estimated impact of other projects in the approved Capital Programme. The figures below

include items already approved plus an estimate of items still requiring approval as part of the Capital Strategy refresh. The values are indicative forecasts for now with no commitments attached.

	<b>Actual 2021/22 £'000s</b>	<b>Estimate 2022/23 £'000s</b>	<b>Estimate 2023/24 £'000s</b>	<b>Estimate 2024/25 £'000s</b>	<b>Estimate 2025/26 £'000s</b>
<b>Total Capital Expenditure</b>	<b>510</b>	<b>1,170</b>	<b>750</b>	<b>440</b>	<b>210</b>
Financed from grants	(66)	0	0	0	0
Financed from revenue	(250)	(398)	(65)	(65)	(65)
Financed from capital receipts	(16)	(702)	(635)	(245)	(120)
<b>Net Total (financed from borrowing)</b>	<b>178</b>	<b>70</b>	<b>50</b>	<b>130</b>	<b>25</b>

Under current economic circumstances a high proportion of the total to be financed from borrowing will be temporarily financed from cash flow as this is likely to be more cost effective in the short to medium term, as loan interest rates remain higher than interest received on cash flow surpluses.

7. **Actual and Estimate of Capital Financing Requirement (C.F.R)** – The underlying need to borrow for capital purposes, after all other sources of capital financing available in each year are taken into account (i.e. after direct support of capital expenditure from revenue, capital grants or use of capital receipts). The CFR decreases from 2022/23 onwards reflecting actual and potential Capital Programme projects, with projects being funded from capital receipts and other reserves rather than borrowing.

	<b>Actual 2021/22 £'000s</b>	<b>Estimate 2022/23 £'000s</b>	<b>Estimate 2023/24 £'000s</b>	<b>Estimate 2024/25 £'000s</b>	<b>Estimate 2025/26 £'000s</b>
C.F.R	1,325	1,232	1,116	1,071	894

### Affordability

8. **The ratio of financing costs to overall net revenue stream** – These indicators identify the proportion of financing costs measured against overall net revenue. Financing costs are the annual principal and interest payments on the estimated debt outstanding. Overall net revenue is the core National Park Grant.

	<b>Actual 2021/22 £'000s</b>	<b>Estimate 2022/23 £'000s</b>	<b>Estimate 2023/24 £'000s</b>	<b>Estimate 2024/25 £'000s</b>	<b>Estimate 2025/26 £'000s</b>
Borrowing Costs	177	179	181	189	189
Net Revenue	6,699	6,699	6,699	6,699	6,699
Percentage	2.64%	2.68%	2.71%	2.82%	2.82%

The ratio increases in the later periods reflecting the increases in interest rates and possible increase in capital investments. The amounts are still considered to be affordable as the borrowing costs will be met largely from additional income sources and not National Park Grant.

## Prudence

9. **Net Borrowing and the Capital Financing Requirement** – This indicates the net long term debt outstanding for the Authority, after accounting for the availability of any temporary invested sums, in the previous, current and next three financial years.

	<b>Actual 2021/22 £'000s</b>	<b>Estimate 2022/23 £'000s</b>	<b>Estimate 2023/24 £'000s</b>	<b>Estimate 2024/25 £'000s</b>	<b>Estimate 2025/26 £'000s</b>
Capital Financing Requirement	1,325	1,232	1,116	1,071	894
Temporary investments	(6,647)	(5,750)	(5,558)	(5,558)	(5,558)
<b>Net External Borrowing</b>	<b>(5,322)</b>	<b>(4,518)</b>	<b>(4,441)</b>	<b>(4,486)</b>	<b>(4,663)</b>

The excess of investments over capital borrowing mainly reflect the quarterly claims of National Park Grant drawn down in advance of expenditure, to meet working capital needs, plus recent capital receipts, reserve levels, and grant income received in advance of expenditure. The level of borrowing is considered to be prudent.

10. **The Authorised Limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised if necessary by members. It is recommended that the limit is set at the following levels to reflect the Capital Financing Requirement, plus a margin to allow some flexibility within the estimated levels of capital expenditure. The limit proposed for 2024/25 has been revised upwards by £500k to allow some ceiling for the implications of the new Accounting Standard IFRS 16, which requires leases to go onto the Balance Sheet, which may have the knock on effect of requiring a higher Authorised Limit. This has been delayed from 2020/21. At this stage it is not clear what the precise impact may be, but this margin should be sufficient until more is known.

	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Borrowing	2.5	3	3
Other Long Term Liabilities	NIL	NIL	NIL
<b>Total</b>	<b>2.5</b>	<b>3</b>	<b>3</b>

11. **The Operational Boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year.

	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Borrowing	2.25	2.5	2.5
Other Long Term Liabilities	NIL	NIL	NIL
<b>Total</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

**Actual External Debt** – This is actual borrowing plus actual other long-term liabilities at a certain point in time.

	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
External Debt	361	330	261

12. The Chief Finance Officer will monitor the application of these prudential indicators, as required by the Code, and will bring forward to the Authority any significant deviation. The CFO is required to bring a report specifically to the Authority if the Authorised Limit is likely to be breached, for the Authority to determine whether the limit should be raised, or whether alternative procedures to keep within the existing limit are appropriate.

13. **Fixed and Variable Rate Exposures, Maturity Structures, Longer Term Investments**

- (i) **Interest Rate Exposures - Fixed Rate** – The Authority should set an upper limit on its fixed interest rate exposures for 2023/24, 2024/25 and 2025/26 of 100% of its net outstanding principal sums.
- (ii) **Interest Rate Exposures – Variable Rates** – The Authority should set an upper limit on its variable rate interest rate exposures for 2023/24, 2024/25 and 2025/26 of 100% of its net outstanding principal sums.
- (iii) **Maturity Structure of Borrowing – Upper and Lower Limits for Maturity Structure** – The Authority is likely to have most new debt at a maximum of 25 years, although in circumstances when the life of an asset is less the period may be shorter; to allow maximum flexibility there are no restrictions proposed on the maturity structure of debt.
- (iv) **Total Principal Sum Invested for Period Longer than 364 Days**  
Investment of sums for periods longer than 364 days is restricted to the limits set out in NYC's Investment Strategy, the exposure of the Authority being a pro-rata share of any risk arising as a result.

**Minimum Revenue Provision**

14. The Minimum Revenue Provision is the amount Local Authorities are required to set aside each year from their revenue account, in order to ensure that provision is made annually for the repayment of outstanding loan principal as well as interest charges. The broad aim of this is to ensure that debt is repaid over a period reasonably commensurate with the period over which the capital expenditure provides benefits.
15. The Peak District National Park Authority has adopted the Asset Life Method, which ensures that the Revenue Provision is calculated based on the estimated useful life of the underlying asset. This method should help to ensure that budgetary provision for debt repayments is linked to the life of assets purchased, ensuring that funds are available for replacement of assets when the end of their useful life is reached. The actual MRP calculation is based on the annuity option so the MRP increases over the life of the underlying asset supported by the debt (the interest charge correspondingly decreasing, leaving the debt repayment value constant).

16. **Investing**

This relates to the temporary loan of revenue funds/capital receipts pending their use. The

timing of the main sources of the Authority's income are agreed with the Government with the aim of broadly matching expenditure, however, it is anticipated that the Authority will have surplus cash to lend.

17. Interest receipts are sensitive to changes in interest rates and cash flows. Base interest rates have increased from 0.50% to a high of 4% in February 2023. The actual investment rate at December 2022 was 3.05% and interest receipts are expected to be a higher than the revised budget of £75k (£94k at December 2023).
18. It is recommended that surplus funds are invested only with North Yorkshire Council who will pay interest at an appropriate money market rate on this cash. This policy meets the Authority's objectives of ensuring a return on its surplus funds while minimising risk, and is consistent with DLUHC guidelines on investment strategy.
19. The Authority's funds available for investment represent an average of about £7.1m during the year, whereas the investment framework for North Yorkshire Council's portfolio encompasses between £424m to 460m of investment, supported by their in-house professional team and professional investment advice. The Authority's investments with North Yorkshire Council are managed by way of a three year Service Level Agreement, subject to a six month notice period. The current SLA ends on 5<sup>th</sup> April 2023 with a new SLA currently being drawn up.
20. In order to ensure that investments made by NYC on behalf of the Authority adhere to our own Investment Strategy, the Authority is required to adopt/adhere to the NYC Investment Strategy and the approved 2023 NYC Investment Strategy is appended, for adoption by this Authority, in Appendix 3. This contains the full NYC Treasury Management report and contains economic data and forecasts which may be of interest.
21. The Treasury Management Services to be provided by NYC include, but is not limited, to the following:
  - (i) A daily sweep of the Authority's bank accounts will be made to transfer the credit/debit balance on the accounts to/from NYC
  - (ii) Funds transferred through the daily sweep facility will be invested together with funds of NYC and those of other organisations for whom it provides a Treasury Management Service
  - (iii) Investment of sums in accordance with the agreed Treasury Management Strategy including the adherence to any procedures specified in the statement
  - (iv) The calculation of interest due to the Authority at a daily rate
  - (v) The transfer of interest earned to the Authority on a quarterly basis
  - (vi) Provision of quarterly details of interest earned to the Authority
  - (vi) Support and information on investment reporting as required
22. The Authority's funds are pooled with those of other bodies, and the arrangement therefore requires a joint sharing in the rates of return, but also a shared risk. The precise arrangements are as follows:-
  - (i) NYC collects all available balances from the Authority and other organisations using the NYC Treasury Management service and pools with NYC funds. These aggregated balances are then invested in accordance with the agreed Investment Strategy.

- (ii) For practical purposes therefore every investment contains an element of each organisation's balances and no individual loan is earmarked as solely the funds of one particular organisation.
- (iii) In the event of a default of an individual loan, each organisation using the NYC Treasury Management service shall bear a consequential loss. The extent of that loss for the Authority and other organisations will be calculated based on the balances of the Authority and other organisations on the day of default. For example:

**£1m defaulted loan**

	<i>Daily Balance £k</i>	<i>%</i>	<i>Share of Loss £k</i>
NYCC	175,000	86.5	865
PDNPA	5,000	2.5	25
Authority A	9,000	4.5	45
Authority B	3,000	1.5	15
Authority C	3,000	1.5	15
Authority D	<u>7,000</u>	<u>3.5</u>	<u>35</u>
Total	<u>202,000</u>	<u>100.0</u>	<u>1,000</u>

In addition, NYCC agrees that the Default Loan procedure will not apply if the actions of NYCC in the money market are clearly proven to have been contributory to any loss(es) of the Authority's funds managed under the terms of the Agreement.

- 23. NYCC calculates an average rate of interest earned on the total pooled investment on a monthly basis.

**24. Interest Rate Strategy**

Short term interest rates will impact on the interest earned by the Authority on its deposits with the County Council. The Authority has maintained the risk at an acceptable level in its approved 2022/23 Budget, combining reasonable assumptions about expected surplus cash balances during the year, assumed investment rates, and an eye on actual performance in recent years.

Longer term interest rates are more relevant for the funding of the capital programme.

Any new longer term borrowing will be determined according to its availability and interest rate levels, within the authorised limits approved.

# **NORTH YORKSHIRE COUNCIL**

## **EXECUTIVE**

**24 January 2023**

### **TREASURY MANAGEMENT AND CAPITAL STRATEGY**

#### **Report of the Corporate Director – Resources**

#### **1.0 PURPOSE OF THE REPORT**

- 1.1 To recommend to the Council an Annual Treasury Management Strategy Statement for the financial year 2023/24 which incorporates:
  - a) a Treasury Management Strategy;
  - b) Capital Prudential and Treasury Indicators; including a Minimum Revenue Provision Policy Statement;
  - c) a Borrowing Strategy;
  - d) an Annual Investment Strategy;
- 1.2 To recommend to the Council a Capital Strategy for the financial year 2023/24; and
- 1.3 To recommend to the Council the proposed Debt Recovery Policy.

#### **2.0 INTRODUCTION AND CONTEXT**

- 2.1 2023/24 is the first year for establishing an Annual Treasury Management Strategy Statement and Capital Strategy for the new North Yorkshire Council (NYC). Both the Treasury Management Strategy and Capital Strategy for NYC have been produced by bringing together the strategies of the eight predecessor councils, supported by Treasury Management advisers, Link. While a collaborative approach has been taken in developing the Treasury Management and Capital Strategies for NYC, they are broadly in line with the strategies for North Yorkshire County Council from the previous year due to the relative size of investment and borrowing portfolios.

### 3.0 THE REPORT

- 3.1 Treasury management is defined as ‘the management of the local 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’.
- 3.2 The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with the main aims of providing sufficient liquidity and security, with the achievement of the best possible investment returns ranking as less important.
- 3.3 The second main function of the treasury management service is to arrange the funding of the Council’s capital programme, which will support the provision of Council services. The capital programme provides a guide to the borrowing need of the Council, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet Council risk or cost objectives.
- 3.4 The Council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Council’s capital expenditure plans and its Prudential Indicators.
- 3.5 This report provides a summary of the following for 2023/24:

#### 3.5.1 Treasury Management Strategy (See Annex 1 – Section 1)

The Treasury Management Strategy sets out the requirements for the overall Treasury, Borrowing, Investment and Capital Policies. The strategic approach is set out in the following:

#### 3.5.2 Capital Prudential Indicators (See Annex 1 – Section 2)

The Capital Prudential Indicators set out the capital expenditure plan and associated indicators, capital financing requirement (£612.1m in 2023/24) and the monitoring of core funds and investment balances. The Minimum Revenue Provision (MRP) Policy Statement is also included.

The Prudential Indicators have been revised and updated in line with the latest CIPFA Code of Practice. The Estimated Ratio of Capital Financing Costs is no longer a required indicator and as a result has been removed along with the local indicator. Indicators for 21/22 and 22/23 have been derived from an aggregation of the predecessor councils, and are included for comparison purposes

#### 3.5.3 Borrowing Strategy (See Annex 1 – Section 3)

The Treasury Management function ensures that the Council’s cash is managed to safeguard the delivery of the Capital Expenditures plans set out in **Appendix A**. The Borrowing Strategy covers the current and projected position as well as the Treasury Prudential Indicators. The key Treasury Management Indicators the Council are required to approve are:

- The Authorised Limit for External Debt (the legal limit beyond which external debt is prohibited), £652.1m in 2023/24; and
- The Operational Boundary for External Debt (the limit beyond which external debt is not normally expected to exceed), £632.1m in 2023/24.

#### **3.5.4 Annual Investment Strategy (See Annex 1 – Section 4)**

The Annual Investment Strategy details the Council's Investment Policy and approach to the investment of funds. The strategy is broadly in line with the North Yorkshire County Council policy which was unchanged from the previous year.

#### **3.5.5 Treasury Management Strategy Statement Appendices (See Appendices A – F)**

Appendix A	The Capital Prudential and Treasury Indicators 2023/24 – 2025/26
Appendix B	Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
Appendix C	Approved Lending List
Appendix D	Approved Countries for Investment
Appendix E	Treasury Management Scheme of Delegation
Appendix F	The Treasury Management Role of the Section 151 Officer

The appendices cover the requirements of the various laws, codes and guidance that cover the Treasury Management activity, including the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and Communities and Local Government Investment Guidance.

#### **3.5.6 Capital Strategy (See Annex 2)**

The Capital Strategy sets out the context of which Capital Expenditure and Investment decisions are made, and gives due consideration to both risk and reward and the impact on the achievement of policy outcomes. The Capital Strategy also includes the current position on the Council's non-treasury alternative investments.

#### **3.5.7 Debt Recovery Policy (See Annex 3)**

As part of management of the Council's cashflow, the Debt Recovery Policy sets out the guiding principles which apply to debt collection and recovery. These principles will ensure that the new Council recovers debt, efficiently and effectively, thus ensuring the maximisation of revenue streams for the benefit of residents, businesses and visitors to North Yorkshire. The policy covers the following types of corporate debt, which includes a mixture of statutory and non-statutory charges and enables prioritisation of debt across the organisation:

- Council Tax
- National non-domestic rates (business rates)
- Housing benefit overpayments
- Housing rents
- Sundry debts (including Health and Adult Social Care charges and commercial and domestic fees and charges)

#### 4.0 RECOMMENDATIONS

That Members recommend to the Council: -

- 4.1 The Treasury Management Strategy Statement Annex 1, consisting of the Annual Treasury Management Strategy (**Section 1**), Capital Prudential Indicators (**Section 2**), Borrowing Strategy (**Section 3**) and Annual Investment Strategy 2023/24 (**Section 4**), including in particular;
- i. an authorised limit for external debt of £652.1m in 2023/24;
  - ii. an operational boundary for external debt of £631.1m in 2023/24;
  - iii. the Prudential and Treasury Indicators based on the Council's current and indicative spending plans for 2023/24 to 2025/26;
  - iv. a limit of £60m of the total cash sums available for investment (both in house and externally managed) to be invested in Non-Specified Investments over 365 days;
  - v. a Minimum Revenue Provision (MRP) policy for debt repayment to be charged to Revenue in 2023/24;
  - vi. the Corporate Director – Strategic Resources to report to the Council if and when necessary during the year on any changes to this Strategy arising from the use of operational leasing, PFI or other innovative methods of funding not previously approved by the Council;
- 4.2 The Capital Strategy as attached as **Annex 2**;
- 4.3 The Debt Recovery Policy set out at **Annex 3**;
- 4.4 That the Audit Committee be invited to review **Annex 1, 2 and 3** and submit any proposals to the Executive for consideration at the earliest opportunity.

## SECTION 1 - TREASURY MANAGEMENT STRATEGY 2023/24

### 1.1 Introduction and Context

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities. CIPFA defines treasury management as:

*"The management of the local authority's borrowing, 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."*

## 1.2 Reporting Requirements

Reporting arrangements in place relating to Treasury Management activities are highlighted below:

### 1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The Council's Capital Strategy includes the requirements of the 2021 Treasury Management Code and Prudential code: -

1. the approach to investments for service or commercial purposes (non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. an assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

This Capital Strategy [**Annex 2**] is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the

separation of the core treasury function under security, liquidity and yield principles, and the policy, service and commercial investments usually arising from expenditure on an asset.

Where the Council has borrowed to fund any non-treasury investment, there is be an explanation of why borrowing was required and why the DLUHC Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### 1.2.2 Treasury Management Reporting

Quarterly reporting to members is now required under the 2021 Treasury Management Code, however it is not necessary to take these reports to full Council. The full Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a) **Prudential and Treasury Indicators and Treasury Strategy** (this report) –The first, and most important report is forward looking and covers:
  - the capital plans, (including prudential indicators);
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
  - the treasury management strategy, (how the investments borrowings are to be organised), including treasury indicators; and
  - an investment strategy, (the parameters on how investments are to be managed).
- b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, to comply with the 2021 revision of the CIPFA Treasury Code, the Executive will receive quarterly update reports including the Treasury Management Indicators and Prudential Indicators as part of the authority's general revenue and capital monitoring.
- c) **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### 1.2.3 Scrutiny

Treasury Management reports are required to be adequately scrutinised before being recommended to the Council. The scrutiny role is undertaken by the Audit Committee.

### 1.3 Treasury Management Strategy 2023/24

The Treasury Management strategy for 2023/24 covers two main areas:

**a. Capital issues**

- the capital expenditure plans and the associated prudential indicators; and
- the Minimum Revenue Provision (MRP) policy.

**b. Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

### 1.4 Training

The CIPFA Treasury Management Code requires the Section 151 Officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The revised TM Code introduces strengthened requirements for skills and training, and for investments which are not for specifically treasury management purposes i.e. non-treasury investments, where further detail is contained in the Capital Strategy.

The scale and nature of training requirements will depend on the size and complexity of the Council's treasury management needs. The Council will need to assess whether treasury management staff and members have the required knowledge and skills to undertake the roles and if those skills have been maintained and are up to date.

As a minimum, the Council will carry out the following to monitor and review knowledge and skills:

- record attendance at training and ensure action is taken where poor attendance is identified;
- prepare tailored learning plans for treasury management officers and board/council members;

- require treasury management officers and board/council members to undertake self-assessment against the required competencies set out in Treasury Management Practice (TMP) 10; and
- have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

Member training has been provided by Treasury Management Consultants, Link Group (Link) and further training will be provided as required. The training needs of treasury management officers are periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained and similarly, a formal record of the treasury management/capital finance training received by members

The Council maintains a “Knowledge and skills policy” within its Treasury Management Practices (TMPs). Specifically, TMP 10 includes the details of the competencies required for the core roles, a knowledge and skills schedule and details of how the council will monitor and review these skills and knowledge. This policy aims to ensure the effective acquisition and retention of treasury management skills for those responsible for the management, delivery, governance, decision-making and compliance with legislative requirements

## **1.5 Treasury Management Consultants**

The Council uses Link Group, as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## SECTION 2 - CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2021/22 Actual £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
Non-HRA	305,521	316,299	96,075	56,858	39,933
HRA	16,763	35,308	17,649	14,505	8,744
<b>Total</b>	<b>322,284</b>	<b>351,607</b>	<b>113,724</b>	<b>71,363</b>	<b>48,677</b>

The capital expenditure plans exclude 'other long-term liabilities' such as PFI and leasing arrangements that already include their own borrowing facility. The Council's Capital Plans do not include any plans on "projects for yield" schemes and there is no intention to purchase commercial assets primarily for yield.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. A shortfall that results in a funding borrowing need - net financing need for the year - is indicated in years 2021/22 to 2023/24. Years 2024/25 and 2025/26 indicates that the capital plans have allocated financing that may not be required because as the net financing need is negative. This is due to reprofiling which will need to be realigned in future updates.

Financing of capital expenditure	2021/22 Actual £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
Capital receipts	(23,121)	(16,463)	(7,224)	(14,913)	(22,432)
Capital grants	(153,874)	(194,637)	(71,342)	(48,457)	(22,130)
Capital reserves	(7,801)	0	0	0	0
Revenue	(39,323)	(73,437)	(32,536)	(19,244)	(17,015)
<b>Net financing need for the year</b>	<b>98,165</b>	<b>67,070</b>	<b>2,622</b>	<b>(11,251)</b>	<b>(12,900)</b>

## 2.2 The Council's borrowing need - the Capital Financing Requirement (CFR)

The second prudential indicator is the Council's CFR. The CFR is the total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources. It is a measure of the Council's indebtedness and so underlying borrowing need. Any capital expenditure above, which has not been financed through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has PFI and lease schemes within the CFR

The Council is asked to approve the CFR projections below:

	2021/22 Actual £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
<b>Capital Financing Requirement</b>					
Non-HRA	616,663	664,963	644,790	612,648	579,511
HRA	109,088	109,088	109,088	109,088	109,088
<b>Total CFR</b>	<b>725,751</b>	<b>774,051</b>	<b>753,878</b>	<b>721,736</b>	<b>688,599</b>
<b>Movement in CFR</b>		<b>48,300</b>	<b>(20,173)</b>	<b>(32,142)</b>	<b>(33,137)</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year		67,070	2,622	(11,251)	(12,900)
Less MRP/VRP and other financing movements		(18,770)	(22,795)	(20,891)	(20,237)
<b>Movement in CFR</b>		<b>48,300</b>	<b>(20,173)</b>	<b>(32,142)</b>	<b>(33,137)</b>

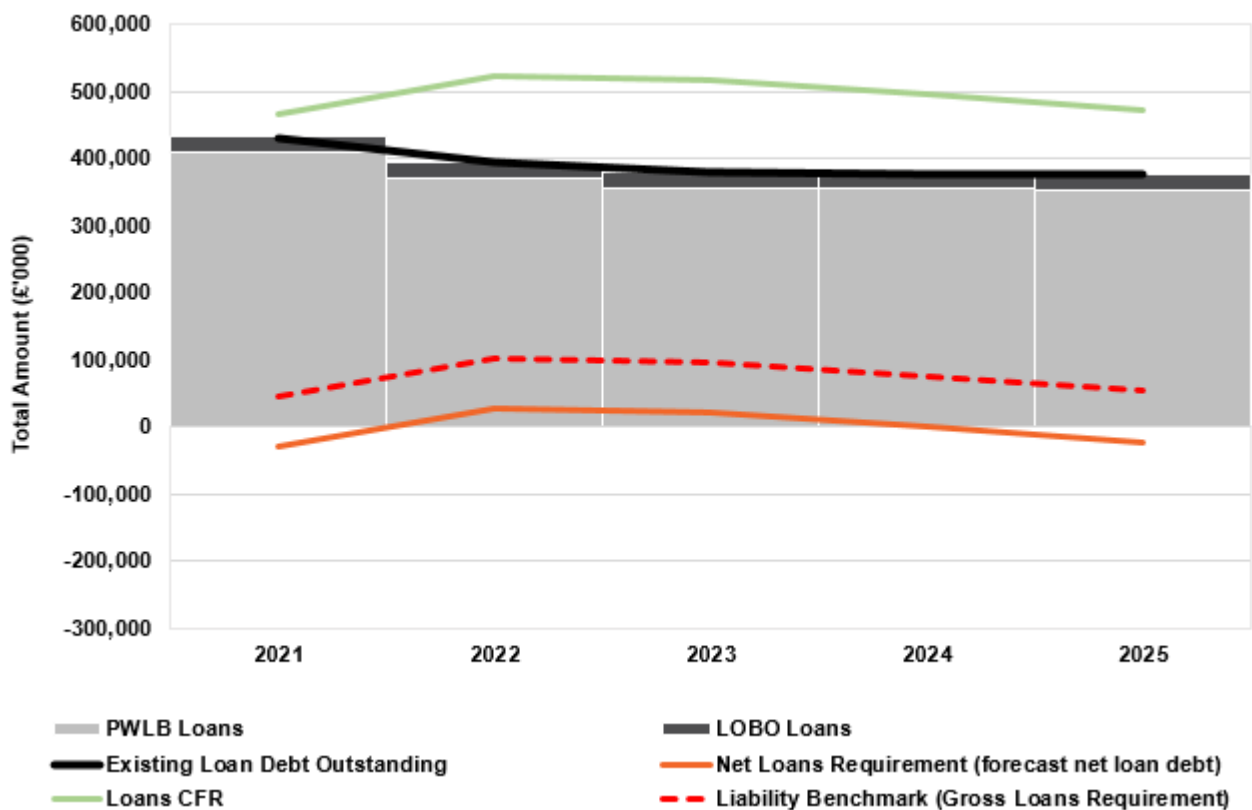
## 2.3 The Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum, where this Council has provided the full debt maturity profile out to 50+ years as recommended by CIPFA.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.

2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP. With only approved prudential borrowing being included in the calculation, the Loans CFR will peak after four years where the other inputs are projected forward for 50 years+.
3. **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance. The short-term liquidity allowance is an adequate (but not excessive) allowance for a level of excess cash to be invested short-term to provide access to liquidity if needed due to short-term cash flow variations, for example.



The Liability benchmark is low due to the high level of investments in comparison to the actual borrowing position, indicating that there is no future borrowing requirement.

## 2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources

(asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

<b>Year End Resources</b>	<b>2021/22 Actual £k</b>	<b>2022/23 Estimate £k</b>	<b>2023/24 Estimate £k</b>	<b>2024/25 Estimate £k</b>	<b>2025/26 Estimate £k</b>
Fund balances / reserves	539,842	424,716	386,389	356,852	356,852
Capital receipts	3,560	16,463	7,226	14,913	22,432
Provisions	15,700	20,000	20,000	20,000	2,000
Other	0	0	0	0	0
<b>Total core funds</b>	<b>559,102</b>	<b>461,179</b>	<b>413,615</b>	<b>391,765</b>	<b>381,284</b>
Working capital*	245,903	245,000	245,000	245,000	245,000
Under/over borrowing	(181,631)	(248,910)	(234,412)	(208,069)	(190,835)
<b>Expected investments**</b>	<b>623,374</b>	<b>457,269</b>	<b>424,203</b>	<b>428,696</b>	<b>435,449</b>

\*Working capital balances shown are estimated year-end; these may be higher mid-year

\*\*In addition to the core funds balance detailed in the table there are additional resources from 'other bodies funds' which are not used to finance either capital expenditure or revenue budget decisions and have therefore been excluded. However, the cash received from the 'other bodies funds' is invested, is illustrated in paragraph 3.1 Current treasury position and is also included in the annual investment strategy limits

## 2.5 Minimum Revenue Provision (MRP) policy statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge, known as Minimum Revenue provision (MRP). The Council is also allowed to undertake additional voluntary payments, the Voluntary Revenue provision (VRP), if required.

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance gives four ready-made options for calculating MRP, however the Authority can use any other reasonable basis that it can justify as prudent

The MRP policy statement requires Full Council approval in advance of each financial year. The Council is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2008 (known as supported borrowing), MRP will be based on 4% of the CFR at that date;
- From 1 April 2008 for all unsupported borrowing not covered by points c-f, the MRP policy will be;

**Asset life method** (option 3 of the statutory guidance) – MRP will be based on the estimated life of the assets using equal instalments of principal. In accordance with the regulations this option must also be applied for any expenditure capitalised under a Capitalisation Direction.

The asset life method provides for a reduction in the borrowing need over the asset's life.

- c) For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. Where no principal repayment is made each year (and the loan can be classified as service expenditure) the Council will not make MRP unless an actual or expected credit loss is recognised on any capital loan and then the MRP charge in the year will not be less than the loss amount. Where a shortfall is expected the S151 Officer will make an individual assessment on a prudent level of MRP to be made.
- d) For capital expenditure on investment / development properties, under the current Government proposed amendments, where loan repayments are received in year those capital receipts will be used to reduce the CFR in that year. However, where no capital receipt is received, or where no future capital receipts are anticipated, a prudent level of MRP will be charged based on the asset life method using equal instalments of principal
- e) For PFI schemes or finance leases, MRP will be charged at an amount equal to the principal element of the annual repayment.
- f) There is no requirement to make MRP for the HRA but there is a requirement for a charge for depreciation to be made. VRP can also be made to reduce outstanding debt in a shorter period.

**MRP Overpayments** - Under the MRP Guidance any charges made in excess of the statutory (MRP are known as VRP. VRP can, be reclaimed in later years if deemed necessary or prudent. For these sums to be reclaimed in future, this policy must disclose the cumulative overpayment made each year. Up until the 31.3.22 the total VRP overpayments were £42.2m, including £27.2m relating to the HRA.

## SECTION 3 - BORROWING

The capital expenditure plans set out in **Section 2** provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2022 and for the position as at 31 December 2022 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.22	31.3.22	31.12.22	31.12.22
<b>Treasury investments</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
banks	530	81	395	66
building societies	36	5	21	3
local authorities	65	10	99	16
money market funds	7	1	32	5
other	2	0	43	7
<b>Total managed in house</b>	<b>640</b>	<b>98</b>	<b>590</b>	<b>98</b>
Total managed externally – property funds	16	2	11	2
<b>Total Treasury Investments</b>	<b>656</b>	<b>100</b>	<b>601</b>	<b>100</b>
Less other bodies funds	-50		-24	
<b>Total treasury investments excluding other bodies funds</b>	<b>606</b>		<b>577</b>	
<b>Treasury external borrowing</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
PWLB	371	94	369	94
LOBOs	24	6	24	6
<b>Total external borrowing</b>	<b>395</b>		<b>393</b>	
<b>Net treasury investments / (borrowing)</b>	<b>211</b>		<b>184</b>	

The Council's current forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Forward projections for borrowing	2021/22 Actual £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
<b>External Debt</b>					
Debt at 1 April	431,957	394,689	379,300	377,713	376,084
Expected change in Debt	(37,268)	(15,389)	(1,588)	(1,628)	(11,670)
Other long-term liabilities (OLTL)	153,393	149,431	145,841	141,754	137,582
Expected change in OLTL	(3,962)	(3,590)	(4,087)	(4,172)	(4,232)
Actual gross debt at 31 March	<b>544,120</b>	<b>525,141</b>	<b>519,466</b>	<b>513,667</b>	<b>497,764</b>
The CFR	725,751	774,051	753,878	721,736	688,599
Under / (over) borrowing	<b>181,631</b>	<b>248,910</b>	<b>234,412</b>	<b>208,069</b>	<b>190,835</b>

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Corporate Director – Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
Debt	457,688	445,300	422,713	397,084
Other long-term liabilities	190,841	186,754	182,582	178,350
Total	<b>648,529</b>	<b>632,054</b>	<b>605,295</b>	<b>575,434</b>

**The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Authorised limit	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k
Debt	477,688	465,300	442,713	417,084
Other long-term liabilities	190,841	186,754	182,582	178,350
Total	<b>668,529</b>	<b>652,054</b>	<b>625,295</b>	<b>595,434</b>

### 3.3 Prospects for interest rates

Link Group are the Councils treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table shows their view on future interest rates. Link provided the following forecasts on 19 December. These are forecasts for PWLB certainty rates.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

The Link forecast for interest rates, updated on 19 December, reflects a view that the Monetary Policy Committee (MPC) are keen to address inflation through rate increases. Bank Rate is at 3.5% currently but is expected to reach a peak of 4.5% in the first six months of 2023. Link anticipate the Bank of England will then loosen monetary policy once the most significant inflationary pressures subside.

The CPI measure of inflation is expected to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living pressures, the Bank will continue to monitor wage inflation given a very tight labour market.

The plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening) has started and will focus on the short, medium and longer end of the curve in equal measure.

In the upcoming months, Link forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine and the heightened tensions between China/Taiwan/US (which also have the potential to have a wider and negative economic impact).

## **Public Works Loan Board (PWLB) Rates**

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

### **The balance of risks to the UK economy**

- The overall balance of risks to economic growth in the UK is to the downside.

### **Downside risks to current forecasts for UK gilt yields and PWLB rates include**

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- The Bank of England acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

### **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- The Government acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.
- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term US treasury yields rise strongly and push gilt yields up higher than currently forecast.
- Projected gilt issuance could be too much for the markets to comfortably digest without higher yields.

**Borrowing advice:** Links long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed Local Authority to Local Authority monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

## Investment Rates

Link's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. Link continue to monitor events and will update forecasts as and when appropriate.

### 3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, the CFR, has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy (Bank Rate increases over the remainder of 2022 and the first half of 2023).

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Corporate Director – Strategic Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

In order to align with the revised 2021 Treasury Management Code, the Council will consider the need for further borrowing against short term investments, the cash flow forecast and the liquidity requirements of the Council. Where the investment portfolio can sufficiently provide an appropriate level of liquidity without exposing the Council to undue liquidity risk then a policy of avoiding/delaying new borrowing will be deployed.

This will run down cash balances and avoid the 'cost of carry' – any borrowing undertaken that results in a temporary increase in investments will usually incur a revenue loss between borrowing costs and investment returns. However, liquidity forecasts need to be carefully reviewed to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

To comply with the revised Treasury Management Code, liquidity risk management is considered where 'This organisation will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation'

Any decisions will be reported to the Executive and Audit Committee at the next available opportunity.

### **3.5 Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, there is a clear business case for doing so and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **3.6 Debt rescheduling**

Rescheduling of current borrowing in the debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates.

However, given the current forecasts for the future interest rates this will be kept under review and if rescheduling is done, it will be reported to the Executive and Audit Committee as part of the quarterly Treasury Management Reports following its action.

### **3.7 New financial institutions as a source of borrowing and / or types of borrowing**

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities - primarily shorter dated maturities out to 3 years are generally still cheaper than the Certainty Rate.
- Financial institutions - primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty in the short term.

Any consideration of alternative sources of funding, other than those highlighted above, will only be undertaken in conjunction with treasury advisors, Link.

## SECTION 4 - ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (**ANNEX 2**).

The Council’s investment policy has regard to the following: -

- DLUHC’s Guidance on Local Government Investments (“the Guidance”);
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”); and
- CIPFA Treasury Management Guidance Notes 2021.

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council’s risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- b) **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
- c) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- d) The Council has defined the list of types of investment instruments that the treasury management team are authorised to use.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.
- e) **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.
  - f) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in **(paragraph 4.2)**.
  - g) **Transaction limits** are set for each type of investment in through applying the matrix table in **paragraph 4.2**.
  - h) The Council will set a limit for the amount of its investments which are invested for **longer than 365 days (paragraph 4.4)**,
  - i) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, **(paragraph 4.3)**
  - j) The Council has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Council in the context of the expected level of cash balances and need for liquidity throughout the year.
  - k) All investments will be denominated in **sterling**.
  - l) The change in accounting standards under IFRS 9, has resulted in this authority considering the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing Communities and Local Government (now DLUHC), concluded a consultation by announcing statutory override to delay implementation of IFRS 9 for five years to 31 March 2023 to allow English local authorities time to adjust their portfolio of all pooled investment instruments. DLUHC launched an 8-week consultation on the future of the IFRS 9 statutory override from 11 August to 7 October 2022 with the aim of this consultation being to collect the views of authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of practice on local authority accounting. The department has now considered the responses to the consultation and Ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025.

However, the Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

### **Changes in risk management policy from last year**

The above criteria are for the new unitary North Yorkshire Council. The risk management policy is broadly in line with the North Yorkshire County Council policy which was unchanged from the previous year.

## **4.2 Creditworthiness policy**

The Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- “watches” and “outlooks” from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.

The Link Group creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preference to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.

If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap (CDS) spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Group. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

### **Creditworthiness**

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the pandemic in March 2020. In the main, where they did change, any alterations were limited to Outlooks.. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of recent government policy. Although markets have calmed more recently, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

### **CDS prices**

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards in the last 6 months, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information.

### **Environmental, social and governance (ESG)**

This is a developing area, and for the purpose of the Council's treasury investments the Council's ESG policies and the environmental and climate change policy, will have a trickle-down effect into Treasury Management activity. Investments will still comply with SLY, Security, Liquidity, Yield requirements in the first instance. Treasury Management Practice 1 – Risk Management – has been expanded to include a high-level reference to ESG aspects of Treasury Management where creditworthiness and counterparty policies are in place to mitigate investment risk where the ESG risks are also incorporated.

## **4.3 Other Limits**

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) Non-specified treasury management investment limit. The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being £60m, being approximately 10% of the total treasury management investment portfolio.
- b) Country limit. The Council has determined that, for counterparties outside the UK, it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix D. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- c) **Countries / Groups / Sector limits.** In addition
  - Limits in place will apply to a group of companies/institutions
  - Sector limits will be monitored regularly for appropriateness

## 4.4 Investment strategy

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

**Investment returns expectations.** The current interest rate forecast assumes interest rates will continue to raise until June 2023, with the first fall expected March 2024.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances (cash required for liquidity purposes), the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days) to benefit from the compounding of interest.

**Change of investment strategy** - Although the Council's investment strategy is new, the approach is consistent with the prior year investment strategies of the previous individual councils weighted towards the largest investment portfolios.

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

<b>Upper limit for principal sums invested for longer than 365 days</b>			
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Principal sums invested for longer than 365 days	60	60	60
Current investments as at 31.03.222 in excess of 1 year maturing in each year	0	0	0

### **Investment performance / risk benchmarking**

This Council will use investment benchmarks to assess the investment portfolio performance for internally and externally managed funds.

**Internal investment portfolio** - The SONIA (Sterling Overnight Index Average) rate will be used to compare the yield on the internal investments portfolio. The measure is used to demonstrate the performance of the organisation. SONIA is the rate published each day by the Bank of England and reflects overnight rates paid on eligible sterling denominated deposit transactions conducted the previous day. The backward looking average 7 day compound rate will be used over a quarter for comparison with the actual portfolio.

It is important to understand that the benchmark has changed from previous years as the 7-day LIBID rate is no longer published by the Bank of England. This benchmark is an active benchmark as it reflects the movement of the market. Using the backward-looking SONIA rates data reflects the environment in which investments are made.

This benchmark is a simple guide to maximum risk, so could be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmark will be reported, with supporting reasons in the quarterly monitoring reports.

**Yield** - the Council has adopted to measure the internal investment portfolio yield compared to the industry benchmark rates

- **Average Investment return against the backward looking 7-day SONIA compound rate**

**External investment portfolio** - The performance of externally managed funds will be benchmarked against an appropriate published index depending on the fund type as described in section below.

## **4.6 External Fund Managers**

The Council has £16.3m externally managed investments on a pooled basis across the following funds:-

- Blackrock UK Property Fund

- Threadneedle Property Unit Trust
- Fidelity UK Real Estate Fund
- Federated Hermes Property Unit Trust

The Council's external fund manager(s) will comply with the Annual Investment Strategy. The Council fully appreciates the importance of monitoring the activity and performance of its appointed external fund manager and to aid this assessment, the Council is provided with a suite of regular reports.

In addition to formal reports, the Council also meets with representatives of the fund manager. These meetings allow for additional scrutiny of the manager's activity, discussions on the outlook for the fund(s) as well as the wider markets.

#### **4.7 End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## **5 APPENDICES**

- A. Prudential and treasury indicators
- B. Treasury management practice 1 – credit and counterparty risk management
- C. Approved Lending List
- D. Approved sources of long and short term borrowing
- E. Approved countries for investments
- F. Treasury management scheme of delegation
- G. The treasury management role of the section 151 officer

## THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### Capital expenditure

This indicator shows a breakdown of planned capital expenditure by service. If there were any capital expenditure plans defined as projects for yield (would be a capital investment made wholly or mainly to generate financial return) these would be shown in a separate line.

Capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Children and Young People's Service	24,523	49,683	16,625	5,100	16,238
Health and Adult Services	1,778	5,144	1,115	115	8,111
Resources	40,174	66,669	16,680	9,278	10,089
Community Development	111,109	71,050	9,066	1,235	2,975
Environment	113,322	123,254	52,524	40,725	2,265
Local Engagement	14,615	499	65	405	255
<b>Non-HRA</b>	<b>305,521</b>	<b>316,299</b>	<b>96,075</b>	<b>56,858</b>	<b>39,933</b>
HRA	16,763	35,308	17,649	14,505	8,744
<b>Total</b>	<b>322,284</b>	<b>351,607</b>	<b>113,724</b>	<b>71,363</b>	<b>48,677</b>

### Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

#### a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non-HRA	9.5	4.6	5.0	4.5	4.2
HRA	63.6	22.7	20.5	21.1	20.6

**b. HRA debt ratios**

	<b>2021/22 Actual</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
HRA debt £m	101.8	100.7	99.5	98.4	97.1
HRA revenues £m	38.6	38.3	40.8	41.4	42.7
Ratio of debt to revenues %	2.6	2.6	2.4	2.4	2.3

	<b>2021/22 Actual</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
HRA debt £m	101.8	100.7	99.5	98.4	97.1
Number of HRA dwellings	8,350	8,332	8,312	8,284	8,256
Debt per dwelling £k	12.2	12.1	12.0	11.9	11.8

**Maturity structure of borrowing**

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

<b>Maturity structure of borrowing 2022/23</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	15%
12 months to 2 years	0%	15%
2 years to 5 years	0%	15%
5 years to 10 years	0%	25%
10 years to 20 years	0%	25%
20 years to 30 years	0%	45%
30 years to 40 years	0%	45%
40 years and above	0%	45%

## TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

This appendix should be used in conjunction with sections 4.2 Creditworthiness policy and 4.3 Other limits.

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. A maximum of 20% will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

### **SPECIFIED INVESTMENTS:**

(All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Colour Band Green	In-house

### **Term deposits with nationalised banks and banks and building societies**

	Minimum Credit Criteria	Use
UK part nationalised banks	Colour Band Blue	In-house

**Other specified investments**

	<b>Minimum 'High' Credit Criteria</b>	<b>Use</b>
UK Government Gilts	UK sovereign rating	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	AA or Government backed	In-house buy and hold and Fund Managers
Bonds issued by a financial institution which is explicitly guaranteed by the UK Government e.g., National Rail	AA or Government backed	In-house buy and hold and Fund Managers
Treasury Bills	UK sovereign rating	In house and Fund Managers

**Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs): -**

	<b>Minimum 'High' Credit Criteria</b>	<b>Use</b>
1a. Money Market Funds (CNAV)	Funds must be AAA rated (MMF rating)	In-house and Fund Managers
1b. Money Market Funds (LVNAV)	Funds must be AAA rated (MMF rating)	In-house and Fund Managers
1c. Money Market Funds (VNAV)	Funds must be AAA rated (MMF rating)	In-house and Fund Managers

**Accounting treatment of investments** - The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**NON-SPECIFIED INVESTMENTS: A maximum of £60m will be held in aggregate in non-specified investment**

	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Maximum investments</b>	<b>Maximum maturity period</b>
Term deposits – local authorities with maturities greater than 1 year	--	In-house	£60m	5 yrs
Term deposits – banks and building societies with maturities greater than 1 year	Colour band Purple	In-house	£60m	5 yrs
Certificates of deposit issued by banks and building societies with maturities greater than 1 year	Colour band Purple	In-house	£60m	5 yrs
Certificates of deposit issued by banks and building societies with maturities greater than 1 year	Short-term F1, Long-term A- (Fitch or equivalent)	Fund Managers	£60m	5 yrs
Collateralised deposits	UK sovereign rating	In-house	£60m	5 yrs
UK Government Gilts with maturities greater than 1 year	UK sovereign rating	In-house and Fund Managers	£60m	5 yrs
Bonds issued by multilateral development banks with maturities greater than 1 year	AA or Government backed	In-house and Fund Managers	£60m	5 yrs
<b>Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs)</b>				
Property Funds	Organisations assessed as having “high credit quality”	In-house after consultation with Treasury Management Advisor	£60m	10 yrs

## APPENDIX C

### APPROVED LENDING LIST 2023/24

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

	Country	Specified Investments		Non-Specified	
		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	90.0	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	80.0	6 months	-	-
Barclays Bank PLC (NRFB)	GBR	90.0	6 months	-	-
Barclays Bank UK PLC (RFB)	GBR				
Bank of Scotland PLC (RFB)	GBR	80.0	6 months	-	-
Lloyds Bank PLC (RFB)	GBR				
Lloyds Bank Corporate Markets PLC (NRFB)	GBR				
Goldman Sachs International Bank	GBR	80.0	6 months	-	-
Sumitomo Mitsui	GBR	80.0	6 months	-	-
Standard Chartered Bank	GBR	80.0	6 months	-	-
Handlesbanken	GBR	80.0	365 days	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	40.0	100 Day	-	-
Coventry Building Society	GBR	40.0	6 months	-	-
High Quality Foreign Banks					
National Australia Bank	AUS	40.0	365 days	-	-
Credit Industriel et Commercial	FRA	40.0	365 days	-	-
Landesbank Hessen-Thuringen Girozentrale (Helaba)	GER	40.0	365 days	-	-
DBS (Singapore)	SING	40.0	365 days	-	-
Bayerische Landesbank	GER	40.0	6 months	-	-
National Bank of Canada	CAN	40.0	6 months	-	-
Local Authorities					
County / Unitary / Metropolitan / District Councils		30.0	365 days	5.0	5 years
Police / Fire Authorities		30.0	365 days	5.0	5 years
National Park Authorities		30.0	365 days	5.0	5 years
Other Deposit Takers					
Money Market Funds		40.0	n/a - liquid	-	-
Property Funds		5.0	not listed	5.0	10 years
UK Debt Management Account		150.0	365 days	-	-

**APPROVED SOURCES OF LONG TERM AND SHORT TERM BORROWING**

The approved sources and types of funding are shown below.

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

### APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

#### ***Based on lowest available rating***

##### **AAA**

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

##### **AA+**

- Canada
- Finland
- U.S.A.

##### **AA**

- Abu Dhabi (UAE)
- France

##### **AA-**

- Belgium
- Hong Kong
- Qatar
- U.K.

**TREASURY MANAGEMENT SCHEME OF DELEGATION**

**(i) Council**

- receiving and reviewing reports on treasury management policies, practices and activities.
- approval of annual strategy.

**(ii) Executive**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.
- approving the selection of external service providers and agreeing terms of appointment.

**(iii) Audit Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

**THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

The Council delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to the Executive, and for the execution and administration of Treasury Management decisions to the Corporate Director - Resources, who will act in accordance with the Council's TMPs, as well as CIPFA's Standard of Professional Practice on Treasury Management. In addition, the Council delegates responsibility for the execution and administration of Treasury Management decisions to the Corporate Director - Resources, including any borrowing and debt rescheduling.

**The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- submitting regular treasury management policy reports.
- submitting budgets and budgets variations.
- receiving and reviewing management information reports.
- reviewing the performance of the treasury management function.
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- ensuring the adequacy of internal audit and liaising with external audit.
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
  - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.*
  - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments.*
  - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.*
  - *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken.*
  - *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

## CAPITAL STRATEGY

### 1.0 INTRODUCTION

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021 revised the Prudential Code and Treasury Management Code which require local authorities to produce a Capital Strategy to demonstrate that capital expenditure and investment decisions contribute to the delivery of North Yorkshire Council's plans and provisions of services whilst taking account of stewardship, value for money, prudence, sustainability, proportionality and affordability. This requirement was first introduced in 2018/19.
- 1.2 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources effectively to achieve its corporate and service objectives. The Capital Strategy takes into account other relevant Council strategies and, policies as well as the views of partners and interested parties with whom the Council is involved. The resources which are forecast to be available to fund capital investment and the effect of that investment on the Council's revenue budget are also considered. The Capital Strategy will serve as a useful point of reference when determining or reviewing the Council's Capital Five Year Spending Plan (known as the Capital Plan).
- 1.3 **Re-organisation** - As background, under Government proposals, the North Yorkshire (Structural Changes) Order 2022 was laid before Parliament in January 2022. The Order sets out plans for the reorganisation of local government in the County of North Yorkshire where all services will be provided from 1 April 2023 by a single unitary council, North Yorkshire Council. The Council will replace North Yorkshire County Council (NYCC) and the seven District / Borough councils – Craven, Hambleton, Harrogate, Richmondshire, Ryedale, Scarborough and Selby – which will be abolished. The Capital Strategy for the new unitary council will come into effect as from 1 April 2023 for the financial year 2023/24.
- 1.4 **Scope and Reporting** - The Council has chosen to report the Capital Strategy separately from the Treasury Management Strategy Statement (TMSS). The Council will report treasury investments through the TMSS only and non-treasury investments will be reported through the Capital Strategy. This allows the core treasury investment reporting to focus on security, liquidity and yield principles, and the non-treasury investments, both service and commercial, to concentrate on capital expenditure in relation to assets.
- 1.5 **Our Vision** - We want to build on North Yorkshire's natural capital, strong local economy and resilient communities, to improve the way local services are delivered and support a good quality of life for all.

The Council is committed to seeking a better, fairer future for everyone, keeping services local and going even further. With more locally based staff and more local access points to Council services the community is provided with a bigger say in how these are delivered.

Along with savings and efficiencies, the new NYC provides an opportunity to apply our considerable combined asset base to facilitate local economic growth and regeneration and drive improved outcomes for residents, businesses and visitors to our area.

## 2.0 KEY AMBITIONS, OBJECTIVES AND PRIORITIES

- 2.1 The Council's ambitions, objectives and priorities are shown within the Council Plan the cornerstone of our policy framework. It provides the basis for all that we do and sets out the principles, priorities and ambitions for the Council and drives the many other plans and strategies including the Capital Strategy that supports informed decision making including establishing the need for capital investment and the required outcomes from that investment.
- 2.2 The Capital Strategy is key to support long term investment decision enabling the delivery of the Council's Ambition. It is a key strategy document and forms part of the Council's revenue, capital, balance sheet and reserves planning. It provides:
- A long-term view of capital expenditure plans and any financial risks to which the Council is exposed;
  - Ensuring due regard to the long-term financing, affordability implications, potential risks and the implications for future financial sustainability.
  - A clear overview of the Council's asset management planning arrangements, prioritisation process and monitoring.

## 3.0 EXTERNAL FACTORS AND PARTNER INFLUENCES

- 3.1 The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requirements for capital works, partner organisations, businesses, developers and by the needs and views of other interested parties, particularly those of the residents
- 3.2 **Government policy and funding** – The Government's focus on 'levelling up' the UK and the proposed devolution deals aim to unlock greater funding for York and North Yorkshire to lead on delivering outcomes
- 3.3 **Legislation and guidance** - In 2004, local authorities were provided with the flexibility to make their own capital investment decisions. Legislation, guidance and professional codes of practice were introduced to support decision making and ensure investment and borrowing is prudent, sustainable and affordable. The Council has complied with these principles since their introduction and subsequent updates. The Prudential Code and Treasury Management Code were revised in December 2021 primarily in response to concerns regarding commercial investment undertaken solely for financial yield.
- Updated and additional prudential indicators, monitoring, reporting as well as creation of Investment Management Practices for Service and Commercial investments.
  - Confirmation of approach to 'Proportionality' and risk to service delivery where borrowing is undertaken primarily to generate a financial return.
  - Setting out an approach for the inclusion of Environmental, Social and Governance issues in developing capital investment.
  - Reviewing existing commercial or service investments to divest where appropriate.

- A Council must not borrow to invest primarily for financial return applies with immediate effect, with the loss of borrowing ability from the PWLB being an immediate consequence.

3.4 Local stakeholders - The Council works with a wide range of partners from the public, private, voluntary and community sectors, including a new combined authority from April 2024, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be governed by the Council's Local Code of Corporate Governance and the Partnership Governance guidance.

Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners' needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.

The Council has a key role in the Local Enterprise Partnership's (LEP).

The Council is also joint shareholders in Yorwaste (waste management company) and partners in the public private partnership of the Allerton Park Waste Recovery Plant

## 4.0 INTERNAL STRATEGIC INFLUENCES

4.1 The Council's capital investment plans are influenced by a number of factors: the corporate ambitions within the Council Plan, existing commitments on revenue and funding resources, other Council policies, strategies and plans that comply with financial regulations and legislation.

4.2 **Council priorities** - The Council Plan has five corporate ambitions which will guide the development of the Capital Five Year Spending Plan. Capital investment expenditure including non-treasury investment projects are in line with these overall objectives as well as individual service aims. The Council's ambitions for North Yorkshire are:

### Place and Environment

- A clean, environmentally sustainable and attractive place to live, work and visit
- A well connected and planned place with good transport links and digital connectivity
- Communities are supported and work together to improve their local area
- Good quality, affordable and sustainable housing that meets the needs of our communities

### Economy

- Economically sustainable growth that enables people and places to prosper
- Culture, heritage, arts and sustainable tourism all play their part in the economic growth of the county
- New and existing businesses can thrive and grow
- North Yorkshire has a high profile, is influential nationally and receives its fair share of resources

## **Health and Wellbeing**

- People are supported to have a good quality of life and enjoy active and healthy lifestyles
- Reduced variations in health through tackling the root causes of inequality
- In times of hardship, support is provided to those that need it most
- People can access good public health services and social care across our different communities

## **People**

- People are free from harm and feel safe and protected
- People can achieve their full potential through lifelong education and learning
- Vulnerable people are supported by strengthening families or other appropriate networks
- People have control and choice in relation to their independence and social care support

## **Organisation**

- Good quality, value for money services that are customer focused and accessible to all
- A well-led and managed, financially sustainable and forward- thinking council
- A diverse and inclusive council, where employees are supported and valued
- A carbon neutral council

**4.3 Other Council strategies and plans driving investment** - Capital Schemes must comply with other Council policies, strategies and, as well as contract procedure rules, financial regulations and with legislation, such as the Disability Discrimination Act. Important linking documents will include:

- Council's Constitution including Contract and Financial Procedure Rules
- Council Plan
- Medium Term Financial Strategy
- Capital Plan
- Treasury Management Strategy Statement
- Individual Service Plans

## **5.0 CAPITAL INVESTMENT PLAN AND PLANNING PROCESS**

**5.1 Capital expenditure plans** - The Council's strategies and plans support the need for capital investment to enable required outcomes. The Council has a responsibility to apply an affordable, prudent and sustainable approach to that investment, as set out in the Prudential Code and therefore uses the prioritisation and planning process to manage this as described above. A summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the budget are integral to the capital strategy.

<b>Capital expenditure £m</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
Children and Young People's Service	24,523	49,683	16,625	5,100	16,238
Health and Adult Services	1,778	5,144	1,115	115	8,111
Resources	40,174	66,669	16,680	9,278	10,089
Community Development	111,109	71,050	9,066	1,235	2,975
Environment	113,322	123,254	52,524	40,725	2,265
Local Engagement	14,615	499	65	405	255
<b>Non-HRA</b>	<b>305,521</b>	<b>316,299</b>	<b>96,075</b>	<b>56,858</b>	<b>39,933</b>
HRA	16,763	35,308	17,649	14,505	8,744
<b>Total</b>	<b>322,284</b>	<b>351,607</b>	<b>113,724</b>	<b>71,363</b>	<b>48,677</b>

5.2 **Capital expenditure in non-treasury investments** can be for a service or a commercial purpose. To meet service or Council obligations capital investment could be in the form of loans or equity provided to external bodies, Council subsidiaries or joint ventures. In order to retain access to borrowing from the PWLB the Council is required to certify the capitals plans do not include expenditure on new non-treasury commercial investments primarily for financial return. However, where the capital spending decision is primarily related to the function of the Council and any financial returns are incidental then access is retained.

The Council will annually evaluate whether any of the commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt. The Council's Capital Plans do not include any estimates to purchase any treasury commercial assets primarily for yield.

The Council continues to review potential commercial investments but will now consider any potential investment opportunities alongside the implications for PWLB borrowing going forward.

All alternative investment activities are subject to approval in accordance with the Council's governance framework for decision making and given the technical nature of potential alternative investments and strong linkages to the Council's Treasury Management function, appropriate governance and decision-making arrangements are in place. The Commercial Investment Board has been established to ensure robust due diligence in order to make recommendations for implementation.

The Council recognises that achieving its capital ambitions will require consideration of alternative delivery structures and of all forms of funding including additional borrowing. Financial austerity has had a significant impact on affordability, however capital investment funded by borrowing will be undertaken in priority areas to meet capital ambitions if required, subject to at all times clearly understanding how the affordability of such expenditure can be managed over the longer term supported by a robust capital planning process, due diligence, business cases, risk management and monitoring.

**5.3 Available Resources** – The Council has several funding streams available to support capital investment. The funding of the five-year capital investment programme is detailed in the Capital spending plan which highlights unallocated funding that might become available.

The Council policies in relation to financing capital expenditure and investment are covered in this section and are listed in the table below:

External funding	<ul style="list-style-type: none"> <li>• Services should seek to maximise external funding wherever possible to support capital schemes. This can be in the form of grants and contributions from outside bodies including central government. However, services will be expected to underwrite any cost overruns on externally funded schemes. If services bid for external funding for schemes and costs exceed the available funding, then services will be expected to fund any shortfall from existing resources (either revenue or capital).</li> <li>• Prior to submitting bids for grant funding, an assessment of the risk of a contract price increase, associated with market conditions or abnormal building plan demands attached to some grants, must be completed to estimate the likelihood of additional funding being needed</li> <li>• In respect of match funding bids then the relevant service must fully identify the necessary match funding resources from within existing service budgets prior to submitting any bid for funding</li> </ul>
Capital receipts	<ul style="list-style-type: none"> <li>• A capital receipt is an amount of money received from the sale of an asset. It cannot be spent on revenue items.</li> <li>• Capital Receipts Group review the Council's property quarterly against the aims and objectives the Council Plan and Asset Management Strategy.</li> <li>• The general policy is that any capital receipts are pooled and used to finance future capital expenditure and investment according to priorities, although they may be used to repay outstanding debt on assets financed from borrowing, as permitted by the regulations.</li> </ul>
Revenue and reserve funding	<ul style="list-style-type: none"> <li>• Services may use their revenue budgets to fund capital expenditure.</li> <li>• Directors in conjunction with the Corporate Director - Resources (S151 Officer) will take an overview and decide the most appropriate way of funding capital expenditure</li> </ul>
Prudential borrowing	<ul style="list-style-type: none"> <li>• Local authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the</li> </ul>

	<p>Government so services need to ensure they can fund the repayment costs. This borrowing may also be referred to as Prudential Borrowing.</p> <ul style="list-style-type: none"> <li>• Capital projects that cannot be funded from any other source can be funded from Prudential Borrowing. The costs of borrowing must be affordable and the borrowing repayment and interest charges on the loan must be included in the Council revenue budget; it must also be factored into the medium-term financial strategy accordingly.</li> <li>• The Corporate Director - Resources (S151 Officer) will make an assessment of the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code.</li> <li>• The Corporate Director - Resources (S151 Officer) will also determine whether the borrowing should be from internal resources such as reserves or whether to enter into external borrowing</li> </ul>
Leasing	<ul style="list-style-type: none"> <li>• The Corporate Director - Resources (S151 Officer) may enter into finance leasing agreements to fund capital expenditure on behalf of services. However, a full option appraisal and comparison of other funding sources must be made and the Corporate Director - Resources (S151 Officer) must be certain that leasing provides the best value for money method of funding the scheme.</li> <li>• Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the Council's borrowing</li> </ul>
Other long term liabilities - PFI	<ul style="list-style-type: none"> <li>• The Corporate Director - Resources (S151 Officer) may enter into PFI agreements on behalf of services. These will be considered following due diligence over the life of the asset, balancing the financial and non-financial benefits against the risks compared to the Council owning and delivering such assets and services itself. The Corporate Director - Resources (S151 Officer) must be certain that the PFI arrangement provides the best value for money method of delivering the scheme</li> <li>• Under the Prudential Code PFI obligations are counted against the overall borrowing levels when looking at the prudence of the Council's borrowing.</li> </ul>

**5.4 Borrowing and the CFR** – where resources are unavailable to fund capital expenditure, borrowing will be used. This will increase what is termed the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget in line with its agreed Minimum Revenue Provision (MRP) policy.

This reduces the CFR and the prudent provision set aside is used to repay debt. The calculation of the CFR summarised in the diagram below results in the amount the Council will need to borrow:

<b>Movement</b>	<b>Opening CFR</b>
<b>+</b>	Capital expenditure incurred in year
<b>-</b>	Grants, contributions, reserves and receipts used for capital expenditure
<b>-</b>	Prudent Minimum Revenue Provision and Voluntary Provision
<b>=</b>	<b>Closing CFR</b>

The amount of borrowing a Council can take is determined by what the Council can afford, along with ensuring it is prudent and sustainable. In accordance with the Prudential Code, the Council will only make capital investments, which increase the CFR, for a prudent purpose where this directly and primarily relates to the functions of the Council. Affordability and prudence are assessed and controlled by the prudential indicators which are recorded in the TMSS and described below in the Assessing affordability section.

**5.5 Assessing affordability** – the revenue cost implications of Capital investment undertaken historically and the proposed Capital Plan form an integral part of the Council's revenue budget and Medium-Term Financial Plan. The revenue budget impact of capital schemes for Council Tax and Rent payers include:

- The costs of operating/maintaining new assets
- The capital financing costs of servicing any borrowing required to pay for investment (interest and the Council's approach to making prudent provision for repayment of capital investment paid for by borrowing – MRP)
- The revenue costs of preparing and delivering projects
- Abortive costs required to be charged to revenue budgets if schemes do not proceed.

Some or all of the costs of investment may be offset by financial and non-financial benefits such as income, cost avoidance and importantly improved outcomes for residents. Where capital investment has been undertaken by borrowing, the Council is required to spread the cost of that investment over future years' revenue budgets. This is in accordance with its MRP Policy for the prudent repayment of capital expenditure which is approved as part of the budget proposals each year.

**5.6 Revenue implications** - The revenue costs associated with capital schemes need to be identified and included within the revenue budget and the Medium-Term Financial Plan. For example, a housing development project is likely to have revenue budget implications e.g. additional street lighting, waste disposal, schooling provision or other Council services. It is recognised that the Council cannot afford to do everything. However where revenue resources are deemed available to increase the level of Council borrowing capital investment will be considered. The Council's approach to affordability of its capital financing budgets in the medium term is as follows:

- General Fund – additional investment funded by borrowing over the medium term to be minimised unless approved in line with the prioritisation and evaluation criteria as described above.

- Housing Revenue Account – increasing over the medium term primarily as a result of implementing the Council's ambition target of new affordable housing. Future rent policy, pressures and a robust approach to ensuring viability of new developments will be key to affordability.
- Strategic and major development projects – On a case-by-case basis subject to approved business cases and due diligence including the long-term capital financing costs.

**5.7 Affordability indicators** - Prudential and treasury indicators to manage capital investments take a longer-term view of affordability, prudence and sustainability and are included in the TMSS at the start of every financial year. Prudential Indicators are used to assess affordability, along with other treasury management specific indicators and are approved within the TMSS and monitored on a quarterly basis in the Quarterly Performance Monitoring and Budget report to Executive and Council. These are listed below:

#### **Financing costs and net revenue stream**

This is a prudential indicator for affordability showing the percentage of the Council's revenue budget that is committed to capital financing costs and is required to be shown for the General Fund and the HRA separately. For the General Fund, the net revenue stream is the amount to be met from non-specific Government grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers and service charges.

#### **Estimates of capital expenditure**

This is a prudential indicator for prudence showing the previous year actual and estimates of the total of capital expenditure planned to be incurred during the forthcoming financial year and the following two financial years.

#### **Estimates of capital financing requirement (CFR)**

This is a prudential indicator for prudence and shows the previous year actual and the forecast total capital financing requirement at the end of the forthcoming financial year and the following two years. The CFR is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It measures the underlying need to borrow for a capital purpose.

#### **The operational boundary and the authorised limit**

These are prudential indicators for prudence and focus setting an affordable limit for external debt. The operational boundary is the affordable debt limit and the authorised limit represents the legislative limit specified in Section 3 of the Local Government Act 2003. This is the set using the operational boundary plus an amount for unforeseen cashflow movement. The operational boundary is the limit for total gross external debt, separately identifying borrowing from other long-term liabilities. These are set for the forthcoming financial year and the following two financial years.

#### **Gross debt to CFR**

This is a prudential indicator for prudence and is used to show that external debt (i.e. borrowing for any purpose and other long-term liabilities) should not exceed the CFR (except in the short term) in the previous year plus the estimates of any increase in the CFR at the end of the current and next two financial years. This is to ensure that over the medium-term debt will only be for a capital purpose.

- 5.8 **Balance Sheet forward planning and the treasury management strategy** - where capital expenditure has been incurred without a resource to pay for it, i.e. when proposed to be paid for by supported or unsupported borrowing, this will increase what is termed the Council's CFR which is the Council's underlying need to borrow. The amount of borrowing required will be considered along with the Council's cashflow position.

The Council is typically cash rich in the short-term as revenue income is received before it is spent, this can include both working capital and reserves held on the balance sheet. The TMSS uses forecast cashflow information from the Reserves Strategy and the Capital Plan to make decisions around the amount, timing and duration of any new external borrowing required by the Council.

In terms of the Reserves Strategy, the Council uses a risk-assessed General Fund Reserve and effectively manages the balances of earmarked reserves over the longer term which is used to support the forward Balance Sheet projection. This projection provides a valuable foundation for the strategic financial planning of capital financing costs for the capital investment plan.

In terms of the Borrowing Strategy, the Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between financing using the low-cost internal cash resources available in the short term and further long-term fixed rate loans where the future cost is known.

## 6.0 NON-TREASURY INVESTMENTS

- 6.1 **Non-treasury overview** - The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity. These are non-treasury investments and include service and commercial investments.

**Non-treasury management investment** is expenditure made on the purchase of a capital asset and are investments for policy reasons outside normal treasury management activity. It is these non-treasury management investments which are the subject of this Capital Strategy.

**Service investments** - 'Investments for service purposes' are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. Characteristics for service investments are:

- Service investments may or may not involve financial returns; however, obtaining those returns will not be the primary purpose of the investment.
- For local authorities, service investments will normally constitute capital expenditure, and it may be appropriate to borrow to finance service investments

An example of a service investment is when the Council lends money to local bodies or its subsidiaries to support local public services and stimulate local economic growth. In light of the wider benefits that can arise the Council is prepared to take more risk than with

treasury investments. The main risk when making service loans is if the borrower is unable to repay the principal lent and/or the interest due.

It is important that the Council limits the financial risk, and assessment will be made of the risk of loss before entering into Service Loans by assessing the counterparty's resilience, the service users' needs that the loan is designed to help and how these needs will evolve over time. During the life of the loan any change in original assumptions will be monitored. The Council will use external advisors where appropriate.

**Commercial investments** - Investments taken or held primarily for financial return and are not linked to treasury management activity nor are directly part of delivering services. Characteristics for commercial investments are:

- non-financial assets such as commercial property is held primarily for financial return.
- For local authorities, investments of this type will usually constitute capital expenditure.
- 'Commercial' in this context refers to the purpose of the investment. Commercial investments are not taken to meet treasury management cash flow needs, and do not result from treasury risk management activity to prudently manage the risks, costs or income from existing or forecast debt or treasury investments. They are additional investments voluntarily taken primarily in order to generate net financial return or profit.

Details of the governance arrangements including the decision making and performance monitoring of non-treasury investments is covered in section 9 Corporate governance arrangements - Non-treasury investment activities.

The Council's Capital Plan has no expenditure on new non-treasury investments primarily for financial return.

**6.2 Existing non-treasury investments** – Based on prior year capital decisions the Council has a number of non-treasury investments. If there is a material financial interest in the shareholding or income generated during the year then the balances as at 31 March 2022 are shown in the tables below.

**Service non-treasury investments:**

The Council has investments in third parties and in Council owned companies including loans. These holdings are non-treasury service investments that achieve the Council objectives, these existing holdings are shown below.

**a) Company loans** - The Council has made several loans in recent years to subsidiaries for the purpose of the delivery of Council services and objectives, the position below will continue to be monitored and reviewed:

<b>Loans portfolio</b>	<b>Balance at 31 March 2022 £m</b>	<b>2021/22 net income generated £k</b>	<b>2021/22 net income budgeted £k</b>	<b>Interest rate %</b>
Yorwaste – Loan 1 (Subsidiary)	3.7	155.1	150.0	4%+base
Yorwaste – Loan 2 (Subsidiary)	2.3	101.0	90.0	4%+base
Brierley Homes (Subsidiary)	12.8	693.6	390.0	6%+base
First North Law (Subsidiary)	0.1	3.8	0	4%+base
NY Highways (Subsidiary)	8.0	311.7	120.0	6.5%+base
Broadacres Housing Association loan	33.6	1,437.9	1,435.5	2.85% - 4.64%
Bracewell Housing Ltd (Subsidiary)	1.5	98.0	45.0	7.5%+base 5.5%+base
Selby and District Housing Trust	2.8	117.8	120.0	4.19%
<b>TOTAL</b>	<b>64.8</b>	<b>2,918.9</b>	<b>2,350.5</b>	

**b) Company shares** - The Council has the following investments in Council companies held for the purpose of the delivery of Council services and objectives:

<b>Equity portfolio</b>	<b>Shareholding 31 March 2022 at cost £m</b>
Bracewell Housing Limited	-
Yorwaste Limited	3.518
Brierley Homes Limited	-
First North Law Limited	-
Align Property Partners Limited	0.500
NY Highways Limited	0.500
<b>TOTAL</b>	<b>4.518</b>

## Commercial non-treasury investments:

Commercial investments are the result of past acquisitions of land and buildings for a commercial purpose rather than for the supply of goods and services or for administrative purposes. They have been classified as commercial investment properties:

Commercial Property portfolio	Fair value at 31 March 2022 £m	Cost less debt repayment (MRP) at 31 March 2022 £m	2021/22 net income generated £k	2021/22 net income budgeted £m	return %
Bank Unit in Stafford Town Centre	0.9	0.9	53.3	50.0	6.05
Harrogate Royal Baths	9.5	9.5	77.2	255.0	1.45
Co-op in Somercotes	1.5	1.5	79.6	76.0	5.32
Shopping centre - Harrogate	0.9	0.9	46.0	37.0	3.07
Secondary industrial land- Harrogate	0.8	0.8	53.0	38.0	6.58
<b>TOTAL</b>	<b>13.6</b>	<b>13.6</b>	<b>309.1</b>	<b>456.0</b>	

The Council retains some existing holdings in non-treasury commercial property assets that are held to provide a financial return rather than deliver a Council service. These investments were taken prior to the revised 2021 Prudential Code and the Governments March 2020 PWLB legislation coming into being.

- 6.3 **Review of existing commercial investments** – The commercial property investment portfolio is reviewed annually against the risks to the budgeted income and the liquidity requirements of the Council.
- 6.4 **Future non-treasury investments** - The Council has the following service investments within the Capital Plan where the primary purpose of these investments is the delivery of the Council's stated service objectives:

Loans portfolio	Balance outstanding at 31 March 2022 £m	Further loans included in Capital Plan £m
NYnet (Subsidiary)	-	10.0
Yorwaste – Loan 1 (Subsidiary)	3.7	0.0
Yorwaste – Loan 2 (Subsidiary)	2.3	1.6
Brierley Homes (Subsidiary)	12.8	2.1
First North Law (Subsidiary)	0.1	0.2
NY Highways (Subsidiary)	8.0	3.0
Broadacres Housing Association loan	33.6	-
Bracewell Housing Ltd (Subsidiary)	1.5	9.5
Selby and District Housing Trust*	2.8	-
<b>TOTAL</b>	<b>64.8</b>	<b>26.3</b>

*\* Selby and District Housing trust has decided to wind up and plans are in place for Selby District Council (or North Yorkshire Council after 31 March 2023) to acquire the trust's housing stock and for the loans to be repaid.*

## **7.0 RISK MANAGEMENT AND MONITORING**

**7.1 Risk management overview** - Clear criteria for both investment decisions and the ongoing risk management of the non-treasury investment portfolios is vital not only for the risks of individual investments but also the cumulative impact of all the investments made by the Council and the interaction of individual risks.

**Limits on cumulative and individual non-treasury investments** – The Commercial Investment Board was set up to monitor and provide due diligence on all North Yorkshire County Council non-treasury investments and it is envisaged that the Board will continue under the new North Yorkshire Council. The Board has delegated authority to approve individual investments up to a limit of £1.5m per investment and up to a total of £10m in any one financial year. Investments in excess of this will be submitted to the Executive for approval.

Following amalgamation of all commercial investments for the new North Yorkshire Council, the Commercial Investment Board will need to review and revise these limits.

**7.2** The Governance arrangements in section 9 below detail the process and procedures for investment decision and the following paragraphs on risk assessments, risk appetite and the indicators to monitor risk explain the management of the non-treasury investments.

**7.3 Risk assessment** - Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully. Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and ensuring that staff understand and appreciate the element of risk in all their activities.

The aim of risk management is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties.

**7.4 Due diligence** - The Council recognises that the Capital Investment plans may increase in scale and ambition following the North Yorkshire re-organisation and therefore sophisticated and robust governance and assurance measures are in place to ensure delivery. To support this the Council has developed and continually refines a delivery assurance framework.

For capital investments the appropriate level of due diligence is undertaken with the extent and depth reflecting the level of additional risk being considered. Due diligence will cover a number of areas such as legal, treasury, accounting and technical implications and the process and procedures for this work will include:

- effective scrutiny of proposed capital investments by the relevant committee
- identification of the risk to both the capital invested and the returns
- understanding the extent and nature of any external underwriting of those risks

- the potential impact on the financial sustainability of the Council if those risks come to fruition
- understanding the powers under which the investment is made and changes to relevant laws and regulations factored into any capital bidding and programme monitoring processes
- identification of the assets being held for security against debt and any prior charges on those assets
- further independent and expert advice being sought where necessary

An assessment of risk is therefore built into every capital project and major risks recorded in the Corporate Risk Register to manage and monitor the Council's risk appetite.

**7.5 Risk appetite** - To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored. It is important to identify the appetite for risk by each scheme as well as for the capital programme as a whole.

**7.6 Indicators and limits** - In determining the Council's risk appetite in respect of non-treasury investments, for commercial or service purposes, including financial assets and property investments, indicators and limits can be used to establish the parameters of an acceptable level of risk of which can then be managed and monitored. This can focus on the impact of the downside risk so that the overall sustainability of the Council is considered.

The CIPFA Prudential Code, Treasury Management Code and the statutory investment guidance in England (issued by the former Ministry of Housing, Communities and Local Government) requires indicators and limits to be set, along with risk assessments to be made in order to assist the management and monitoring of non-treasury investments on a regular basis. Non-treasury investment indicator included in this capital strategy is detailed below:

**i) Ratio of net income from non-treasury investments to net revenue stream**

This prudential indicator for affordability shows the extent to which the revenue budget is reliant on budgeted net income from non-treasury commercial and service investments and is an important monitoring tool in the capital strategy. The level of anticipated income is not deemed a risk to the financial sustainability of the Council.

	<b>2021/22 Actual %</b>	<b>2022/23 Estimate %</b>	<b>2023/24 Estimate %</b>	<b>2024/25 Estimate %</b>	<b>2025/26 Estimate %</b>
Net income from service investments to net revenue stream	0.58	0.90	0.87	0.84	0.81
Net income from commercial to net revenue stream	0.06	0.13	0.12	0.12	0.11
<b>Net income from non-treasury investments to net revenue stream</b>	0.64	1.02	0.99	0.95	0.92

## 8.0 GOVERNANCE

- 8.1 Consideration, approval and monitoring of the capital plan takes place as part of the Council's strategic planning timetable and is detailed below.

**Capital budget setting process** – Part of the Capital Strategy importantly notes that consideration is given to the capital budget setting process i.e. the approval of the Capital Plan. The Capital Plan sets out the Council's longer term capital investment plans. These plans support the Council's strategic and service objectives by maximising the assets and infrastructure necessary to support service delivery whilst minimising the impact on the revenue budget.

- 8.2 The Capital Plan must be approved by Council before the start of the financial year. The Council's Financial Procedure rules empower the Executive to modify the Capital Plan during the year by means of the Capital section of the quarterly performance monitoring reports or, if urgent changes are needed, ad hoc reports at other points in the reporting calendar.
- 8.3 The Council's Financial Procedure Rules and the Asset Management Planning Framework provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Plan within defined resource parameters.
- 8.4 The Corporate Director – Resources shall determine the format of the Capital Plan and the timing of reports relating to it. The approved Capital Plan will comprise a number of individual schemes each of which will be quantified in overall project terms or on an annualised basis, as appropriate. Each Director shall prepare a draft Capital Plan for their service, in consultation with the Corporate Director – Strategic Resources, for submission to the Executive. The Capital Plan should identify planned expenditure, and funding, at proposed individual scheme or programme level
- 8.5 This process is designed to ensure the capital schemes contribute to service delivery and where in some cases a return on the investment is generated, this can be financial and/or non-financial.
- 8.6 The Corporate Director – Resources is responsible for preparing an overall Capital Plan for consideration by the Executive, and approval by the Council, the funding of which shall be compatible at all times with the Treasury Management Policy Statement of the Council. Individual schemes shall only be included in the Capital Plan following a project appraisal process.
- 8.7 In Year Opportunities can be put forward for entry into the capital programme in a managed way either when the capital programme is reviewed each quarter and is reported to the Executive and Council or outside of this timetable as a separate Executive report to seek approval at any other meeting in the Executive cycle.
- 8.8 Other long-term liabilities – The Council's Financial Procedure Rules and the Asset Management Planning Framework provide a framework for the appraisal and approval of schemes including where this is delivered by means of PFI contracts or leasing arrangements. This framework includes the ongoing monitoring and risk management of

long-term liabilities taken to deliver operational services, these include PFI contracts, leasing agreements or arrangements that require financial guarantees, including those given in respect of subsidiaries or joint ventures. PFI contracts and lease obligations are like borrowing as they have an ongoing revenue budget commitment. These will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning and delivering such assets and services itself.

- 8.9 Where the Council has issued financial guarantees, it will periodically reassess the probability of financial guarantees being called upon and include this in the risk management reporting with mitigating actions as appropriate.

## **9.0 CORPORATE GOVERNANCE ARRANGEMENTS – NON-TREASURY INVESTMENT ACTIVITIES**

- 9.1 Non-treasury investments can be considered where the primary purpose of the expenditure is for service delivery including projects for economic development / regeneration, but these investments do not always give priority to security and liquidity over yield (like treasury investment do) so appropriate governance is required.
- 9.2 Given the technical nature of potential non-treasury investments and strong linkages to the Council's Treasury Management function, appropriate governance and decision making arrangements are needed to ensure robust due diligence and scrutiny in order to make recommendations for implementation. As a result, a Commercial Investment Board has been established. All non-treasury investments will be subject to consideration and where necessary recommendations of the Commercial Investment Board.
- 9.3 The Commercial Investment Board is not a constituted body and therefore does not have formal decision making powers. However, it is the chief means of identifying, reviewing, providing scrutiny and recommending schemes for investment decisions. Formal decisions on investments will be taken within the existing delegations namely through delegated authority to the Corporate Director – Resources and further decisions as made by the Executive.
- 9.4 The responsibilities of the Board also include:
- to consider appropriate due diligence proportionate to the investment / risk / reward proposed
  - terminate investments should concerns be raised - to consider and recommend cases for early termination of alternative investments
  - to monitor returns against approved performance targets
  - to report performance of alternative investments to the Executive on a quarterly basis; and
  - to make recommendations to Executive on any proposed changes to the framework.

Membership of the Board is as follows:

- Lead Member for Finance (Chair)
- Lead Member for Growth
- Corporate Director Resources

- Corporate Director of Community Development
- Assistant Director Resources
- Assistant Director Economic Development, Regeneration, Tourism and Skills

- 9.5 All Executive reports will ensure that the Council has the appropriate legal powers to undertake such non-treasury investments and will also include the 'proportionality of non-treasury investments' so that the Council does not undertake a level of investing which exposes it to an excessive level of risk compared to its financial resources.
- 9.6 Monitoring of all investments will be included in the quarterly capital and treasury management monitoring reports which are received by the Executive.
- 9.7 The Corporate Director – Resources (S151 Officer) - will report explicitly on the affordability and risk associated with the Capital Strategy as detailed below and, where appropriate, will have access to specialist advice to enable conclusions to be reached.

## **10.0 SKILLS AND TRAINING**

- 10.1 **Skills and training** - All capital investment approvals are subject to robust consideration and challenge by members and officers from across the Council with extensive Local Government experience from varying professional backgrounds.
- 10.2 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council requires finance staff to maintain relevant professional qualifications including CIPFA and AAT. All officers attend courses on an ongoing basis to keep abreast of new developments and skills to ensure their Continuous Professional Development. Members are also offered training regularly to ensure they have up to date skills and are able to make capital and treasury decisions.
- 10.3 Where Council staff do not have the specialist knowledge and skills required, use is made of external advisers and consultants that are experts in their field. The Council currently employs Link Group as treasury management advisers. This approach is more cost effective than employing such staff whilst ensuring that the Council has access to knowledge and skills commensurate with its risk appetite.

**OUTSIDE BODY AND CONFERENCE FEEDBACK REPORT**

<b>Name of Body</b>	<b>East Midlands Council – General Meeting</b>
<b>Date of Meeting</b>	<b>10 February 2023</b>
<b>Member in attendance</b>	<b>James Berresford</b>
<b>Supporting Officer</b>	<b>None</b>
<b>Issues raised at the meeting of significance to the Authority</b>	
1.	The Minister of State (Minister for Immigration) Robert Jenrick MP gave an update on the Government's position on asylum and resettlement. There ensued a discussion on its impacts on the East Midlands. Clearly, some issues of social unrest were evident in certain communities, but these had been of relatively limited scale. The point was made and accepted that resettlement in rural areas often does not work. The associated isolation prevents integration into what are often very small communities.
2.	The region was recognised as having done reasonably well from its bids to the Government's Levelling Up scheme. Ashbourne's regeneration was highlighted and should enhance the town's gateway status to the National Park. Some areas, such as Nottingham were, however, unsuccessful and as a result, certain major schemes in the city were unlikely to go ahead.
3.	The Combined Authority consultation was now closed. It is unclear as to when any announcement is likely.
4.	It was reported that the Nottingham to Matlock direct rail service was to be re-instated. This should be factored into the National Park Authority's sustainable travel thinking.
<b>Issues on which the views of Authority Members are sought</b>	
1.	None.
2.	None.
<b>Relevant documents such as reports and hyperlinks</b>	
1.	None.

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