

**OFFICE OF THE POLICE & CRIME COMMISSIONER**

**TITLE:** Treasury Management Update Report

**DATE:** 10<sup>th</sup> December 2020

**TIMING:** Routine

**PURPOSE:** For monitoring

**1. RECOMMENDATION**

1.1 To consider the Treasury Management Activity for the period 1<sup>st</sup> April 2020 to 30<sup>th</sup> September 2020.

**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 2020/21.

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 30<sup>th</sup> September 2020. The listing shows that the Police and Crime Commissioner's (PCC's) current fixed investment portfolio totals £45m. On maturity these deposits will earn an average rate of return of 0.514%, which will amount to £0.199m of earned interest income on maturity.

Appendix 2 summarises money market investments as at 30<sup>th</sup> September 2020. The listing shows a current portfolio of £3m, invested across one triple-A rated fund. The current average yield is 0.21%, which will provide an estimated annual interest return of £0.008m, if the current investment level is maintained and rates remain stable.

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

**Table 1**

| <u>Counterparty</u>        | <u>Deposit<br/>£'m</u> | <u>Portfolio<br/>%</u> |
|----------------------------|------------------------|------------------------|
| UK Debt Management Office  | 0.00                   | 0.00                   |
| Banks & Building Societies | 0.00                   | 0.00                   |
| Local Authorities          | 45.00                  | 94.00                  |
| Money Market Funds         | 3.00                   | 6.00                   |
|                            | <b>48.00</b>           | <b>100.0</b>           |

| 3.1.3               | As per the 2020/21 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 365 days (this is one day longer due to the leap year). There is currently one deposit, which on maturity will have been on deposit for 365 days: Thurrock Borough Council (£6m) On maturity this deposit will earn interest of £0.062m.</p> <p>The weighted average maturity of fixed term investments as at the 30<sup>th</sup> September 2020 was 252 days and 33% 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. Due to the Bank of England Interest rate decrease, the rate of return is now 0.01% (up to 3 months) and 0.01% (3 to 6 months), which is below the average rate of return of 0.483% 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 2020 to 30<sup>th</sup> September 2020. Investment interest earned on matured deposits during this period totalled £0.186 on a cash basis. The average rate of return on these deposits was 0.483%. For the financial year 2019/20, the weighted average rate of return on investment deposits was 0.858%.</p> <p>Table 2 below details the movement in money market funds during the period 1<sup>st</sup> April 2020 to 30<sup>th</sup> September 2020. Funds earned an average rate of return of 0.210% over this period:</p> <p><b>Table 2</b></p> <table border="1" data-bbox="316 1529 1166 1910"> <thead> <tr> <th><u>Counterparty</u></th> <th><u>Fund</u><br/><u>b/fwd £'m</u></th> <th><u>Net</u><br/><u>Movement</u><br/><u>£'m</u></th> <th><u>Fund</u><br/><u>c/fwd</u><br/><u>£'m</u></th> <th><u>Interest</u><br/><u>Rec</u><br/><u>£'m</u></th> </tr> </thead> <tbody> <tr> <td>Blackrock</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.002</td> </tr> <tr> <td>BNP Paribas</td> <td>1.00</td> <td>(1.00)</td> <td>0.00</td> <td>0.001</td> </tr> <tr> <td>Invesco</td> <td>2.50</td> <td>0.50</td> <td>3.00</td> <td>0.004</td> </tr> <tr> <td>Morgan Stanley</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.000</td> </tr> <tr> <td></td> <td><b>3.50</b></td> <td><b>(0.50)</b></td> <td><b>3.00</b></td> <td><b>0.007</b></td> </tr> </tbody> </table> <p>During the period these 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, have helped manage unplanned cash</p> | <u>Counterparty</u>                         | <u>Fund</u><br><u>b/fwd £'m</u>           | <u>Net</u><br><u>Movement</u><br><u>£'m</u> | <u>Fund</u><br><u>c/fwd</u><br><u>£'m</u> | <u>Interest</u><br><u>Rec</u><br><u>£'m</u> | Blackrock | 0.00 | 0.00 | 0.00 | 0.002 | BNP Paribas | 1.00 | (1.00) | 0.00 | 0.001 | Invesco | 2.50 | 0.50 | 3.00 | 0.004 | Morgan Stanley | 0.00 | 0.00 | 0.00 | 0.000 |  | <b>3.50</b> | <b>(0.50)</b> | <b>3.00</b> | <b>0.007</b> |
| <u>Counterparty</u> | <u>Fund</u><br><u>b/fwd £'m</u>  | <u>Net</u><br><u>Movement</u><br><u>£'m</u> | <u>Fund</u><br><u>c/fwd</u><br><u>£'m</u> | <u>Interest</u><br><u>Rec</u><br><u>£'m</u> |   |   |           |      |      |      |       |             |      |        |      |       |         |      |      |      |       |                |      |      |      |       |  |             |               |             |              |
| Blackrock           | 0.00   | 0.00  | 0.00                                      | 0.002                                       |   |   |           |      |      |      |       |             |      |        |      |       |         |      |      |      |       |                |      |      |      |       |  |             |               |             |              |
| BNP Paribas         | 1.00   | (1.00)                                      | 0.00                                      | 0.001                                       |   |   |           |      |      |      |       |             |      |        |      |       |         |      |      |      |       |                |      |      |      |       |  |             |               |             |              |
| Invesco             | 2.50   | 0.50  | 3.00                                      | 0.004                                       |   |   |           |      |      |      |       |             |      |        |      |       |         |      |      |      |       |                |      |      |      |       |  |             |               |             |              |
| Morgan Stanley      | 0.00   | 0.00  | 0.00                                      | 0.000                                       |   |   |           |      |      |      |       |             |      |        |      |       |         |      |      |      |       |                |      |      |      |       |  |             |               |             |              |
|                     | <b>3.50</b>  | <b>(0.50)</b>                               | <b>3.00</b>                               | <b>0.007</b>                                |   |   |           |      |      |      |       |             |      |        |      |       |         |      |      |      |       |                |      |      |      |       |  |             |               |             |              |

|       |  |
|-------|--|
|       | surpluses and provided additional flexibility around the timing of settling financial commitments.   |
| 3.2   | <b><u>BORROWING</u></b>  |
| 3.2.1 | No new borrowing has been taken out during the period 1 <sup>st</sup> April 2020 to 30 <sup>th</sup> September 2020, resulting in the Commissioner remaining debt-free at this time. The 2021/22 Treasury Management Strategy forecasts the Commissioner to take on external debt from the 2022/23 financial year onwards.   |
| 4.    | <b><u>NEXT STEPS</u></b>   |
| 4.1   | That Members note the Treasury Management Activity.  |
| 5.    | <b><u>FINANCIAL CONSIDERATIONS</u></b>   |
| 5.1   | These are detailed in the report.  |
| 6.    | <b><u>PERSONNEL CONSIDERATIONS</u></b>   |
| 6.1   | There are no staffing/personnel implications arising from this report.   |
| 7.    | <b><u>LEGAL IMPLICATIONS</u></b>   |
| 7.1   | There are no legal implications arising from this report.  |
| 8.    | <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.  |
| 9.    | <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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management is best practice in terms of balancing risk and return. |
| 10.   | <b><u>PUBLIC INTEREST</u></b>  |
| 10.1  | This is a public document.   |
| 11.   | <b><u>CONTACT OFFICER</u></b>  |
| 11.1  | Rebecca Jones –Assistant Accountant  |
| 12.   | <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