

# The Police and Crime Commissioner for Cumbria

## Treasury Management Activities 2021/22 for the period 01 April 2021 to 30 September 2021

Public Accountability Conference 03 November 2021 and Joint Audit Committee 17 November 2021



### Cash flow Balances

Quarter one average daily balance - £11.303m  
 Quarter two average daily balance - £28.151m  
 Investment balance @ 30/09/21 £21.412m  
 (up from £9.762m at 31/03/21).



### Investment Interest Forecast

Base Budget - £10,000  
 Revised Budget - £10,000  
 Current Estimate - £2,000



### Borrowing Strategy

No borrowing was undertaken between 01 April 2021 to the 30 September 2021 and none is expected during 2021/22.

### Investment Strategy

Category	Category Limit (£m)	Investments at 30 Sep (£m)	Compliance with Limit
1 - Banks Unsecured	20	0.523	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	11.900	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	8.988	Yes
<b>Total</b>		<b>21.412</b>	

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

### Performance Indicators

	Number of Days	Average Balance (£)	Largest Balance (£)
<b>Quarter 1</b>			
Days In Credit	91	4,259	34,621
Days Overdrawn	0	0	0
<b>Quarter 2</b>			
Days In Credit	92	37,604	326,209
Days Overdrawn	0	0	0

Average interest rate earned - 0.01%  
 Average base rate - 0.10%  
 (Current bank base rate - 0.10%)

### Treasury and Prudential Indicators

During the period 01 April 2021 and 30 September 2021, 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 2021

## Economic outlook and Interest Rate Forecasts

The Monetary Policy Committee (MPC) at the meeting on the 24<sup>th</sup> of September voted unanimously to leave Bank Rate unchanged at 0.10%.

In August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation. With all this in mind the PCC's advisors, link Group, provided the following forecasts on 29 September 2021. As shown in the forecast table below, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 1 of 2022/23, a second increase to 0.50% in quarter 1 of 2023/24 and a third one to 0.75% in quarter 4 of 2023/24.

Base Rate Estimates	2021/22	2022/23	2023/24
Quarter 1	0.10%	0.25%	0.50%
Quarter 2	0.10%	0.25%	0.50%
Quarter 3	0.10%	0.25%	0.50%
Quarter 4	0.10%	0.25%	0.75%

## Strategy Limits

There have been no breaches in the strategy limits during the reporting period.

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
<b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>							
Svenska (Deposit Acc)	AA	Various	On Demand	N/A	0.00%	499,414	499,414
NatWest (Liquidity Select Acc)	A+	30/09/2021	01/10/2021	O/N	0.01%	24,000	24,000
						<b>523,414</b>	<b>523,414</b>
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>							
						<b>0</b>	<b>0</b>
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>							
Debt Management Office	Gov	06/08/2021	22/10/2021	22	0.010%	1,900,000	1,900,000
Debt Management Office	Gov	06/07/2021	29/10/2021	29	0.010%	2,000,000	2,000,000
Debt Management Office	Gov	06/07/2021	30/11/2021	61	0.000%	3,000,000	3,000,000
Debt Management Office	Gov	06/07/2021	24/12/2021	85	0.005%	3,000,000	3,000,000
Debt Management Office	Gov	07/09/2021	22/11/2021	53	0.010%	2,000,000	2,000,000
						<b>11,900,000</b>	<b>11,900,000</b>
<b>Category 4 -Registered Providers (Includes Providers of Social Housing)</b>							
None						<b>0</b>	<b>0</b>
<b>Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)</b>							
Invesco	AAA	Various	On demand	O/N	0.010%	1,890,000	1,890,000
BlackRock	AAA	Various	On demand	O/N	0.005%	2,000,000	2,000,000
Fidelity	AAA	Various	On demand	O/N	0.010%	2,398,245	2,398,245
Goldman Sachs	AAA	Various	On demand	O/N	0.000%	0	0
Aberdeen Standard	AAA	Various	On demand	O/N	0.010%	2,700,000	2,700,000
						<b>8,988,245</b>	<b>8,988,245</b>
<b>Total</b>						<b>21,411,660</b>	<b>21,411,660</b>

In July 2021 the police pension grant was received from the Home Office. Along with the July grant payment, the investments reached their highest balance of £34.171m. A large proportion of the pension grant was invested with the Debt Management Office (DMO) of HM Treasury to be returned at regular intervals as cashflow forecasts require, with the remainder being managed through the money market funds.

At the beginning of the pandemic the decision was made to temporarily exclude investments with Banks, Building Societies, and other Local Authorities. The anticipated risks to financial institutions potentially arising from the pandemic have not arisen, therefore short, fixed term deposits will be introduced with banks and building societies when funds allow.

# Treasury and Prudential Indicators 2021/22 at 30 September 2021

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>	TEST - Is current external borrowing within the approved limit	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>	TEST - Is the ratio of capital expenditure funded by revenue within planned limits	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>	TEST - Is current external borrowing within the approved limit	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>	TEST - Is net debt less than the capital financing requirement	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>	TEST - Is the external debt within the Authorised limit and operational boundary	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 2021/22</i></p>	TEST - Is the current capital outturn within planned limits	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>	TEST - Is the PCC planning to borrow in advance of need	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>	TEST - Is the capital financing requirement within planned limits	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>	TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time	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>	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 half yearly report ensures the Police and Crime Commissioner is implementing best practice in accordance with the Code.