

<b><u>OFFICE OF THE POLICE &amp; CRIME COMMISSIONER</u></b>	
<b>TITLE:</b>	<b>Treasury Management Update Report</b>
<b>DATE:</b>	<b>26<sup>th</sup> November 2024</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 2024 to 30 <sup>th</sup> September 2024.
<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 2024/25.
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 2024. The listing shows that the Police and Crime Commissioner's (PCC's) current fixed investment portfolio totals £29m. On maturity these deposits will earn an average rate of return of 5.06%, which will amount to £0.738m of earned interest income on maturity in addition to the interest received to date.</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 2024. The listing shows a current MMF portfolio of £3.5m, invested in a triple-A rated funds. The current yield is 5.00%, which will provide an estimated annual interest return of £0.175m 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 4.88% which is not much lower than the current MMF investments available but provides more flexibility in terms of accessing funds.</p>

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 – Call Account	2.00	5.80
Banks & Building Societies – Fixed	9.00	26.10
Local Authorities - Fixed	20.00	58.00
Money Market Funds	3.50	10.10
	<b>34.50</b>	<b>100.0</b>

3.1.3 As per the 2023/24 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 30<sup>th</sup> September 2024 there were no deposits for 364 days.

The average maturity of fixed term investments as at the 30<sup>th</sup> September 2024 was 92 days. One investment was held between 6-9 months and the remaining investments held during the first six months of the year had a maturity of between 3 to 6 months. Due to the need to fund the monthly expenditure, investments cannot made longer than 9 months presently.

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 £10m with Cornwall Council and £10m with Conwy County 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. The Bank of England Interest rate as at the 30<sup>th</sup> September 2024 was 5%, which is just below the average rate of return of 5.06% on the current investment portfolio. It is anticipated that interest rates will decrease to 4.50% by December 2024. There is currently no capacity to enter into any new investments to secure a higher interest rate before the interest rate decreases.

3.1.5 Appendix 3 details fixed term investment deposits made and repaid during the period 1<sup>st</sup> April 2024 to 30<sup>th</sup> September 2024. Investment interest earned on matured deposits during this period totalled £0.622m on a cash basis. The average rate of return on these deposits was 5.644% which is an improvement on the 2023/24 equivalent figure of 1.213%.

Table 2 below details the movement in money market funds during the period 1<sup>st</sup> April 2024 to 30<sup>th</sup> September 2024. Funds earned an average daily rate of return of 5.15% 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	5.16	0	8,000	(8,000)	0	58.36
BNP Paribas	5.18	5,000	2,500	(7,500)	0	127.52
Goldman Sachs	5.11	0	12,000	(12,000)	0	7.91
HSBC	5.13	0	21,500	(21,500)	0	28.96
Invesco	5.15	1,000	23,000	(20,500)	3,500	111.47
Morgan Stanley	5.15	2,000	22,500	(24,500)	0	70.67
Totals	<b>30.88</b>	<b>8,000</b>	<b>89,500</b>	<b>(94,000)</b>	<b>3,500</b>	<b>404.89</b>

**Average daily rate of return %**                      **5.15**

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	5.05	2,000	0	0	2,000	55.88

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 30<sup>th</sup> September 2024 is shown in Table 4 below:

**Table 4**

<u>Lender</u>	<u>Amount Borrowed</u> £'m	<u>Annual Interest Rate</u> %
Public Works Loan Board (PWLB)	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 2024 to 30 <sup>th</sup> September 2024. If no borrowing is taken out during 2024/25 this will result in a saving of £1.1m in the revenue budget. Further work will be carried out over the next couple of months to assess whether short term borrowing is required for the remaining periods of 2024/25.
<b>4.</b>	<b><u>NEXT STEPS</u></b>
4.1	That Members note the Treasury Management Activity.
<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 – Interim Head Of Finance.
<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.



