

The Police and Crime Commissioner for Cumbria

Treasury Management Activities 2023/24 for the period 01 April 2023 to 30 June 2023

PFCC Executive Team 12 September 2023 and Joint Audit Committee 20 September 2023



Cash flow Balances

Quarter 1 average daily balance - £16.695m
 Investment balance @ 30/06/23 £10.434m
 (Down 19% from £12.940m at 31/03/23)



Investment Interest Forecast

Base Budget - £400,000
 Revised Budget - £400,000
 Current Estimate - £750,000



Borrowing Strategy

The borrowing strategy was originally based on assumed borrowing of £3m in 2022/23 and a further £3m in 2023/24. As a result of the capital outturn for 2022/23, the planned borrowing is now all predicted to take place in 2023/24 but will depend on the final capital position for the year.

Investment Strategy

Category	Category Limit (£m)	Investments at 30 Jun (£m)	Compliance with Limit
1 - Banks Unsecured	20	2.515	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	3.937	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	3.982	Yes
Total		10.434	

There have been no breaches in the approved limits to report during the reporting period.

Performance Indicators

	Number of Days	Average Balance (£)	Largest Balance (£)
Quarter 1			
Days In Credit	91	52,634	259,171
Days Overdrawn	0	0	0

Average interest rate earned – 4.18%
 Average bank base rate – 4.44%
 (Current bank base rate – 5.25%)

Treasury and Prudential Indicators

During the period 01 April 2023 and 30 June 2023, the treasury function has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.

Compliance with the prudential and treasury indicators are shown on page 3.

Economic Outlook and Treasury position for the quarter ended 30 June 2023

GDP grew by 0.5% in June 2023 and by 0.2% in Quarter 2 (Apr to Jun). There were increases in all main sectors where services output grew by 0.1%, production by 0.7% and construction by 0.3%. Food and beverage services had a particularly strong month in June which may have been due to the good weather. There was strong growth in household consumption and government consumption, which was partially offset by a fall in international trade flows.

GDP growth is projected to weaken into 2024 as past increases in the Bank Rate weigh on demand to an increasing degree. Calendar year GDP growth is expected to be 0.5% in 2023 and 2024 and 0.25% in 2025.

CPI inflation fell from 7.9% in June to 6.8% in July. With core inflation standing at 6.9%, the concern is that we are already seeing wage inflation becoming embedded in the system. The MPC anticipates inflation falling below 5% by the end of 2023. This still leaves considerable work to be done to get inflation back down to the 2% target.

The MPC raised the Bank Rate for the 14th time in a row by 25 basis points to 5.25% on 3rd August, slowing the pace of change from June's 50bps hike. There was a three-way split in the voting which shows there are a range of views circulating at present. Link, the treasury advisers to the PFCC, currently forecast a further rate rise in September and the market is pricing the Bank Rate to peak at 5.75%.

Base Rate Estimates	2023/24	2024/25	2025/26
Quarter 1	5.00	5.25	3.25
Quarter 2	5.50	4.75	2.75
Quarter 3	5.50	4.25	2.75
Quarter 4	5.50	3.75	2.50

Investments in place on 30 June 2023

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Lloyds Bank	A+	11/04/2023	10/10/2023	102	4.45%	2,000,000	2,000,000
Svenska (Deposit Acc)	AA	Various	On Demand	N/A	1.70%	505,419	505,419
NatWest (Liquidity Select Acc)	A+	30/06/2023	01/07/2023	O/N	1.35%	10,000	10,000
						2,515,419	2,515,419
Category 2 - Banks Secured (Includes Banks & Building Societies)							
None						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Treasury Bills	Gov	11/04/2023	10/07/2023	10	4.260%	1,979,210	1,979,210
Treasury Bills	Gov	11/04/2023	09/10/2023	101	4.390%	1,957,389	1,957,389
						3,936,599	3,936,599
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Invesco	AAA	Various	On demand	O/N	4.414%		0
BlackRock	AAA	Various	On demand	O/N	4.357%	390,000	390,000
Fidelity	AAA	Various	On demand	O/N	4.419%	1,121,618	1,121,618
Goldman Sachs	AAA	Various	On demand	O/N	4.458%	400,000	400,000
Aberdeen Standard	AAA	Various	On demand	O/N	4.593%	2,070,000	2,070,000
						3,981,618	3,981,618
Total						10,433,636	10,433,636

At the end of June funds invested were £10.43m. The breakdown is: 38% held in money markets funds, 38% in Treasury Bills, 19% in a bank deposit and 5% in call accounts. June is when cash available for investment is at its lowest, due to the timing of the Home Office Police Pension Grant which is paid largely in advance and drawn down as police pensions are paid throughout the year. As the funds held decline liquidity is monitored to ensure funds are available when needed.

The grant for 2023/24 of £16.08m was received on 3rd July 2023 and when the July grant was received investments reached their highest level of £34.13m.

Borrowing position for the quarter ended 30 June 2023

At 30th June 2023 there were no loans outstanding.

Treasury and Prudential Indicators 2023/24 at 30 June 2023

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
The Authorised Limit <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the Local Government Act 2003.</i>	TEST - Is current external borrowing within the approved limit	YES	●	Ratio of Financing Costs to Net Revenue Stream <i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs.</i>	TEST - Is the ratio of capital expenditure funded by revenue within planned limits	YES	●
The Operational Boundary <i>The operational boundary represents and estimate of the most likely but not worst case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	TEST - Is current external borrowing within the approved limit	YES	●	Net Borrowing and the Capital Financing Requirement <i>This indicator is to ensure that net borrowing will only be for capital purposes. The Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>	TEST - Is net debt less than the capital financing requirement	YES	●
Actual External Debt <i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing.</i>	TEST - Is the external debt within the Authorised limit and operational boundary	YES	●	Capital Expenditure and Capital financing <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2023/24.</i>	TEST - Is the current capital outturn within planned limits	YES	●
Gross and Net Debt <i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	TEST - Is the PCC planning to borrow in advance of need	NO	●	Capital Financing Requirement <i>The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	TEST - Is the capital financing requirement within planned limits	YES	●
Maturity Structure of Borrowing <i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time	NO	●	This area is intentionally left blank for future indicators.			
Upper Limit for total principal sums invested for over 365 Days <i>The purpose of this indicator is to ensure that the Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	TEST - Is the value of long term investments within the approved limit	YES	●				

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This quarterly report ensures the Police and Crime Commissioner is implementing best practice in accordance with the Code.

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