The Police, Fire and Crime Commissioner for Cumbria

Treasury Management Activities 2024/25 for the period

01 October 2024 to 31 December 2024

Executive Board - Police 11/02/2025, Public Accountability Conference 13/02/2025 and Joint Audit Committee 26/03/2025

Cash flow Balances

Quarter 3 average daily balance - £26.56m

Investment balance @ 31/12/24 £16.117m

Investment Strategy

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

Category	Category Limit (£m)	Investments at 31 Dec (£m)	Compliance with Limit
1 - Banks Unsecured	20	9.917	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	3.000	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	3.200	Yes
Total		**16.117**	

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. However, it is anticipated that in 2024/25 borrowing will not become necessary.

Investment Interest Forecast

Base Budget - £0.400m

Revised Budget - £1.076m

Current Estimate - £1.144m

Performance Indicators

Quarter 3	Number of Days	Average Balance £	Largest Balance £
Days In Credit	92	141,035	6,504,482
Days Overdrawn	0	0	0

Average interest rate earned – 5.05%

Average bank base rate – 5.03%

(Current bank base rate – 4.75%)

Treasury and Prudential Indicators

During the period 01 October 2024 to 31 December 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 indicators are shown on page 3.

Economic Outlook and Treasury position for the quarter ended 31 December 2024

Base Rate Estimates	2024/25	2025/26	2026/27
Quarter 1	5.25%	4.50%	3.75%
Quarter 2	5.25%	4.25%	3.75%
Quarter 3	4.75%	4.00%	3.75%
Quarter 4	4.75%	4.00%	3.50%

Quarter 3 of 2024 saw GDP fall by 0.1% month on month in October with a 0.1% month on month rebound in November, the economy has a bit less momentum than most economists previously thought and therefore a real risk remains to the economy contracting in Quarter 4 as a whole. UK CPI fell from 2.6% in November to 2.5% for December, both services and core inflation are currently at rates above those with the 2.0% target and are generally moving in the wrong direction. Capital Economics are forecasting that CPI inflation will rebound in January, perhaps to almost 3.0% and that inflation will remain higher for the first half of 2025.

The latest forecast sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market. The Bank of England cut interest rates from 5.0% to 4.75% in November and held them steady in December, with two members preferring to reduce the rate by 0.25%. The Committee continues to consider a range of cases for how the past global shocks that drove up inflation may unwind, and therefore how persistent domestic inflationary pressures may be.

Borrowing position for the quarter ended 31 December 2024

At 31st December 2024 there were no loans outstanding.

Investments in place on 31 December 2024

Category/Institution	Credit Rating	Investment Date	Investment Matures	Rate (%)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)					
Lloyds Bank	A+	01/04/2024	On Demand	4.62%	1,906,830
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	1.356%	10,000
					9,916,830
Category 2 - Banks Secured (Includes Banks & Building Societies)					
None					
					0
Category 3 - Government (Includes HM Treasury and Other LA's)					
DMO		06/12/2024	13/01/2024	4.700%	3,000,000
					3,000,000
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	4.750%	916,500
BlackRock	AAA	Various	On demand	4.680%	94,500
Fidelity	AAA	Various	On demand	4.760%	907,000
Goldman Sachs	AAA	Various	On demand	4.650%	251,750
Aberdeen Standard	AAA	Various	On demand	4.770%	1,030,000
					3,199,750
Total					**16,116,580**

At the end of December funds invested were £16.117m. The breakdown is: 19% held in money markets funds, 50% in bank deposits, 19% in government accounts and 12% 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 monthly 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 Standard 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 31 December 2024

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**	Green
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**	Green
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**	Green
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 PFCC planning to borrow in advance of need**	**NO**	Green
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 PFCC have large amounts of fixed rate debt requiring repayment at any one time**	**NO**	Green
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**	Green

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**	Green
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**	Green
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 2024/25.*	**TEST - Is the current capital outurn within planned limits**	**YES**	Green
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**	Green

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.