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| **OFFICE OF THE POLICE & CRIME COMMISSIONER** | | |
| **TITLE:** | | **Treasury Management Update Report** |
| **DATE:** | | **7th December 2023** |
| **TIMING:** | | **Routine** |
| **PURPOSE:** | | **For monitoring** |
| **1.** | **RECOMMENDATION** | |
| 1.1 | To consider the Treasury Management Activity for the period 1st April 2023 to 30th September 2023. | |
| **2.** | **INTRODUCTION & BACKGROUND** | |
| 2.1  2.2 | Treasury Management Activity is reported twice yearly to Joint Audit Committee (JAC) members. This is the first Treasury Management Activity report for 2023/24.  Treasury Management Activity includes investment and borrowing transactions. | |
| **3.** | **ISSUES FOR CONSIDERATION** | |
| 3.1  3.1.1 | **INVESTMENTS**  Appendix 1 summarises fixed term investments on deposit with counterparties as at 30th September 2023. The listing shows that the Police and Crime Commissioner’s (PCC’s) current fixed investment portfolio totals £39m. On maturity these deposits will earn an average rate of return of 4.90%, which will amount to £1.282m 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 2023. The listing shows a current MMF portfolio of £2.5m, invested in a triple-A rated funds. The current yield is 5.29%, which will provide an estimated annual interest return of £0.132m 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 5.14% which is not much lower than the current MMF investments available but provides more flexibility in terms of accessing funds. | |
| 3.1.2 | The current investment portfolio composition is shown in Table 1 below:  **Table 1**   |  |  |  | | --- | --- | --- | | **Counterparty** | **Deposit £’m** | **Portfolio %** | | UK Debt Management Office | 0.00 | 0.00 | | Banks & Building Societies – Call Account | 2.00 | 4.70 | | Banks & Building Societies – Fixed | 8.00 | 18.30 | | Local Authorities - Fixed | 31.00 | 71.30 | | Money Market Funds | 2.50 | 5.70 | |  | **43.50** | **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 | No single fixed term deposit exceeds a time limit of 364 days. As at the 30th September 2023 there is one deposit, which on maturity will have been on deposit for 364 days. This is with Warrington Borough Council amounting to £3,000,000 and on maturity will generate interest of £124,158.90. There are no active fixed investments with Thurrock Borough Council.  The average maturity of fixed term investments as at the 30th September 2023 was 242 days and two 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 £10m for UK Banks and £15m for Local Authorities. The most invested with one, single counterparty is £13m with Cornwall 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. The Bank of England Interest rate as at the 30th September 2023 was 5.25%, which is just above the average rate of return of 4.90% on the current investment portfolio due to having fixed term investments when the interest rates were lower. | |
| 3.1.5 | Appendix 3 details fixed term investment deposits made and repaid during the period 1st April 2023 to 30th September 2023. Investment interest earned on matured deposits during this period totalled £0.228m on a cash basis. The average rate of return on these deposits was 1.213% which is an improvement on the 2022-23 equivalent figure of 0.196%  Table 2 below details the movement in money market funds during the period 1st April 2023 to 30th September 2023. Funds earned an average daily rate of return of 1.28% over this period.  **Table 2**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Counterparty** | **Ave Daily Rate %** | **Fund b/fwd £'000** | **Transfers In £'000** | **Transfers Out £'000** | **Fund c/fwd £'000** | **Interest Rec £'000** | | Blackrock | 4.47 | 0 | 16,000 | (16,000) | 0 | 45.79 | | BNP Paribas | 4.78 | 3,000 | 6,000 | (9,000) | 0 | 110.20 | | Goldman Sachs | 4.87 | 0 | 2,000 | (2,000) | 0 | 3.47 | | HSBC | 4.73 | 0 | 12,000 | (12,000) | 0 | 22.71 | | Invesco | 4.96 | 0 | 17,000 | (14,500) | 2,500 | 57.16 | | Morgan Stanley | 4.88 | 0 | 14,000 | (14,000) | 0 | 31.90 | | Totals | **28.69** | **3,000** | **67,000** | **(67,500)** | **2,500** | **271.23** | |  |  |  |  |  |  |  | | **Average daily rate of return %** | **4.78** |  |  |  |  |  |   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 | 5.14 | 2,000 | 0 | 0 | 2,000 | 47.04 | |  |  |  |  |  |  |  |   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 3.2.1 | **BORROWING**  The borrowing position and portfolio as at 30th September 2023 is shown in Table 4 below:  **Table 4**   |  |  |  | | --- | --- | --- | | **Lender** | **Amount Borrowed £’m** | **Annual Interest Rate %** | | 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 2023 to 30th  September 2023. | |
| **4.** | **NEXT STEPS** | |
| **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. | |
| **9.** | **RISK** | |
| 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.** | **PUBLIC INTEREST** | |
| 10.1 | This is a public document. | |
| **11.** | **CONTACT OFFICER** | |
| 11.1 | Har Ping Boey – Senior Accountant. | |
| **12.** | **APPENDICES** | |
| 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. | |