



The Police, Fire and Crime Commissioner for Cumbria  
 Treasury Management Activities 2024/25 for the period

01 July 2024 to 30 September 2024

Executive Board – Police 26/11/2024 and Joint Audit Committee 04/02/2025



**Cash flow Balances**

Quarter 2 average daily balance -  
 £31.921m

Investment balance @ 30/09/24  
 £23.992m

ESG – Sustainable deposit £2m

**Investment Strategy**

Category	Category Limit (£m)	Investments at 30 Sep (£m)	Compliance with Limit
1 - Banks Unsecured	20	11.894	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	7.506	Yes
4 - Registered Providers	10		Yes
5 - Pooled Funds	15	4.592	Yes
<b>Total</b>		<b>23.992</b>	

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



**Borrowing Strategy**

As a result of inflationary pressures on the budget, the decision was taken to reduce revenue contributions to capital by £3m p.a. and to replace this with borrowing as a means of balancing the revenue budget. It is anticipated in 2024/25 borrowing will become necessary, however there has been no requirement during Qtrs 1&2.



**Investment Interest Forecast**

Base Budget - £0.400m

Revised Budget - £1.076m

Current Estimate - £1.297m

**Performance Indicators**

	Number of Days	Average Balance £	Largest Balance £
<b>Quarter 2</b>			
Days In Credit	92	67,997	325,979
Days Overdrawn	0	0	0

Average interest rate earned – 5.05%

Average bank base rate – 5.08%

(Current bank base rate – 5.00%)

**Treasury and Prudential Indicators**

During the period 01 July 2024 to 30 September 2024, 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 5.

## Economic Outlook and Treasury position for the quarter ended 30 September 2024

Base Rate Estimates	2024/25	2025/26	2026/27
Quarter 1	5.25	4.00	3.00
Quarter 2	5.00	3.50	3.00
Quarter 3	4.50	3.25	3.00
Quarter 4	4.00	3.00	3.00

Quarter 2 (July to September) of 2024 saw GDP growth stagnating in July, with a small increase of 0.2% in August, data is pointing towards a mild slowdown in growth for the second half of the year. After hitting its target in June, CPI inflation increased to 2.2% in July and August with a subsequent fall to 1.7% in September, bringing CPI below the 2% mark for the first time since April 2021. September's data will likely see a rebound in CPI inflation (mainly driven by the rise in Ofgem's utility price cap on 1st October) which will take it back above the 2.0% target in the coming months. CPI inflation is further expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025. The Bank of England initiated its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady at its September meeting, this signals a preference for a more gradual approach to rate cuts. The central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025.

## Borrowing position for the quarter ended 30 September 2024

At 30th September 2024 there were no loans outstanding.

## Investments in place on 30 September 2024

Category/Institution	Credit Rating	Investment Date	Investment Matures	Rate (%)	Counterparty Total (£)
<b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>					
Lloyds Bank	A+	01/04/2024	On Demand	4.88%	1,883,989
Link Treasury - Std Chartered	A+	22/08/2024	29/11/2024	4.87%	2,000,000
Link Treasury - SMBC Bank	A+	03/07/2024	03/01/2025	5.160%	2,000,000
Link Treasury - National Bank of Kuwait	A+	03/07/2024	04/04/2025	5.260%	2,000,000
Link Treasury - Goldman Sachs	A+	03/07/2024	28/02/2025	5.130%	2,000,000
Nationwide	A+	03/07/2024	21/03/2025	4.880%	2,000,000
NatWest (Liquidity Select Acc)	A+	01/04/2024	On Demand	1.35%	10,000
					<b>11,893,989</b>
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>					
None					
					<b>0</b>
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>					
Treasury Bills		03/07/2024	23/12/2024	5.119%	3,905,945
DMO		26/07/2024	29/11/2024	5.025%	3,600,000
					<b>7,505,945</b>
<b>Category 4 - Registered Providers (Includes Providers of Social Housing)</b>					
None					
					<b>0</b>
<b>Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)</b>					
Invesco	AAA	Various	On demand	4.990%	1,539,500
BlackRock	AAA	Various	On demand	4.990%	772,000
Fidelity	AAA	Various	On demand	4.990%	914,500
Goldman Sachs	AAA	Various	On demand	4.920%	445,750
Aberdeen Standard	AAA	Various	On demand	5.000%	920,000
					<b>4,591,750</b>
<b>Total</b>					<b>23,991,683</b>

## Agenda Item 16

At the end of September funds invested were £23.992m. The breakdown is: 19% held in money markets funds, 42% in bank deposits, 31% in government accounts and 8% in call accounts. Quarter 2 is when the cash available for investment is at its highest, due to the timing of the Home Office Police Pension Top Up 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 2024/25 of £16.520m was received on 3rd July 2024 and when the Home Office grant for July was received investments reached their highest level of £35.037m.

During June the treasury department commenced using Link Treasury Services (LTS), a branch of our current treasury advisors, to expand the available options for investments. LTS invest term Cash, which is held within the LTS Pooled Trust Account, the funds are clearly and separately identified by LTS records. This has enabled the first sustainable deposit to be placed with Std Chartered Bank, whereby there is an underlying commitment to support activities that provide sustainable & environmentally friendly services & products.

## Treasury and Prudential Indicators 2024/25 at 30 September 2024

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
<p><b>The Authorised Limit</b></p> <p><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></p>	<p><b>TEST - Is current external borrowing within the approved limit</b></p>	YES		<p><b>Ratio of Financing Costs to Net Revenue Stream</b></p> <p><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></p>	<p><b>TEST - Is the ratio of capital expenditure funded by revenue within planned limits</b></p>	YES	
<p><b>The Operational Boundary</b></p> <p><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></p>	<p><b>TEST - Is current external borrowing within the approved limit</b></p>	YES		<p><b>Net Borrowing and the Capital Financing Requirement</b></p> <p><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></p>	<p><b>TEST - Is net debt less than the capital financing requirement</b></p>	YES	
<p><b>Actual External Debt</b></p> <p><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></p>	<p><b>TEST - Is the external debt within the Authorised limit and operational boundary</b></p>	YES		<p><b>Capital Expenditure and Capital financing</b></p> <p><i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2024/25.</i></p>	<p><b>TEST - Is the current capital outturn within planned limits</b></p>	YES	
<p><b>Gross and Net Debt</b></p> <p><i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i></p>	<p><b>TEST - Is the PFCC planning to borrow in advance of need</b></p>	NO		<p><b>Capital Financing Requirement</b></p> <p><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></p>	<p><b>TEST - Is the capital financing requirement within planned limits</b></p>	YES	
<p><b>Maturity Structure of Borrowing</b></p> <p><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></p>	<p><b>TEST - Does the PFCC have large amounts of fixed rate debt requiring repayment at any one time</b></p>	NO					
<p><b>Upper Limit for total principal sums invested for over 365 Days</b></p> <p><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></p>	<p><b>TEST - Is the value of long term investments within the approved limit</b></p>	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.

**Notes for Michelle's Narrative – Not for the report**

- **Re the performance indicators on page 1:**
- The high balance of £353,979 occurred on 15<sup>th</sup> July when 300K of seized cash was banked in the afternoon. These funds could not be invested until the following day.
- The credit rating of NatWest was upgraded in April 2023 and is above the minimum rating stated in the approved treasury strategy. The PFCC's treasury advisors, Link Treasury Services, are comfortable with investments of up to 12 months with NatWest Bank. Where appropriate (for example, if the funds are required the following day) we continue with the practice of leaving higher balances overnight in the Main Fund Account at no additional risk to the funds. However, now that interest rates have risen significantly, once the funds available exceed £100K they are invested in the money market funds and the balance on the main fund is kept at around £10K - £20K (to leave a balance for any cheques being cashed).