

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.

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	<p>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.</p> <p>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.</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 0.51% (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.</p>																														
3.1.5	<p>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%.</p> <p>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.</p> <p>Table 2</p> <table border="1" data-bbox="320 1608 1166 1989"> <thead> <tr> <th>Counterparty</th> <th>Fund b/fwd £'m</th> <th>Net Movement £'m</th> <th>Fund c/fwd £'m</th> <th>Interest Rec £'m</th> </tr> </thead> <tbody> <tr> <td>Blackrock</td> <td>0.00</td> <td>3.50</td> <td>3.50</td> <td>0.007</td> </tr> <tr> <td>BNP Paribas</td> <td>5.00</td> <td>0.00</td> <td>5.00</td> <td>0.014</td> </tr> <tr> <td>Invesco</td> <td>2.00</td> <td>1.50</td> <td>3.50</td> <td>0.013</td> </tr> <tr> <td>Morgan Stanley</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.000</td> </tr> <tr> <td></td> <td>7.00</td> <td>5.00</td> <td>12.00</td> <td>0.034</td> </tr> </tbody> </table> <p>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</p>	Counterparty	Fund b/fwd £'m	Net Movement £'m	Fund c/fwd £'m	Interest Rec £'m	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
Counterparty	Fund b/fwd £'m	Net Movement £'m	Fund c/fwd £'m	Interest Rec £'m																											
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																											

	redeem as and when required, have helped manage unplanned cash surpluses and provided additional flexibility around the timing of settling financial commitments.												
3.2	<u>BORROWING</u>												
3.2.1	The borrowing position and portfolio as at 30 th September 2018 is shown in Table 3 below: Table 3												
	<table border="1"> <thead> <tr> <th><u>Lender</u></th> <th><u>Amount Borrowed</u> <u>£'m</u></th> <th><u>Annual Interest</u> <u>Rate %</u></th> </tr> </thead> <tbody> <tr> <td>Public Works Loan Board (PWLB)</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Newport City Council</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td></td> <td>0.00</td> <td>0.00</td> </tr> </tbody> </table>	<u>Lender</u>	<u>Amount Borrowed</u> <u>£'m</u>	<u>Annual Interest</u> <u>Rate %</u>	Public Works Loan Board (PWLB)	0.00	0.00	Newport City Council	0.00	0.00		0.00	0.00
<u>Lender</u>	<u>Amount Borrowed</u> <u>£'m</u>	<u>Annual Interest</u> <u>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 31 st 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 9 th January 2017 for the sum of £0.65m.												
3.2.4	No new borrowing has been taken out during the period 1 st April 2018 to 30 th September 2018.												
4.	<u>NEXT STEPS</u>												
4.1	That Members note the Treasury Management Activity.												
5.	<u>FINANCIAL CONSIDERATIONS</u>												
5.1	These are detailed in the report.												
6.	<u>PERSONNEL CONSIDERATIONS</u>												
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 Investment</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 M</p>