

The Police and Crime Commissioner for Cumbria

Treasury Management Activities 2020/21 as at 30 September 2020 (Quarter 2)

Public Accountability Conference 04 November 2020 and Joint Audit Committee 19 November 2020



Cash flow Balances

Quarterly average daily balance - £25.659m

Investment balance @ 31/09/20 £20.237m

(up from £4.314m at 30/06/20).



Investment Interest Forecast

Base Budget - £96,491

Revised Budget - £96,491

Current Estimate - £26,000



Borrowing Strategy

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

Investment Strategy

Category	Category Limit (£m)	Investments at 30 September (£m)	Compliance with Limit
1 - Banks Unsecured	20	0.555	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	9.000	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	10.682	Yes
Total		20.237	

There have been one breach 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	91	3,075	41,627
Days Overdrawn	1	(7,199)	(7,199)

Average interest rate earned 0.07%

Average bank base rate quarter 2 0.10%

(Current bank base rate 0.10%)

Treasury and Prudential Indicators

During the quarter ended 30 September 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 September 2020

Economic outlook and Interest Rate Forecasts

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen.

However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary.

Strategy Limits

The money market fund with Aberdeen Standard has a limit of £4m in the 2020-21 investment strategy. The PCC has two accounts and so the limit is split arbitrarily into £3.5m general investments and £0.5m seized Cash.

On the 07 the August 2020 (HO Grant day) the investments with Aberdeen were £2.7m general investments and £200k seized cash.

Unfortunately, the investing officer on that day mistook the opening balance with Aberdeen as just the seized cash balance and assumed there was plenty of head room to invest some of the grant. This took the total amount invested with Aberdeen to £4.7m – £0.7m over the total limit.

As soon as this was spotted £1.8m was withdrawn from Aberdeen to bring the balance back down below the limit. Corrections were made at the month end to correctly assign the interest earned.

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+	30/09/2020	01/10/2020	O/N	1.00%	56,000	56,000
						555,414	555,414
Category 2 - Banks Secured (Includes Banks & Building Societies)							
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Debt Mgmt Office	Gov	03/07/2020	30/10/2020	30	0.01%	4,000,000	4,000,000
Debt Mgmt Office	Gov	07/09/2020	30/11/2020	61	0.01%	3,000,000	3,000,000
Thurrock Council	LA	03/08/2020	03/11/2020	34	0.15%	2,000,000	2,000,000
						9,000,000	9,000,000
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		3,000,000	3,000,000
Fidelity		Various	On demand	O/N		2,981,641	2,981,641
BlackRock		Various	On demand	O/N		0	0
Goldman Sachs	AAA	Various	On demand	O/N		2,000,000	2,000,000
Aberdeen Standard	AAA	Various	On demand	O/N		2,700,000	2,700,000
						10,681,641	10,681,641
Total						20,237,055	20,237,055

In July 2020 the police pension grant was received from the Home Office. Along with the July grant payment the investments reached their highest balance of £30.677m. A large proportion of the pension grant was invested with the Debt Management Office of HM Treasury to be returned at regular intervals as cashflow forecasts require.

Treasury and Prudential Indicators 2020/21 at 30 September 2020

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
The Authorised Limit <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		Ratio of Financing Costs to Net Revenue Stream <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 <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		Net Borrowing and the Capital Financing Requirement <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 <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		Capital Expenditure and Capital financing <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 <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		Capital Financing Requirement <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.