

Joint Audit & Standards Committee

TREASURY MANAGEMENT MID-YEAR REVIEW 2020/2021

Warwickshire Police and Crime Commissioner as at the end of September 2020

1.0 Background

- 1.1 Warwickshire Police and Crime Commissioner fully complies with the requirements of The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice (COP) on Treasury Management 2009.
- 1.2 The Treasurer has delegated the daily actions of treasury management to the Director of Finance of the Force and relevant staff within the new Warwickshire Police Finance Department.

2.0 Mid-Year Review of Treasury Management Activities

- 2.1 The Mid-Year review of Treasury Management activities covers two aspects; funding capital expenditure and cash flow control and investment. This report will consider each of these elements in turn.

3.0 Financing Capital Expenditure

- 3.1 Over recent years the Police and Crime Commissioner's capital expenditure has been financed by Home Office Grant, capital receipts and contributions from cash balances. There has been no need for long term external borrowing for the period 01/04/2020 to 30/09/2020.
- 3.2 The Police and Crime Commissioner carries long-term debt in respect of borrowing to finance capital expenditure. The Police and Crime Commissioner currently hold 3 categories of loans from the Public Works Loan Board (PWLB) as detailed below:

Warwickshire PWLB as at 30th September 2020

No of Loans	Loan Type	Shortest end date	Longest end date	Interest Rate from	Interest Rate to
1	Maturity	2024	2024	4.5	4.5
4	Annuity	2030	2035	4.5	4.95
12	E.I.P	2021	2029	1.85	7.375

4.0 Cash flow control and Investment

- 4.1 This is the control of the Police and Crime Commissioners income and expenditure balances held in bank accounts and the temporary investment of surplus funds.

- 4.2 The investment strategy for the Police and Crime Commissioner is to obtain the best available return consistent with the cash flow requirement and his Treasury Management strategy. This strategy states that the security of the cash balance being invested is of primary importance before the return on the investment.

During COVID19 the Force felt it prudent to hold on to more cash in order to support our existing suppliers by paying as expediently as possible, and also to give the Force more flexibility for payments as we sought new suppliers during the early stages of the pandemic for supplies of PPE and other sanitising supplies. Some of these new suppliers required full or part payment upfront.

- 4.3 This focus on the security of the investment is addressed by maintaining a list of acceptable borrowers. This list is maintained on a daily basis and is supported by alerts from Arlingclose who provide Treasury Management advice on a regular basis and respond to immediate alerts to credit rating changes. During this time advice from Arlingclose is not to invest for longer than 35 days with non-UK banks on their counterparty list.

It remains a time of some uncertainty and nervousness, the OPCC office was aware of several LA's falling into some financial difficulties during the pandemic, and as such the OPCC has continued to take a prudent approach to safeguard our cash first and foremost, and maintained the holding cash amount at £10m.

It also became increasingly difficult to invest smaller amounts of funding as many LA's were looking for larger or longer term deposits. This coupled with uncertainties around cashflow requirements for the work on transactional services meant we were unable to make deposits during the first 6 months of this period months except with UKDMO, which was at an all-time low rate following the reduction of interest rates by the Bank of England on 11th and 19th March from 0.75% to 0.25% and then to 0.1%.

- 4.4 The risk to the security of investments is also mitigated by using a range of money market brokers. The extent to which different brokers have been used during the 6 month period to the 30th September is as follows.

Warwickshire

Broker	Number of Loans
Tullet Prebon	5
Tradition	2
Direct Deals (UKDMO)	13
Imperial Trading (ITS)	7
Total	27

- 4.5 The Police and Crime Commissioner has also set limits for each borrower in order to contain any exposure to potential loss. This is currently £1.5m per borrower.

5.0 Position at 30th September 2020

- 5.1 Funds under management at 30th September 2020 by the Warwickshire Police and Crime Commissioner amounted to £1.5 million invested as follows:-

	£'M
Overnight	0.000
Call	0.000
Fixed 1 -3 months	1.500
Fixed 3 months plus	0.000
Total	1.500

The Funds as at 30th September 2020 are £ 1,500,000.

During the period from 1st April 2020 to 30th September 2020 these investments returned a weighted average interest rate of 0.07% and the interest received from investments was £9k.

- 5.3 Base Rate – The Bank of England base rate was last decreased on 19th March 2020 (having been decreased the week before from 0.75% to 0.25%). This was a decrease from 0.25% to 0.1%, and rates still remain low, during this unprecedented time.

With the rolling out of the Pfizer vaccine in early December, and the approval of the Oxford vaccine later that month, plus a Brexit deal given Royal Assent on 31st December, there is reason to be optimistic that signs of “normality” will return during 2021.

6.0 Conclusion:

Further treasury management update reports will be presented to future Joint Audit and Standards Committee meetings to keep members updated on treasury management activity.