

8. ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. Purpose of the report

The purpose of the report is to meet statutory requirements governing Treasury Management functions, by asking Members to approve the annual Treasury Management Strategy Statement at appendix 1. The Statement includes the following strategies and policies:

1. Statutory and Regulatory Framework
2. Treasury Management Policy Statement
3. Annual Investment Strategy
4. Interest Rate Strategy
5. Borrowing Strategy
6. Prudential and Treasury Indicators
7. Minimum Revenue Provision Policy

Key Issues

- The Authority follows the CIPFA Code on Treasury Management, which requires a Treasury Management Strategy Statement.
- The Strategy Statement combines different strategies, which are explained in the previous section.
- The documents have been revised to provide clarity, but there are no major changes to the borrowing and investments practices.
- North Yorkshire Council (NYC) will manage the Authority's Treasury function through an SLA until April 2025.
- NYC recommends that 'customers' adopt its Annual Investment Strategy to ensure that investment strategies are aligned.
- The Prudential Indicators have changed due to new capital projects in the proposed Capital Programme.
- The Capital Strategy will present the capital programme for approval at the May Authority meeting.

2. Recommendations(s)

1. That the Authority considers and approves the Treasury Management Strategy Statement in Appendix 1.
2. That the Authority considers and approves the strategies contained within the Strategy Statement, namely the Annual Investment Strategy (section 3), Interest Rate Strategy (section 4) and Borrowing Strategy (section 5).
3. That the Authority adopts the Annual Investment Strategy from the North Yorkshire Council (NYC) as the over-arching Investment Strategy for the Authority's invested reserve funds.
4. That the Authority reviews and approves the Prudential Indicators (section 6).
5. That the Authority reviews and approves the Minimum Revenue Provision (MRP) policy (section 7).

How does this contribute to our policies and legal obligations?

3. 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.

Background Information

4. The Treasury Management Strategy Statement is a requirement of the CIPFA code on Treasury Management. The previous version of this document was approved by the Authority in March 2023.

NYC has provided Treasury Management services to the Authority through an SLA for a number of years and this will continue until April 2025.

Proposals

5. Borrowing:

The Authority funds its capital expenditure through a mix of capital receipts, grants from external bodies, direct revenue contributions, and borrowing. Given the limited capacity to finance capital expenditure directly from revenue, the Authority seeks to optimise grant opportunities when available. However, borrowing will only be considered if the debt repayments can be managed from the income generated, or savings anticipated by the capital investments themselves. It is not sustainable to fund capital programmes from revenue contributions.

The Capital Programme, proposed for the period of 2024/25 to 2027/28, anticipates a capital expenditure of £4.88m. It is projected that £2.49m of this amount will be financed through borrowing. This borrowing is expected to be internal, commonly referred to as borrowing from reserves. The current average balance of reserves is approx. £9m. This is the amount held with NYC and fluctuates based on current bank balances, including interest received from the investment.

Borrowing remains an important method for the Authority to fund necessary investments and the Prudential Indicators have been adjusted to account for this potential expenditure, while also providing flexibility for future investments not yet planned.

A decision to borrow results in a “Capital Financing Requirement (CFR)”, which represents the Authority’s underlying need to borrow to support capital expenditure. The actual borrowing may not coincide with this decision, as it is often more cost-effective to utilise temporary cash funds, despite the growth in investment returns as interest rates rise.

The Authority’s CFR is estimated at £1.240m on 31st March 2024, of which £0.358m is a Public Works Loan and £0.882m is from internal cash funds. No new borrowing took place in 2023/24.

6. Investing:

The Authority will continue to invest its surplus cash resources with the North Yorkshire Council (NYC), adopting a strategy of shared risk and shared return. The Annual Investment Strategies for both local authorities align to ensure consistency and

transparency.

For the financial year 2023/24, the original budget was set at £75k, assuming a modest rate of return of approximately 1.6%. Despite these projections, the Bank of England's base rate has continued to rise, reaching 5% as of February 2024. This increase has resulted in actual receipts as of 31 December 2023 amounting to £0.328m. Consequently, the potential year-end return is projected to be approx. £0.478m.

Looking ahead to the 2024/25 financial year, projections for the Base Rate are expected to remain high and so the budget has been set at £360k with a reduction to £200k in future years. It's important to note that with regards to the CIPFA guidance, the Authority's primary investment principle is the security of funds, prioritising this over the rate of return.

Are there any corporate implications members should be concerned about?

Financial:

7. Financial issues are covered by virtue of the nature of the report.

Risk Management:

8. 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.

Sustainability:

9. The indicators include consideration of the sustainability of capital borrowing.

Equality, Diversity and Inclusion:

10. There are no implications to identify

11. Climate Change

There are no implications to identify

12. Background papers (not previously published)

n/a

13. Appendices

Appendix 1 - Peak District National Park Authority Treasury Management Strategy Statement.

Appendix 2 - Appendix 2 – North Yorkshire Council Treasury Management & Capital Strategy.

Report Author, Job Title and Publication Date

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