

The Police and Crime Commissioner for Cumbria

Treasury Management Activities 2020/21 as at 30 June 2020 (Quarter 1)

Public Accountability Conference 19 August 2020 and Joint Audit Committee 24 September 2020



Cash flow Balances

Quarterly average balance - £9.423m

Investment balance @ 30/06/20 £4.314m ↓

(Down 40% from £7.245m at 31/03/20).



Investment Interest Forecast

Base Budget - £96,491

Revised Budget - £96,491

Current Estimate - £96,491



Borrowing Strategy

No borrowing was undertaken during the quarter ended 30 June 2020 and none is expected during 2020/21 other than to manage short term liquidity.

Investment Strategy

Category	Category Limit (£m)	Investments at 30 June (£m)	Compliance with Limit
1 - Banks Unsecured	20	0.532	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	2.000	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	1.781	Yes
Total		4.314	

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

See page 2 for more information.

Performance Indicators

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	88	12,438	293,422
Days Overdrawn	3	(2,764)	(2,764)

Average interest rate earned 0.37%

Average bank base rate qtr. 1 0.10%

(Current bank base rate 0.10%)

Treasury and Prudential Indicators

During the quarter ended 30 June 2020, 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 2020

Economic outlook and Interest Rate Forecasts

Uncertainties as a result of the coronavirus outbreak around the extent of the damage that will have been done to businesses by the end of the lockdown period, how consumer confidence and behaviour may be impacted afterwards, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover to what was formerly regarded as normality. However, some changes during lockdown are likely to be long lasting e.g. a shift to online purchasing, working from home, etc.

The Monetary Policy Committee were forced in March into making two emergency cuts in Bank Rate, first to 0.25% and then to 0.10% due to the coronavirus pandemic. The forecast provided by the Treasury's Advisors is that it will remain at this rate until at least March 2023.

Change in Strategy

The credit rating agencies changed their outlook on many UK banks from stable to negative outlook during this quarter, due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles. In light of this negative outlook, in conjunction with very low returns, the Joint Chief Finance Officer has taken the decision to suspend any new investments in UK banks and Building Societies for the next quarter. The investment portfolio will be split between government backed investments and AAA rated Money Market Funds. Any new investments will be kept relatively short to allow flexibility should the situation improve. This temporary change in strategy will be reviewed before the start of each quarter.

Investments

During the first quarter there were no investments placed as the balance of cash was low and was required to maintain daily/weekly liquidity.

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Svenska (Deposit Acc)	AA	Various	On Demand	N/A	0.30%	499,414	499,414
NatWest (Liquidity Select Acc)	A+	30/06/2020	01/07/2020	O/N	1.00%	33,000	33,000
						532,414	532,414
Category 2 - Banks Secured (Includes Banks & Building Societies)							
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Thurrock Council	LA	03/02/2020	03/08/2020	34	0.95%	2,000,000	2,000,000
						2,000,000	2,000,000
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Invesco		Various	On demand	O/N		1,000,000	1,000,000
Fidelity		Various	On demand	O/N		281,129	281,129
BlackRock		Various	On demand	O/N		500,000	500,000
Goldman Sachs	AAA	Various	On demand	O/N		0	0
Aberdeen Standard	AAA	Various	On demand	O/N		0	0
						1,781,129	1,781,129
Total						4,313,543	4,313,543

On the 3 July 2020 the police pension grant was received from the Home Office. The balance of investments on that day increased to £24.298m.

Treasury and Prudential Indicators 2020/21 at 30 June 2020

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
The Authorised Limit				Ratio of Financing Costs to Net Revenue Stream			
<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		<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				Net Borrowing and the Capital Financing Requirement			
<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		<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				Capital Expenditure and Capital financing			
<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		<i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2020/21</i>	TEST - Is the current capital outturn within planned limits	YES	
Gross and Net Debt				Capital Financing Requirement			
<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		<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					
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.