

DECISION NUMBER: PCCG-2018-001

OFFICE OF THE POLICE & CRIME COMMISSIONER

TITLE: Treasury Management Update Report

DATE: 21st December 2017

TIMING: Routine

PURPOSE: For monitoring

1. RECOMMENDATION

1.1 To consider the Treasury Management Activity for the period 1st April 2017 to 31st October 2017.

2. INTRODUCTION & BACKGROUND

2.1 This is the first Treasury Management Activity report in 2017/18.

2.2 Treasury Management Activity includes investment and borrowing transactions.

2.3 The Joint Audit Committee (JAC) considered and commented upon this report at their meeting on 21st December 2017.

3. ISSUES FOR CONSIDERATION

3.1 INVESTMENTS

3.1.1 Appendix 1 summarises fixed investments on deposit with counterparties as at 31st October 2017. The listing shows that the Police and Crime Commissioner's (PCC's) current fixed investment portfolio totals £53m. On maturity these deposits will earn an average rate of return of 0.361%, which will amount to £0.137m of earned interest income on maturity.

Appendix 2 summarises money market investments as at 31st October 2017. The listing shows a current portfolio of £9m, invested across two triple-A rated funds. The current average yield is 0.21%, which will provide an estimated annual interest return of £0.015m, 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 £'m</u>	<u>Portfolio %</u>
UK Debt Management Office	0.00	0.00
Banks & Building Societies	0.00	0.00
Local Authorities	53.00	85.48

	Money Market Funds	9.00	14.52	
		62.00	100.0	
3.1.3	As per the 2017/18 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 five deposits, which on maturity will have been on deposit for 364 days. These are with Thurrock Borough Council (£1m), Fife Council (£4m), London Borough of Islington (£5m), Southampton City Council (£5m) and North Tyneside Metropolitan Borough Council (£3m). On maturity these deposits will earn interest of £0.082m.</p> <p>The weighted average maturity of fixed term investments as at the 31st October was 174 days and 19% of 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 £10m for Local Authorities. The most invested with one, single counterparty is £10m 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 increase, the rate of return is now 0.25% (up to 3 months) and 0.25% (3 to 6 months) which is below the average rate of return of 0.361% on the current investment portfolio.</p>			
3.1.5	<p>Appendix 3 details fixed term investment deposits made and repaid during the period 1st April 2017 to 31st October 2017. Investment interest earned on matured deposits during this period totalled £0.100m on a cash basis. The average rate of return on these deposits was 0.337%. For the financial year 2016/17, the weighted average rate of return on investment deposits was 0.354%.</p> <p>Table 2 below details the movement in money market funds during the period 1st April 2017 to 31st October 2017. Funds earned an average rate of return of 0.21% over this period.</p>			

Table 2

<u>Counterparty</u>	<u>Fund b/fwd £'m</u>	<u>Net Movement £'m</u>	<u>Fund c/fwd £'m</u>	<u>Interest Rec £'m</u>
Blackrock	0.00	0.00	0.00	0.000
BNP Paribas	4.00	1.00	5.00	0.006
Invesco	5.00	(1.00)	4.00	0.005
Morgan Stanley	1.00	(1.00)	0.00	0.000
	10.00	(1.00)	9.00	0.011

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 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 31st October 2017 is shown in Table 3 below:

Table 3

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

3.2.2 As previously reported the PCC took the decision to make an early repayment of the principal of £4.26m and accrued interest and premium of £1.47m to the PWLB on the 31st March 2017.




3.2.3 In addition the principal and interest payments in relation to the loan with Newport City Council were paid off on the 9th January 2017 for the sum of £0.65m.


3.2.4 No new borrowing has been taken out during the period 1st April 2017 to 31st October 2017.

4. **NEXT STEPS**

4.1 That Members note the Treasury Management Activity.

4.2	<p><u>Markets in Financial Instruments Directive (MIFID II) LOCAL AUTHORITY ELECTION FOR PROFESSIONAL STATUS</u></p> <p>Under MiFID II, all Local Authorities (including the PCC) will be classified as retail counterparties and will have to consider whether to opt up to 'elective professional client' status and for which types of investments. MiFID II takes effect from 3rd January 2018 and the retail classification will significantly restrict the range of institutions and instruments available to Local Authorities.</p> <p>The PCC has confirmed that the OPCC for Gwent meets the criteria and has elected to opt-up to professional client status as it will allow continuity in investment strategy. The PCC is confident that all paperwork and processes will be complete in advance of the deadline.</p>
5.	<p><u>FINANCIAL CONSIDERATIONS</u></p>
5.1	<p>These are detailed in the report.</p>
6.	<p><u>PERSONNEL CONSIDERATIONS</u></p>
6.1	<p>There are no staffing/personnel implications arising from this report.</p>
7.	<p><u>LEGAL IMPLICATIONS</u></p>
7.1	<p>There are no legal implications arising from this report.</p>
8.	<p><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></p>
8.1	<p>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.</p>
8.2	<p>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.</p>
9.	<p><u>RISK</u></p>
9.1	<p>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.</p>
10.	<p><u>PUBLIC INTEREST</u></p>
10.1	<p>This is a public document.</p>
11.	<p><u>CONTACT OFFICER</u></p>
11.1	<p>Rebecca Jones – Accountant</p>

12.	<u>APPENDICES</u>
12.1	Appendix 1 – Current Fixed Term Investment List  Appendix 1 - Current Fixed Term Investme Appendix 2 – Current Money Market Investment List  Appendix 2 - Current Money Market Invest Appendix 3 – Analysis of Fixed Term Investments Made and Repaid  Appendix 3 - Anaysis of Fxed Investments

Mr Jeff Cuthbert, Police and Crime Commissioner for Gwent	
My decision is as I have recorded in this paper	
Signed 	Date 3/1/18

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Background papers	Treasury Management Strategy 2017/18 to 2019/20

Police and Crime Commissioner for Gwent

Fixed Investments as at 31st October 2017

Borrower	Principal (£)	Interest Rate	Interest at Maturity (£)	Start Date	Maturity Date	Days
BLACKBURN WITH DARWEN BOROUGH COUNCIL	3,000,000	0.350000%	5,926.03	08-05-17	30-11-17	206
THURROCK BOROUGH COUNCIL	3,000,000	0.360000%	6,361.64	30-06-17	31-01-18	215
BLACKBURN WITH DARWEN BOROUGH COUNCIL	3,250,000	0.260000%	5,509.86	05-07-17	28-02-18	238
SALFORD CITY COUNCIL	6,000,000	0.290000%	8,437.81	05-07-17	29-12-17	177
FIFE COUNCIL	5,000,000	0.270000%	5,473.97	05-07-17	30-11-17	148
HIGHLAND COUNCIL	6,000,000	0.300000%	10,356.16	05-07-17	31-01-18	210
HIGHLAND COUNCIL	2,750,000	0.300000%	4,633.56	07-08-17	28-02-18	205
LONDON BOROUGH OF ISLINGTON	5,000,000	0.400000%	19,945.21	06-10-17	05-10-18	364
THURROCK BOROUGH COUNCIL	6,000,000	0.300000%	8,926.03	31-10-17	30-04-18	181
THURROCK BOROUGH COUNCIL	1,000,000	0.400000%	3,989.04	31-08-17	30-08-18	364
FIFE COUNCIL	4,000,000	0.380000%	15,158.36	07-09-17	06-09-18	364
SOUTHAMPTON CITY COUNCIL	5,000,000	0.520000%	25,928.77	06-10-17	05-10-18	364
NORTHTHYNSIDE METROPOLITAN BOROUGH COUNCIL	3,000,000	0.560000%	16,753.97	12-10-17	11-10-18	364
Total Investments	53,000,000	0.36077%	137,400.41			

Police and Crime Commissioner for Gwent

Money Market Investments as at 31st October 2017

Borrower	Closing Balance (£)	Average Yield	Est Annual Interest (£)
BNP Paribas	5,000,000	0.220000%	7,400.12
Invesco AIM Short-Term Investment Company	4,000,000	0.200000%	7,311.81
Total Investments	9,000,000	0.210000%	14,711.93

Police and Crime Commissioners for Gwent

Analysis of Fixed Investments Made and Repaid

Date	Balance b/f	Summary	At time of Investment	Agility Ratings (Post Loan)	Rate %	Terms	Loans Made £	Loans Repaid £	Int Received £	Maturity date	Status
April 2017				as at 31/03/2017			36,000,000				
Loans made											
07-04-17		READING BOROUGH COUNCIL			0.450	Fixed	4,000,000			31-10-17	REPAID
05-04-17		SWINDON BOROUGH COUNCIL			0.290	Fixed	2,000,000			31-08-17	REPAID
18-04-17		FIFE COUNCIL			0.320	Fixed	3,000,000			31-08-17	REPAID
Loans repaid											
28-04-17		SUFFOLK COUNTY COUNCIL						1,446.58			
28-04-17		SWINDON BOROUGH COUNCIL						3,618.08			
28-04-17		CONYV COUNTY BOROUGH COUNCIL						2,000,000			
May 2017											
Loans made											
04-05-17		PLYMOUTH CITY COUNCIL			0.300	Fixed	1,000,000			31-07-17	REPAID
08-05-17		BLACKBURN WITH DARWEN BOROUGH COUNCIL			0.350	Fixed	3,000,000			30-11-17	
16-05-17		PLYMOUTH CITY COUNCIL			0.300	Fixed	3,500,000			31-07-17	REPAID
Loans repaid											
31-05-17		GLOUCESTER CITY COUNCIL						3,000,000	4,857.59		
31-05-17		LEEDS CITY COUNCIL						2,000,000	2,202.74		
June 2017											
Loans made											
07-06-17		LEEDS CITY COUNCIL			0.200	Fixed	3,000,000			29-09-17	REPAID
30-06-17		THURROCK BOROUGH COUNCIL			0.360	Fixed	3,000,000			31-01-18	
Loans repaid											
30-06-17		SWINDON BOROUGH COUNCIL						1,000,000	1,951.51		
30-06-17		THURROCK BOROUGH COUNCIL						2,000,000	3,863.01		
30-06-17		BLACKBURN WITH DARWEN BOROUGH COUNCIL						2,000,000	2,921.64		
30-06-17		THURROCK BOROUGH COUNCIL						1,000,000	1,507.95		
30-06-17		KINGSTON UPON HULL CITY COUNCIL						3,000,000	3,591.78		
Loans made											
05-07-17		SWINDON BOROUGH COUNCIL			0.210	Fixed	3,000,000			29-09-17	REPAID
05-07-17		FIFE COUNCIL			0.270	Fixed	5,000,000			30-11-17	
05-07-17		SALFORD CITY COUNCIL			0.250	Fixed	6,000,000			29-12-17	
05-07-17		HIGHLAND COUNCIL			0.300	Fixed	6,000,000			31-01-18	
05-07-17		BLACKBURN WITH DARWEN BOROUGH COUNCIL			0.260	Fixed	3,250,000			29-02-18	
Loans repaid											
31-07-17		LEEDS CITY COUNCIL						1,000,000	1,446.58		
31-07-17		PLYMOUTH CITY COUNCIL						1,000,000	729.29		
31-07-17		PLYMOUTH CITY COUNCIL						3,500,000	2,186.90		

Date	Notes	Agency ratings (short term) at time of investment	Rate %	Terms	Loans Made £	Loans Repaid £	Int Received £	Maturity date	Status
August 2012									
Loans made									
07-08-17	HIGHLAND COUNCIL		0.300	Fixed	2,750,000			28-02-18	
31-08-17	THURROCK BOROUGH COUNCIL		0.400	Fixed	1,000,000			30-06-18	
Loans repaid									
31-08-17	THURROCK BOROUGH COUNCIL					1,000,000	2,016.44		
31-08-17	SWINDON BOROUGH COUNCIL					2,000,000	2,351.78		
31-08-17	WFE COUNCIL					3,000,000	3,550.68		
September 2012									
Loans made									
07-09-17	FIFE COUNCIL		0.380	Fixed	4,000,000			06-09-18	
Loans repaid									
29-09-17	LEEDS CITY COUNCIL					3,000,000	1,873.97		
29-09-17	SWINDON BOROUGH COUNCIL					3,000,000	1,484.98		
October 2012									
Loans made									
06-10-17	LONDON BOROUGH OF ISLINGTON		0.400	Fixed	5,000,000			05-10-18	
06-10-17	SOUTHAMPTON CITY COUNCIL		0.520	Fixed	5,000,000			05-10-18	
12-10-17	NORTHYTHESIDE METROPOLITAN BOROUGH COUNCIL		0.560	Fixed	3,000,000			11-10-18	
31-10-17	THURROCK BOROUGH COUNCIL		0.300	Fixed	6,000,000			30-04-18	
Loans repaid									
06-10-17	SOUTHAMPTON CITY COUNCIL					5,000,000	19,985.21		
12-10-17	NORTHYTHESIDE METROPOLITAN BOROUGH COUNCIL					3,000,000	11,967.12		
31-10-17	THURROCK BOROUGH COUNCIL					6,000,000	15,890.14		
31-10-17	READING BOROUGH COUNCIL					4,000,000	9,754.52		
	Balance C/F				108,500,000	55,500,000	100,804.95		
	Average rate of interest received		0.387			59,000,000			

Explanation of Credit Ratings

P1 (Fitch) indicates the strongest capacity for timely repayment of financial commitments; may have an added '+' to denote an exceptionally strong credit feature.
 A1 (S&P) The obligor's capacity to meet its financial commitment on the obligation is strong. With this category, certain obligations are designated with a plus '+' sign. This indicates that the obligor's capacity to meet its financial commitment is extremely strong.
 P1 (Moody's) Issues (or supporting institutions) rated Prime - 1 have a superior ability to pay short term debt obligations.