

## Warwickshire Joint Audit and Standards Committee Report Summary

**Meeting Date:** 19<sup>th</sup> January 2022

**Subject:** Treasury Management mid-year report 2021-22

**Contact details:** Wendy Knox

### **Purpose of the Report:**

To inform Members of the Committee of the 2021-22 mid-year position on the treasury management activities of Warwickshire Police in accordance with the CIPFA Code of Treasury Management.

### **Recommendation:**

The Committee is asked to consider and comment on the Treasury Management Mid-year Report for 2021/22 before its final consideration by the Police and Crime Commissioner.

### **Background:**

#### **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 01/04/2021 to 30/09/2021.
- 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 30<sup>th</sup> September 2021

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 Commissioner's 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 remains difficult to invest smaller amounts of funding as many LA's were looking for larger or longer term deposits, The Bank of England rate remained at 0.1% between 1.4.2021 - 30.09.2021, which meant lending to UKDMO was still unattractive.

This coupled with uncertainties around the timing of cashflow requirements for the work on the fast-changing evolve project, means we have made only 2 ST deposits during the first 7 months of this period, and we have £3m of short term borrowing, as we are expecting a large capital receipt before the end of this financial year, which should avoid the need for long term borrowing, until 2022/23 or later.

Our Santander call account is up and running again following some access issues after the separation with the alliance, this allows us to move funds in excess of £5m across from Lloyds to earn interest, but with the option to move some or all of the funds back on the same day if the need arises. This also enables us to meet good

treasury practise of spreading our liability between different banking institutions, and complies with our Treasury Strategy.

- 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 7 month period to the 30<sup>th</sup> September is as follows.

#### **Warwickshire**

<b>Broker</b>	<b>Number of Loans</b>
Tullet Prebon	1
Tradition	0
Direct Deals (UKDMO)	0
Imperial Trading (ITS)	1
<b>Total</b>	<b>2</b>

- 4.5 The Police and Crime Commissioner has also set limits for each borrower in order to contain any exposure to potential loss. These limits were set out on P12 of the Treasury Strategy 2021/2022 in March 2021.

#### **5.0 Position at 30<sup>th</sup> September 2021**

- 5.1 There were no deposits of funds under management at 30<sup>th</sup> September 2021 by the Warwickshire Police and Crime Commissioner, but there was 1 short term loan amounting to £3.0 million with another PCC.

Funds deposited as at 30<sup>th</sup> September 2021 were NIL.

5.3 Base Rate – The Bank of England base rate remained at 0.1% between 01.04.2021 – 30.09.2021, but was increased to 0.25% on 16<sup>th</sup> December 2021.

Businesses and public sector continue to battle the effects of the coronavirus, particularly now with the more contagious new Omicron variant, in terms of past lockdowns and the threat of future ones, plus the effect the virus has on absenteeism numbers.

Warwickshire Police have continued to deliver a high standard of service to the general public during this time, and have well-documented contingency plans in place, should they need to invoke them.

#### **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.

