

<b>DECISION NUMBER: PCCG-2019-065</b>	
<b><u>OFFICE OF THE POLICE &amp; CRIME COMMISSIONER</u></b>	
<b>TITLE:</b>	<b>Treasury Management Update Report</b>
<b>DATE:</b>	<b>11<sup>th</sup> December 2019</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 2019 to 30 <sup>th</sup> September 2019.
<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 in 2019/20.
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 11 <sup>th</sup> December 2019.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
<b>3.1</b>	<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 2019. The listing shows that the Police and Crime Commissioner's (Commissioner's) current fixed investment portfolio totals £48m. On maturity these deposits will earn an average rate of return of 0.875%, which will amount to £0.282m of earned interest income on maturity.</p> <p>Appendix 2 summarises money market investments as at 30<sup>th</sup> September 2019. The listing shows a current portfolio of £9m, invested across three triple-A rated funds. The current average yield is 0.71%, which will provide an estimated annual interest return of £0.063m, if the current investment level is maintained and rates remain stable.</p> <p>Members are notified that due to an unexpected Internet interruption on the 7<sup>th</sup> August 2019, the Assistant Accountant was unable to transfer funds to a Money Market Fund that day. This resulted in the Commissioner retaining funds in the bank account (£5.5m), in excess of the level determined in the Treasury Management Strategy (£2m). This minor breach of the Commissioner's Treasury Management Strategy was rectified the following day.</p>

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

**Table 1**

<b>Counterparty</b>	<b>Deposit £'m</b>	<b>Portfolio %</b>
UK Debt Management Office	0.00	0.0
Banks & Building Societies	0.00	0.0
Local Authorities	48.00	84.2
Money Market Funds	9.00	15.8
	<b>57.00</b>	<b>100.0</b>

3.1.3 As per the 2019/20 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 No single fixed term deposit exceeds a time limit of 365 days (this is one day longer due to the leap year). There are currently three deposits, which on maturity will have been on deposit for 364/365 days. All are with Thurrock Borough Council and represented as loans of £3m, £6m and £1m. On maturity, these deposits will earn interest of £0.108m.

The weighted average maturity of fixed term investments as at the 30<sup>th</sup> September was 129 days and 29% of these investments held during the first six months of the year had a maturity of between 3 to 6 months.

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 £10m with Thurrock Borough Council.

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 0.53% (up to 3 months) and 0.58% (3 to 6 months), which is below the average rate of return of 0.858% on the current investment portfolio.

3.1.5 Appendix 3 details fixed term investment deposits made and repaid during the period 1<sup>st</sup> April 2019 to 30<sup>th</sup> September 2019. Investment interest earned on matured deposits during this period totalled £0.227 on a cash basis. The average rate of return on these deposits was 0.858%. For the financial year 2018/19, the weighted average rate of return on investment deposits was 0.647%.

Table 2 below details the movement in money market funds during the period 1<sup>st</sup> April 2019 to 30<sup>th</sup> September 2019. Funds earned an average rate of return of 0.713% over this period.

**Table 2**

<u>Counterparty</u>	<u>Fund b/fwd</u> £'m	<u>Net Movement</u> £'m	<u>Fund c/fwd</u> £'m	<u>Interest Rec</u> £'m
Blackrock	0.00	3.00	3.00	0.007
BNP Paribas	5.00	(4.00)	1.00	0.018
Invesco	4.00	1.00	5.00	0.018
Morgan Stanley	0.00	0.00	0.00	0.000
	<b>9.00</b>	<b>0.00</b>	<b>9.00</b>	<b>0.043</b>

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

No new borrowing has been taken out during the period 1<sup>st</sup> April 2019 to 30<sup>th</sup> September 2019.

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.

**LEGAL IMPLICATIONS**

7.1

There are no legal implications arising from this report.

8.

**EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS**


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	Rebecca Jones – Assistant 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

<b>Mr Jeff Cuthbert, Police and Crime Commissioner for Gwent</b>	
My decision is as I have recorded in this paper	
Signed 	Date 17/12/19

<b>Contact Officer</b>	
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Background papers	Treasury Management Strategy 2019/20 to 2021/22

## Police and Crime Commissioner for Gwent

## Fixed Investments as at 30th September 2019

Borrower	Principal (£)	Interest Rate	Interest at Maturity (£)	Start Date	Maturity Date	Days
THURROCK BOROUGH COUNCIL	3,000,000	1.100000%	32,909.59	28/03/2019	26/03/2020	364
NORTH EAST LINCOLNSHIRE DISTRICT COUNCIL	2,000,000	0.980000%	11,223.01	05/04/2019	31/10/2019	209
BLACKBURN WITH DARWEN BOROUGH COUNCIL	2,000,000	0.980000%	9,612.05	05/05/2019	31/10/2019	179
THURROCK BOROUGH COUNCIL	6,000,000	1.100000%	66,000.00	29/04/2019	28/04/2020	365
KINGSTON UPON HULL CITY COUNCIL	5,000,000	0.800000%	19,287.67	08/05/2019	31/10/2019	176
CONWY COUNTY BOROUGH COUNCIL	3,000,000	0.850000%	12,715.07	31/05/2019	29/11/2019	182
THURROCK BOROUGH COUNCIL	1,000,000	0.920000%	9,200.00	29/08/2019	28/08/2020	365
CONWY COUNTY BOROUGH COUNCIL	3,000,000	0.780000%	11,924.38	28/06/2019	31/12/2019	186
WARRINGTON BOROUGH COUNCIL	5,000,000	0.850000%	31,438.36	05/07/2019	31/03/2020	270
WARRINGTON BOROUGH COUNCIL	5,000,000	0.830000%	27,060.27	05/07/2019	28/02/2020	238
SWINDON BOROUGH COUNCIL	2,000,000	0.740000%	7,258.08	05/07/2019	31/12/2019	179
LONDON BOROUGH OF ISLINGTON	5,000,000	0.750000%	19,828.77	22/07/2019	31/01/2020	193
CONWY COUNTY BOROUGH COUNCIL	1,000,000	0.790000%	3,982.47	31/07/2019	31/01/2020	184
BLACKBURN WITH DARWEN BOROUGH COUNCIL	5,000,000	0.780000%	19,446.58	30/08/2019	28/02/2020	182
<b>Total Investments</b>	<b>48,000,000</b>	<b>0.00875%</b>	<b>281,886.30</b>			



**Appendix 2**

**Police and Crime Commissioner for Gwent**

**Money Market Investments as at 30th September 2019**

<b>Borrower</b>	<b>Closing Balance (£)</b>	<b>Average Yield</b>	<b>Est Annual Interest (£)</b>
BNP Paribas	1,000,000	0.75000%	27,561.07
Invesco AIM Short-Term Investment Company	5,000,000	0.71000%	26,213.55
Black Rock	3,000,000	0.68000%	9,161.94
<b>Total Investments</b>	<b>9,000,000</b>	<b>0.71333%</b>	<b>62,936.56</b>





Police and Crime Commissioner for Gwent

Analysis of Fixed Investments Made and Repaid

Date	Borrower	Agency rating (short term) as at 31/09/2019	Rate %	Term	Lens made £	Lens repaid £	Net Received £	Monthly repay	Status
<b>April 2019</b>									
Balance b/f									
Lens made	NORTH EAST LINCOLNSHIRE DISTRICT COUNCIL		0.98000	Fixed	2,000,000			31-10-19	
Lens made	BLACKBURN WITH DARWEN BOROUGH COUNCIL		0.98000	Fixed	2,000,000			31-10-19	
Lens made	THURROCK BOROUGH COUNCIL		1.10000	Fixed	6,000,000			28-04-20	
<b>May 2019</b>									
Lens repaid	THURROCK BOROUGH COUNCIL					6,000,000	59,852.05		
Lens repaid	BLACKBURN WITH DARWEN BOROUGH COUNCIL					3,000,000	18,513.70		
Lens repaid	LANCASHIRE COUNTY COUNCIL					4,000,000	23,178.08		
<b>June 2019</b>									
Lens made	KINGSTON UPON HULL CITY COUNCIL		0.80000	Fixed	5,000,000			31-10-19	
Lens made	CONWY COUNTY BOROUGH COUNCIL		0.85000	Fixed	3,000,000			29-11-19	
<b>July 2019</b>									
Lens repaid	SUFFOLK COUNTY COUNCIL - IPSWICH					3,000,000	14,010.96		
<b>August 2019</b>									
Lens made	CONWY COUNTY BOROUGH COUNCIL		0.78000	Fixed	3,000,000			31-12-19	
<b>September 2019</b>									
Lens repaid	SLOUGH BOROUGH COUNCIL					5,000,000	26,417.81		
Lens repaid	CONWY COUNTY BOROUGH COUNCIL					3,000,000	17,720.55		
<b>October 2019</b>									
Lens made	WARWINGTON BOROUGH COUNCIL		0.85000	Fixed	5,000,000			31-03-20	
Lens made	WARWINGTON BOROUGH COUNCIL		0.83000	Fixed	5,000,000			29-02-20	
Lens made	SWINDON BOROUGH COUNCIL		0.74000	Fixed	2,000,000			31-12-19	
Lens made	LONDON BOROUGH OF ISLINGTON		0.75000	Fixed	5,000,000			31-01-20	
Lens made	CONWY COUNTY BOROUGH COUNCIL		0.79000	Fixed	1,000,000			31-01-20	
<b>November 2019</b>									
Lens repaid	CONWY COUNTY BOROUGH COUNCIL					1,000,000	4,463.01		
Lens repaid	SLOUGH BOROUGH COUNCIL					3,000,000	20,194.52		

Date	Borrower	Agency rating (short term) as at 30/09/2019	Rate %	Term	Loans Made £	Loans Repaid £	Net Received £	Maturity date	Status
August 2019 Loans made 30-08-19 25-08-19	BLACKBURN WITH DARWEN BOROUGH COUNCIL THURROCK BOROUGH COUNCIL		0.78000 0.57000	Fixed Fixed	5,000,000 1,000,000			28-02-20 28-08-20	
Loans repaid 29-08-19 30-08-19	THURROCK BOROUGH COUNCIL BLACKBURN WITH DARWEN BOROUGH COUNCIL					1,000,000 5,000,000	7,479.45 22,981.51		
September 2019 Loans made									
Loans repaid 30-09-19	CONVY COUNTY BOROUGH COUNCIL					3,000,000	17,412.33		
	Balance C/F					57,000,000	226,573.97		
	Average rate of interest received April to Oct		0.688			48,000,000			

**Explanation of Credit Ratings**

F1 (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 obligator'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 obligator's capacity to meet its financial commitment is extremely strong.

P1 (Moody's)

Issuers (or supporting institutions) rated Prime - 1, have a superior ability to pay short term debt obligations.