

OFFICE OF THE POLICE & CRIME COMMISSIONER

TITLE:	Treasury Management Update Report
DATE:	8th December 2022
TIMING:	Routine
PURPOSE:	For monitoring

1. RECOMMENDATION

1.1 To consider the Treasury Management Activity for the period 1st April 2022 to 30th September 2022.

2. INTRODUCTION & BACKGROUND

2.1 Treasury Management Activity is reported twice yearly to Joint Audit Committee (JAC) members. This is the first Treasury Management Activity report for 2022/23.

2.2 Treasury Management Activity includes investment and borrowing transactions.

3. ISSUES FOR CONSIDERATION

3.1 INVESTMENTS

3.1.1 Appendix 1 summarises fixed investments on deposit with counterparties as at 30th September 2022. The listing shows that the Police and Crime Commissioner's (PCC's) current fixed investment portfolio totals £35m. On maturity these deposits will earn an average rate of return of 1.403%, which will amount to £0.367m of earned interest income on maturity.

Appendix 2 summarises money market investments (MMF) and the amount invested in the Lloyds Instant Access account as at 30th September 2022. The listing shows a current MMF portfolio of £7.5m, invested in triple-A rated funds. The current yield is 1.983%, which will provide an estimated annual interest return of £0.137m if the current investment level is maintained and rates remain stable. An amount of £2m is invested in a Lloyds Bank Instant Access Bonus Account at a current yield of 0.15% which is lower than the current MMF investments available but provides more flexibility in terms of accessing funds. The movement of funds within the Instant Access Account has generated an average yield of 0.05% to the 30th September 2022.

3.1.2 The current investment portfolio composition is shown in Table 1 below:

Table 1

<u>Counterparty</u>	<u>Deposit £'m</u>	<u>Portfolio %</u>
UK Debt Management Office	0.00	0.00
Banks & Building Societies	2.00	4.00
Local Authorities	35.00	79.00
Money Market Funds	7.50	17.00

		44.50	100.0																					
3.1.3	As per the 2022/23 Treasury Management Strategy all investment deposits are with counterparties that have at least an 'F1/P1/A1' short term credit rating (Fitch, Moody's and Standard and Poor's). All money market funds are triple-A rated.																							
3.1.4	<p>No single fixed term deposit exceeds a time limit of 364 days. There are currently four deposits, which on maturity will have been on deposit for 364 days. Three are with Thurrock Borough Council, amounting to £3m, £6m and £4m and the remaining deposit is with Slough Borough Council amounting to £5m. On maturity these deposits will earn interest of £0.144m.</p> <p>The average maturity of fixed term investments as at the 30th September 2022 was 286 days and two of these investments held during the first six months of the year had a maturity of between 3 to 6 months.</p> <p>In addition, no single or multiple deposits with a single counterparty exceeded the money limit of £5m for Banks and Building Societies and £15m for Local Authorities. The most invested with one, single counterparty is £13m with Thurrock Borough Council. However, due to the Government intervention in appointing Essex County Council to support Thurrock Borough Council with their financial challenges, the PCC will not be loaning any additional money to Thurrock Borough Council. Furthermore, The PCC has received assurance the current investments will be paid back at the arranged due dates.</p> <p>There is no money limit for investments with the UK Debt Management Office (DMO), however no funds are currently invested with the DMO due to the low interest rate. The Bank of England Interest rate as at the 30th September was 2.25%, which is above the average rate of return of 1.403% on the current investment portfolio due to making fixed term investments when the interest rates were lower.</p>																							
3.1.5	<p>Appendix 3 details fixed term investment deposits made and repaid during the period 1st April 2022 to 30th September 2022. Investment interest earned on matured deposits during this period totalled £0.039m on a cash basis. The average rate of return on these deposits was 0.196%. As at the 30th September 2022, the average rate of return-on-investment deposits outstanding was 1.595%.</p> <p>Table 2 below details the movement in money market funds during the period 1st April 2022 to 30th September 2022. Funds earned an average daily rate of return of 1.28% over this period.</p> <p>Table 2</p> <table border="1"> <thead> <tr> <th>Counterparty</th> <th>Ave Daily Rate %</th> <th>Fund b/fwd £'000</th> <th>Transfers In £'000</th> <th>Transfers Out £'000</th> <th>Fund c/fwd £'000</th> <th>Interest Rec £'000</th> </tr> </thead> <tbody> <tr> <td>Blackrock</td> <td>1.24</td> <td>0</td> <td>21,000</td> <td>(21,000)</td> <td>0</td> <td>23.07</td> </tr> <tr> <td>BNP Paribas</td> <td>1.10</td> <td>5,000</td> <td>12,500</td> <td>(15,500)</td> <td>2,000</td> <td>17.29</td> </tr> </tbody> </table>			Counterparty	Ave Daily Rate %	Fund b/fwd £'000	Transfers In £'000	Transfers Out £'000	Fund c/fwd £'000	Interest Rec £'000	Blackrock	1.24	0	21,000	(21,000)	0	23.07	BNP Paribas	1.10	5,000	12,500	(15,500)	2,000	17.29
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Goldman Sachs	1.21	0	16,000	(16,000)	0	6.32
HSBC	1.45	0	12,000	(11,500)	500	9.24
Invesco	1.56	0	7,000	(2,000)	5,000	19.13
Morgan Stanley	1.10	0	5,000	(5,000)	0	2.87
Totals		5,000	73,500	(71,000)	7,500	77.92

Table 3 below shows the activity in the Lloyds Instant Access Account.

Table 3

Instant Access Scheme	Ave rate %	Fund B/fwd	Transfers In £'000	Transfers Out £'000	Fund C/fwd	Interest Rec £'000
Bonus Account	0.05	1,000	6,000	(5,000)	2,000	0.607

During the period, the MMF and Instant Access funds have proved a useful alternative to fixed term investments. The liquid nature of these funds, with the ability to invest and redeem as and when required, has helped manage unplanned cash surpluses and provided additional flexibility around the timing of settling financial commitments.

3.2 **BORROWING**

3.2.1 The borrowing position and portfolio as at 30th September 2022 is shown in Table 4 below:

Table 4

<u>Lender</u>	<u>Amount Borrowed £'m</u>	<u>Annual Interest Rate %</u>
Public Works Loan Board (PWLB)	0.00	0.00
	0.00	0.00

3.2.2 No new borrowing has been taken out during the period 1st April 2022 to 30th September 2022.

4. **NEXT STEPS**

4.1 That Members note the Treasury Management Activity.

5. **FINANCIAL CONSIDERATIONS**

5.1 These are detailed in the report.

6. **PERSONNEL CONSIDERATIONS**

6.1	There are no staffing/personnel implications arising from this report.
7.	<u>LEGAL IMPLICATIONS</u>
7.1	There are no legal implications arising from this report.
8.	<u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u>
8.1	This report has been considered against the general duty to promote equality, as stipulated under the Single Equality Plan and has been assessed not to discriminate against any particular group.
8.2	Consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998 in preparing this report.
9.	<u>RISK</u>
9.1	Treasury Management can never be risk free. In borrowing, the risk is that interest payable might be higher than necessary and in lending there is the risk of default on repayment and the risk that a better rate of return could have been achieved. Adherence to the CIPFA Code of Practice on Treasury Management is best practice in terms of balancing risk and return.
10.	<u>PUBLIC INTEREST</u>
10.1	This is a public document.
11.	<u>CONTACT OFFICER</u>
11.1	Har Ping Boey – Senior Accountant.
12.	<u>APPENDICES</u>
12.1	Appendix 1 – Current Fixed Term Investment List. Appendix 2 – Current Money Market Investment List. Appendix 3 – Analysis of Fixed Term Investments Made and Repaid.