

**OFFICE OF THE POLICE & CRIME COMMISSIONER**

<b>TITLE:</b>	<b>Treasury Management Update Report</b>
<b>DATE:</b>	<b>8<sup>th</sup> December 2021</b>
<b>TIMING:</b>	<b>Routine</b>
<b>PURPOSE:</b>	<b>For monitoring</b>
<b>1.</b>	<b><u>RECOMMENDATION</u></b>
1.1	To consider the Treasury Management Activity for the period 1 <sup>st</sup> April 2021 to 30 <sup>th</sup> September 2021.
<b>2.</b>	<b><u>INTRODUCTION &amp; BACKGROUND</u></b>
2.1	Treasury Management Activity is reported twice yearly to Joint Audit Committee (JAC) members. This is the first Treasury Management Activity report for 2021/22.
2.2	Treasury Management Activity includes investment and borrowing transactions.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
3.1	<b><u>INVESTMENTS</u></b>
3.1.1	<p>Appendix 1 summarises fixed investments on deposit with counterparties as at 30<sup>th</sup> September 2021. The listing shows that the Police and Crime Commissioner's (PCC's) current fixed investment portfolio totals £32.5m. On maturity these deposits will earn an average rate of return of 0.1725%, which will amount to £0.05m of earned interest income on maturity.</p> <p>Appendix 2 summarises money market investments (MMF) and the amount invested in the Lloyds Instant Access account as at 30<sup>th</sup> September 2021. The listing shows a current MMF portfolio of £3m, invested in a triple-A rated funds. The current yield is 0.03%, which will provide an estimated annual interest return of £0.9k if the current investment level is maintained and rates remain stable. An amount of £1m is invested in a Lloyds Bank Instant Access Bonus Account at a current yield of 0.02% (if the funds are not transferred out for 30 days otherwise rate is 0.01%) which is comparable with some of the current MMF investments available and provides more flexibility in terms of accessing funds. The movement of funds within the Instant Access Account has generated an average yield of 0.0139% to the 30<sup>th</sup> September 2021.</p> <p>On the 7<sup>th</sup> May 2021 there was a breach in the bank account limit when the account went into overdraft due to an oversight in the Finance team. There are currently inexperienced members of the team and the error was discovered too late to take corrective action. Due to this, the bank was contacted immediately a much lower overdraft fee of £77 was negotiated and corrective action was taken in readiness for the next working day. A workshop was therefore held for the inexperienced team members, to learn from the more experienced team members. In addition to this, other options were explored to provide greater flexibility in managing the cashflow. An option to place funds</p>

	into a Lloyds Instant Access account was approved as funds can be transferred up to 16:30 for same day transactions, offering more flexibility.																		
3.1.2	<p>The current investment portfolio composition is shown in Table 1 below:</p> <p><b><u>Table 1</u></b></p> <table border="1"> <thead> <tr> <th><b><u>Counterparty</u></b></th> <th><b><u>Deposit £'m</u></b></th> <th><b><u>Portfolio %</u></b></th> </tr> </thead> <tbody> <tr> <td>UK Debt Management Office</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Banks &amp; Building Societies</td> <td>1.00</td> <td>3.00</td> </tr> <tr> <td>Local Authorities</td> <td>32.50</td> <td>89.00</td> </tr> <tr> <td>Money Market Funds</td> <td>3.00</td> <td>8.00</td> </tr> <tr> <td></td> <td><b>36.50</b></td> <td><b>100.0</b></td> </tr> </tbody> </table>	<b><u>Counterparty</u></b>	<b><u>Deposit £'m</u></b>	<b><u>Portfolio %</u></b>	UK Debt Management Office	0.00	0.00	Banks & Building Societies	1.00	3.00	Local Authorities	32.50	89.00	Money Market Funds	3.00	8.00		<b>36.50</b>	<b>100.0</b>
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3.1.3	As per the 2021/22 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. All four are with Thurrock Borough Council, amounting to £3m, £6m, £4m and £2m respectively. On maturity these deposits will earn interest of £0.046m.</p> <p>The average maturity of fixed term investments as at the 30<sup>th</sup> September 2021 was 272 days and 37.5% 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 £3m for Banks and Building Societies and £15m for Local Authorities. The most invested with one, single counterparty is £15m with Thurrock Borough Council.</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 remains at a rate of 0.1% (up to 3 months) and 0.1% (3 to 6 months), which is below the average rate of return of 0.1725% on the current investment portfolio.</p>																		
3.1.5	<p>Appendix 3 details fixed term investment deposits made and repaid during the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021. Investment interest earned on matured deposits during this period totalled £0.105m on a cash basis. The average rate of return on these deposits was 0.349%. As at the 30<sup>th</sup> September 2021, the average rate of return-on-investment deposits outstanding was 0.129%.</p> <p>Table 2 below details the movement in money market funds during the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021. Funds earned an average rate of return of 0.0154% over this period.</p>																		

**Table 2**

Counterparty	Ave Rate %	Fund b/fwd £'000	Transfers In £'000	Transfers Out £'000	Fund c/fwd £'000	Interest Rec £'000
Blackrock	0.010	0	14,000	(14,000)	0	0.0277
BNP Paribas	0.017	5,000	15,500	(20,500)	0	0.2936
HSBC	0.010	0	8,500	(8,500)	0	0.0320
Invesco	0.010	0	4,500	(4,500)	0	0.0221
Morgan Stanley	0.030	0	9,000	(6,000)	3,000	0.6948
<b>Totals</b>	<b>0.077</b>	<b>5,000</b>	<b>51,500</b>	<b>(53,500)</b>	<b>3,000</b>	<b>1.0702</b>

**Average rate of return % 0.0154**

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

**Table 3**

Instant Access Scheme	Ave rate %	Fund B/fwd	Transfer In £'000	Transfer Out £'000	Fund C/fwd	Interest Rec £'000
Bonus Account	0.0139	0	2,000	1,000	2,000	0.0356

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 30<sup>th</sup> September 2021 is shown in Table 4 below:

**Table 4**

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

3.2.2

No new borrowing has been taken out during the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021.

<b>4.</b>	<b><u>NEXT STEPS</u></b>
<b>5.</b>	<b><u>FINANCIAL CONSIDERATIONS</u></b>
5.1	These are detailed in the report.
<b>6.</b>	<b><u>PERSONNEL CONSIDERATIONS</u></b>
6.1	There are no staffing/personnel implications arising from this report.
<b>7.</b>	<b><u>LEGAL IMPLICATIONS</u></b>
7.1	There are no legal implications arising from this report.
<b>8.</b>	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b>
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.
<b>9.</b>	<b><u>RISK</u></b>
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.
<b>10.</b>	<b><u>PUBLIC INTEREST</u></b>
10.1	This is a public document.
<b>11.</b>	<b><u>CONTACT OFFICER</u></b>
11.1	Har Ping Boey – Senior Accountant.
<b>12.</b>	<b><u>APPENDICES</u></b>
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.