

DECISION NUMBER: PCCG-2019-001

OFFICE OF THE POLICE & CRIME COMMISSIONER

TITLE: Treasury Management Update Report

DATE: 13th December 2018

TIMING: Routine

PURPOSE: For monitoring

1. RECOMMENDATION

1.1 To consider the Treasury Management Activity for the period 1st April 2018 to 30th September 2018.

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 in 2018/19.

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 13th December 2018.

3. ISSUES FOR CONSIDERATION

3.1 INVESTMENTS

3.1.1 Appendix 1 summarises fixed investments on deposit with counterparties as at 30th September 2018. The listing shows that the Police and Crime Commissioner's (PCC's) current fixed investment portfolio totals £50m. On maturity these deposits will earn an average rate of return of 0.653%, which will amount to £0.255m of earned interest income on maturity.

Appendix 2 summarises money market investments as at 30th September 2018. The listing shows a current portfolio of £12m, invested across three triple-A rated funds. The current average yield is 0.67%, which will provide an estimated annual interest return of £0.042m, 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	50.00	81.00

Money Market Funds	12.00	19.00
	62.00	100.0

3.1.3 As per the 2018/19 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. There are currently six deposits, which on maturity will have been on deposit for 364 days. These are with London Borough of Islington (£5m), Southampton City Council (£5m), North Tyneside Metropolitan Borough Council (£3m) and three with Thurrock Borough Council (£3m, £6m and £1m respectively). On maturity these deposits alone will earn interest of £0.145m.

The weighted average maturity of fixed term investments as at the 30th September was 124 days and 26% of 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 £10m 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 0.51% (up to 3 months) and 0.63% (3 to 6 months) which is below the average rate of return of 0.647% on the current investment portfolio.

3.1.5 Appendix 3 details fixed term investment deposits made and repaid during the period 1st April 2018 to 30th September 2018. Investment interest earned on matured deposits during this period totalled £0.73 on a cash basis. The average rate of return on these deposits was 0.647%. For the financial year 2017/18, the weighted average rate of return on investment deposits was 0.337%.

Table 2 below details the movement in money market funds during the period 1st April 2018 to 30th September 2018. Funds earned an average rate of return of 0.673% over this period.

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	3.50	3.50	0.007
BNP Paribas	5.00	0.00	5.00	0.014
Invesco	2.00	1.50	3.50	0.013
Morgan Stanley	0.00	0.00	0.00	0.000
	7.00	5.00	12.00	0.034

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 30th September 2018 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 2018 to 30th September 2018.




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.	<u>LEGAL IMPLICATIONS</u>
7.1	There are no legal implications arising from this report.
8.	<u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u>
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.	<u>RISK</u>
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.	<u>PUBLIC INTEREST</u>
10.1	This is a public document.
11.	<u>CONTACT OFFICER</u>
11.1	Rebecca Jones – Accountant
12.	<u>APPENDICES</u>
12.1	<p>Appendix 1 – Current Fixed Term Investment List</p>  <p>Appendix 1 - Current Fixed Term Investme</p> <p>Appendix 2 – Current Money Market Investment List</p>  <p>Appendix 2 - Current Money Market Invest</p> <p>Appendix 3 – Analysis of Fixed Term Investments Made and Repaid</p>  <p>Appendix 3 - Anaysis of Fixed Investments I</p>

Mr Jeff Cuthbert, Police and Crime Commissioner for Gwent

My decision is as I have recorded in this paper

Signed



Date

21/1/19

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Background papers	Treasury Management Strategy 2018/19 to 2020/21

Police and Crime Commissioner for Gwent

Fixed Investments as at 30th September 2018

Borrower	Principal (£)	Interest Rate	Interest at Maturity (£)	Start Date	Maturity Date	Days
LONDON BOROUGH OF ISLINGTON	5,000,000	0.400000%	19,945.21	06-10-17	05-10-18	364
SOUTHAMPTON CITY COUNCIL	5,000,000	0.520000%	25,928.77	06-10-17	05-10-18	364
NORTHYNSIDE METROPOLITAN BOROUGH COUNCIL	3,000,000	0.560000%	16,753.97	12-10-17	11-10-18	364
THURROCK BOROUGH COUNCIL	3,000,000	0.700000%	20,942.47	29-03-18	28-03-19	364
THURROCK BOROUGH COUNCIL	6,000,000	0.900000%	53,852.05	30-04-18	29-04-19	364
CONWY COUNTY BOROUGH COUNCIL	2,000,000	0.600000%	6,213.70	25-06-18	31-12-18	189
CONWY COUNTY BOROUGH COUNCIL	2,000,000	0.600000%	6,115.07	28-06-18	31-12-18	186
CONWY COUNTY BOROUGH COUNCIL	2,000,000	0.600000%	6,706.85	11-07-18	31-01-19	204
HIGHLAND COUNCIL	5,000,000	0.620000%	19,024.66	16-07-18	25-02-19	224
MONMOUTHSHIRE COUNTY COUNCIL	4,000,000	0.700000%	19,331.51	20-07-18	29-03-19	252
ROYAL BOROUGH OF WINDSOR & MAIDEHEAD	2,000,000	0.570000%	5,934.25	25-07-18	31-01-19	190
PLYMOUTH CITY COUNCIL	3,000,000	0.520000%	5,470.68	25-07-18	30-11-18	128
THURROCK BOROUGH COUNCIL	1,000,000	0.750000%	7,479.45	30-08-18	29-08-19	364
BLACKBURN WITH DARWEN BOROUGH COUNCIL	3,000,000	0.850000%	18,513.70	07-08-18	29-04-19	265
LANCASHIRE COUNTY COUNCIL	4,000,000	0.900000%	23,178.08	06-09-18	29-04-19	235
Total Investments	50,000,000	0.65267%	255,390.41			

Appendix 2

Police and Crime Commissioner for Gwent

Money Market Investments as at 30th September 2018

Borrower	Closing Balance (£)	Average Yield	Est Annual Interest (£)
BNP Paribas	5,000,000	0.69000%	19,389.73
Invesco AIM Short-Term Investment Company	3,500,000	0.66000%	16,360.10
Black Rock	3,500,000	0.67000%	7,128.60
Total Investments	12,000,000	0.67333%	42,878.43

Police and Crime Commissioner for Gwent

Analysis of Fixed Investments Made and Repaid

Date	Borrower	Agency ratings (short term) At date of investment	Rate %	Terms	Loans Made £	Loans Repaid £	Int Received £	Maturity date	Status
April 2018 Loans made 30-04-18	Balance b/f THURROCK BOROUGH COUNCIL		0.50000	Fixed	44,000,000			29-04-19	
Loans repaid 30-04-18 30-04-18	SWINDON BOROUGH COUNCIL THURROCK BOROUGH COUNCIL					3,000,000 6,000,000	3,052.86 8,526.03		
May 2018 Loans made 15-05-18	ROYAL BOROUGH OF WINDSOR & MAUDEHEAD		0.45000	Fixed	3,000,000			29-05-18	REPAID
Loans repaid 31-05-18	SURREY HEATH BOROUGH COUNCIL					3,000,000	8,424.66		
June 2018 Loans made 25-06-18 28-06-18	CONWY COUNTY BOROUGH COUNCIL CONWY COUNTY BOROUGH COUNCIL		0.60000 0.60000	Fixed Fixed	2,000,000 2,000,000			31-12-18 31-12-18	
Loans repaid 29-06-18 29-06-18	SALFORD CITY COUNCIL ROYAL BOROUGH OF WINDSOR & MAUDEHEAD					3,000,000 3,000,000	8,465.75 1,664.38		
July 2018 Loans made 11-07-18 05-07-18 16-07-18 20-07-18 25-07-18 25-07-18	CONWY COUNTY BOROUGH COUNCIL CORNWALL COUNCIL HIGHLAND COUNCIL MONMOUTHSHIRE COUNTY COUNCIL ROYAL BOROUGH OF WINDSOR & MAUDEHEAD PLYMOUTH CITY COUNCIL		0.60000 0.35000 0.62000 0.70000 0.57000 0.52000	Fixed Fixed Fixed Fixed Fixed Fixed	2,000,000 5,000,000 5,000,000 4,000,000 2,000,000 3,000,000			31-01-19 25-07-18 25-02-19 29-09-19 31-01-19 30-11-18	REPAID
Loans repaid 31-07-18 25-07-18	BLACKPOOL BOROUGH COUNCIL CORNWALL COUNCIL					3,000,000 5,000,000	9,892.60 958.50		

Date	Borrower	Agency rating (short term)		Rate %	Terms	Loans Made £	Loans Repaid £	Int Received £	Maturity date	Status
		At time of investment	30/09/2018							
August 2018										
Loans made	THURROCK BOROUGH COUNCIL			0.75000	Fixed	1,000,000			29-08-19	
30-08-18	BLACKBURN WITH DARWEN BOROUGH COUNCIL			0.85000	Fixed	3,000,000			29-04-19	
07-08-18										
Loans repaid	THURROCK BOROUGH COUNCIL						1,000,000.00	3,589.04		
31-08-17	BLACKBURN WITH DARWEN BOROUGH COUNCIL						5,000,000	12,602.74		
31-08-18										
September 2018										
Loans made	LANCASHIRE COUNTY COUNCIL			0.50000	Fixed	4,000,000			29-04-19	
06-09-18										
Loans repaid	FTFE COUNCIL						4,000,000	15,158.36		
06-09-18										
Balance c/f						86,000,000	36,000,000	73,113.34		
							50,000,000			
				0.647						

Average rate of interest received April to Oct

Evidences of Credit Rating

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) Issues for supporting institutions rated Prime - 1 (have a superior ability to pay short term debt obligations).