The Police, Fire and Crime Commissioner for Cumbria

Treasury Management Activities 2023/24 for the period 01 July 2023 to 30 September 2023

PFCC Executive Team 14 November 2023 and Joint Audit Committee 22 November 2023

Cash flow Balances

Quarter 2 average daily balance - £28.139m

Investment balance @ 30/09/23 £19.760m

(Up 89% from £10.434m at 30/06/23)

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 Sep (£m)	Compliance with Limit
1 - Banks Unsecured	20	4.518	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	9.832	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	5.410	Yes
Total		**19.760**	

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

Performance Indicators

Quarter 2	Number of Days	Average Balance £	Largest Balance £
Days In Credit	89	52,693	586,071
Days Overdrawn	3	0	(112,602)

Average interest rate earned – 5.01%

Average bank base rate – 5.16%

(Current bank base rate – 5.25%)

Treasury and Prudential Indicators

During the period 01 July 2023 and 30 September 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 September 2023

GDP grew by 0.2% in August following July's 0.6% contraction. Services output rose by 0.4% in August and was the main contributor to the growth in GDP. Economists are still of the view that the economy will shrink slightly – more weakness in the housing market will weigh on GDP by further reducing residential investment and consumer spending. Capital Economics thinks the economy is close to a mild recession, if it is not already in one.

CPI inflation remained unchanged at 6.7% for September which leaves it on track to meet the Chancellor's pledge for it to fall below 5.1% by December – although there is the developing risk as events unfold in the Middle East. Core inflation has continued to decline from 6.2% in August to 6.1% in September, slightly below the 6.0% expected. In detail, food and drink inflation fell from 13.6% to 12.1%, whilst fuel prices rose 3.6% month on month. Inflation is forecast to continue to fall next year, with the average rate in 2024 easing to around 2.0%.

On 2nd November the MPC maintained the Bank Rate at 5.25% for the second time. The vote was 6-3 with three 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 and, in a new development, it emphasised that it doesn't think it will cut interest rates for a long time.

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 30 September 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	10	4.45%	2,000,000	2,000,000
Nationwide Building Society	A+	07/07/2023	08/01/2024	100	5.55%	2,000,000	2,000,000
Svenska (Deposit Acc)	AA	Various	On Demand	N/A	1.70%	507,587	507,587
NatWest (Liquidity Select Acc)	A+	29/09/2023	02/10/2023	O/N	1.45%	10,000	10,000
						4,517,587	**4,517,587**
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Treasury Bills	Gov	11/04/2023	09/10/2023	9	4.390%	1,957,389	1,957,389
Treasury Bills	Gov	10/07/2023	09/10/2023	9	5.310%	1,973,869	1,973,869
Treasury Bills	Gov	14/08/2023	13/11/2023	44	5.370%	1,973,577	1,973,577
Treasury Bills	Gov	17/07/2023	15/01/2024	107	5.710%	1,944,633	1,944,633
Treasury Bills	Gov	24/07/2023	22/01/2024	114	5.690%	1,982,745	1,982,745
						9,832,213	**9,832,213**
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Invesco	AAA	Various	On demand	O/N	5.327%	3,420,000	3,420,000
Fidelity	AAA	Various	On demand	O/N	5.259%	100,000	100,000
Aberdeen Standard	AAA	Various	On demand	O/N	5.291%	1,890,000	1,890,000
						5,410,000	**5,410,000**
Total						**19,759,800**	**19,759,800**

At the end of September funds invested were £19.760m. The breakdown is: 27% held in money markets funds, 50% in Treasury Bills, 20% in bank deposits and 3% in call accounts. Quarter 2 is when cash available for investment is at its highest, 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 pension grant for 2023/24 of £16.08m was received on 3rd 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 30 September 2023

At 30th September 2023 there were no loans outstanding.

Treasury and Prudential Indicators 2023/24 at 30 September 2023

Treasury Management Indicators		Result	RAG
The Authorised Limit *The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section3(1) of the Local Government Act 2003.*	TEST - Is current external borrowing within the approved limit	YES	
The Operational Boundary *The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cash flow.*	TEST - Is current external borrowing within the approved limit	YES	
Actual External Debt *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.*	TEST - Is the external debt within the Authorised limit and operational boundry	YES	
Gross and Net Debt *The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.*	TEST - Is the PCC planning to borrow in advance of need	NO	
Maturity Structure of Borrowing *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.*	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 *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.*	TEST - Is the value of long term investments witin the approved limit	YES	

Prudential indicators		Result	RAG
Ratio of Financing Costs to Net Revenue Stream *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.*	TEST - Is the ratio of captial expenditure funded by revenue within planned limits	YES	
Net Borrowing and the Capital Financing Requirement *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.*	TEST - Is net debt less than the capital financing requirement	YES	
Capital Expenditure and Capital financing *The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2023/24.*	TEST - Is the current capital outum within planned limits	YES	
Capital Financing Requirement *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.*	TEST - Is the capital financing requirment within planned limits	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.