

# The Police, Fire and Crime Commissioner for Cumbria

## Treasury Management Activities 2023/24 for the period 01 October 2023 to 31 December 2023

Public Accountability Conference 15 February 2024 and Joint Audit Committee 20 March 2024



### Cash flow Balances

Quarter 3 average daily balance - £20.873m

Investment balance @ 31/12/23 £12.043m



### Investment Interest Forecast

Base Budget - £400,000

Revised Budget - £400,000

Current Estimate - £950,000



### 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 2022/23 outturn, the planned borrowing was instead predicted to take place in 2023/24. The latest Qtr 3 update estimates borrowing is not now required until 2024/25 and is reflected in the longer-term strategy.

### Investment Strategy

| Category                 | Category Limit | Investments at 31 Dec | Compliance with Limit |
|--------------------------|----------------|-----------------------|-----------------------|
|                          | (£m)           | (£m)                  |                       |
| 1 - Banks Unsecured      | 20             | 3.922                 | Yes                   |
| 2 - Banks Secured        | 20             | 0.000                 | Yes                   |
| 3 - Government (inc LA)  | 10             | 5.901                 | Yes                   |
| 4 - Registered Providers | 10             | 0.000                 | Yes                   |
| 5 - Pooled Funds         | 15             | 2.220                 | Yes                   |
| <b>Total</b>             |                | <b>12.043</b>         |                       |

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 3      |                | £               | £               |
| Days In Credit | 92             | 64,061          | 366,747         |
| Days Overdrawn | 0              | 0               | 0               |

Average interest rate earned – 5.32%

Average bank base rate – 5.25%

(Current bank base rate – 5.25%)

### Treasury and Prudential Indicators

During the period 01 October 2023 and 30 December 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 31 December 2023

GDP grew by 0.3% in November this will probably mean the economy escaped a recession in 2023. Services output rose by 0.4% and was the main contributor to the growth in GDP. Capital Economics estimate that it would take a fall of 0.2% more in December for the economy to have contracted in Q4. The turnaround from last quarter is that 2024 GDP growth forecasts have upside potential.

The downward progress previously made by CPI inflation stalled in December, with the unexpected rise in CPI from 3.9% in November to 4.0% in December. Looking forward, indications suggest that CPI inflation will fall in January and further favourable base effects will push down inflation in February, March and April projecting inflation to be below the 2% target by April.

On 1<sup>st</sup> February the MPC maintained the Bank Rate at 5.25% for the fourth time. The vote was 6-3 with two members in favour of an increase to 5.50%. The MPC repeated its view that rates may have to rise if there was evidence of more persistent inflationary pressures. There is anticipation of a decline in interest rates in 2024.

| Base Rate Estimates | 2023/24 | 2024/25 | 2025/26 |
|---------------------|---------|---------|---------|
| Quarter 1           | 5.00    | 5.25    | 3.50    |
| Quarter 2           | 5.25    | 5.00    | 3.00    |
| Quarter 3           | 5.25    | 4.50    | 2.75    |
| Quarter 4           | 5.25    | 4.00    | 2.75    |

## Investments in place on 31 December 2023

| Category/Institution  | Credit Rating | Investment Date | Investment Matures | Days to Maturity | Rate (%) | Amount (£)        | Counterparty Total (£) |
|---|---------------|-----------------|--------------------|------------------|----------|-------------------|------------------------|
| <b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>     |               |                 |                    |                  |          |                   |                        |
| Lloyds Bank   | A+            | 11/10/2023      | On Demand          | N/A              | 5.14%    | 1,812,986         | 1,812,986              |
| Nationwide Building Society   | A+            | 07/07/2023      | 08/01/2024         | 8                | 5.55%    | 2,000,000         | 2,000,000              |
| Svenska (Deposit Acc)   | AA            | Various         | On Demand          | N/A              | 1.70%    | 98,834            | 98,834                 |
| NatWest (Liquidity Select Acc)  | A+            | 31/12/2023      | On Demand          | O/N              | 1.45%    | 10,000            | 10,000                 |
|   |               |                 |                    |                  |          | <b>3,921,820</b>  | <b>3,921,820</b>       |
| <b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>       |               |                 |                    |                  |          |                   |                        |
| None  |               |                 |                    |                  |          | <b>0</b>          | <b>0</b>               |
| <b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b> |               |                 |                    |                  |          |                   |                        |
| Treasury Bills  | Gov           | 09/10/2023      | 08/01/2024         | 8                | 5.320%   | 1,973,820         | 1,973,820              |
| Treasury Bills  | Gov           | 17/07/2023      | 15/01/2024         | 15               | 5.710%   | 1,944,633         | 1,944,633              |
| Treasury Bills  | Gov           | 24/07/2023      | 22/01/2024         | 22               | 5.690%   | 1,982,745         | 1,982,745              |
|   |               |                 |                    |                  |          | <b>5,901,198</b>  | <b>5,901,198</b>       |
| <b>Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)</b>          |               |                 |                    |                  |          |                   |                        |
| Invesco   | AAA           | Various         | On demand          | O/N              | 5.340%   | 700,000           | 700,000                |
| BlackRock   | AAA           | Various         | On demand          | O/N              | 5.270%   | 580,000           | 580,000                |
| Aberdeen Standard   | AAA           | Various         | On demand          | O/N              | 5.300%   | 940,000           | 940,000                |
|   |               |                 |                    |                  |          | <b>2,220,000</b>  | <b>2,220,000</b>       |
| <b>Total</b>  |               |                 |                    |                  |          | <b>12,043,018</b> | <b>12,043,018</b>      |

At the end of December funds invested were £12.043m. The breakdown is: 18% held in money markets funds, 49% in Treasury Bills, 17% in bank deposits and 16% in call accounts. Quarter 3 sees the start of the decline in investments, due to the timing of the Home Office Police Pension Grant, this 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 2023/24 pension grant of £16.08m was received on 3<sup>rd</sup> July 2023 and when the Home Office grant for July was received investments reached their highest level of £34.13m.

## Borrowing position for the quarter ended 31 December 2023

At 31<sup>st</sup> December 2023 there were no loans outstanding.

# Treasury and Prudential Indicators 2023/24 at 31 December 2023

| Treasury Management Indicators  |   | Result | RAG | Prudential indicators   |  | Result | RAG |
|---|---|--------|-----|---|--|--------|-----|
| <b>The Authorised Limit</b><br><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    | ●   | <b>Ratio of Financing Costs to Net Revenue Stream</b><br><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    | ●   |
| <b>The Operational Boundary</b><br><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    | ●   | <b>Net Borrowing and the Capital Financing Requirement</b><br><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    | ●   |
| <b>Actual External Debt</b><br><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    | ●   | <b>Capital Expenditure and Capital financing</b><br><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    | ●   |
| <b>Gross and Net Debt</b><br><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     | ●   | <b>Capital Financing Requirement</b><br><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    | ●   |
| <b>Maturity Structure of Borrowing</b><br><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 blurred to protect sensitive information.  |  |        |     |
| <b>Upper Limit for total principal sums invested for over 365 Days</b><br><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, Fire and Crime Commissioner is implementing best practice in accordance with the Code.