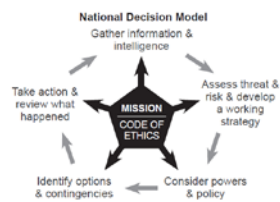


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<b>Required for:</b>	PCC Performance Meeting November 2019
<b>Security Classification:</b>	<b>Official</b>
<b>Handling information if required:</b>	n/a
<b>Suitable for publication:</b>	Yes
<b>Title:</b>	2019/20 Mid-Year Treasury Management report
<b>Version:</b>	n/a
<b>Purpose:</b>	To review the annual activity and performance of the treasury management function.
<b>ACPO / Strategic Lead:</b>	PCC
<b>National Decision Model compliance:</b>	Yes
<b>Date created:</b>	9 October 2019
<b>Date to be reviewed:</b>	
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**What are the Policing Principles?**

- |                |                                     |            |                                     |              |                                     |
|----------------|-------------------------------------|------------|-------------------------------------|--------------|-------------------------------------|
| Accountability | <input checked="" type="checkbox"/> | Fairness   | <input checked="" type="checkbox"/> | Honesty      | <input checked="" type="checkbox"/> |
| Integrity      | <input checked="" type="checkbox"/> | Leadership | <input checked="" type="checkbox"/> | Objectivity  | <input checked="" type="checkbox"/> |
| Openness       | <input checked="" type="checkbox"/> | Respect    | <input checked="" type="checkbox"/> | Selflessness | <input checked="" type="checkbox"/> |

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### **Summary:**

This report contains a summary of treasury management activity undertaken during 2018/19 and for the six month period ending September 2019.

In addition this report details the statutory requirements of the CIPFA Treasury Management Code of Practice (the Code of Practice).

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### **Recommendation(s) -**

The PCC is asked to note the contents of this report.

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## Introduction -

### 1 Treasury Management – Statutory Requirements

- 1.1 Compliance with the CIPFA Code of Practice is a requirement under The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The main aim is to ensure that comprehensive policies and practices are in place for the effective management and control of treasury management activities, including the effective management and control of risk.
- 1.2 Treasury management is defined in the Code of Practice as *“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*
- 1.3 The Treasury Management Policy Statement and Strategy 2019 to 2022 includes a requirement that the PCC will review/approve, the following:
- An annual Treasury Management Policy Statement and Strategy
  - An annual Capital Strategy
  - Borrowing limits and other prudential indicators
  - Six monthly reports (annual and mid-year) on activities and performance of the Treasury Management function
- 1.4 The Code of Practice emphasises that when assessing the performance of a treasury management provider, comparisons should only be made with other providers who have a similar risk appetite, and should always consider the security, liquidity and yield of funds invested, with security and liquidity having priority over yield.

**2 Treasury Management Transactions mid-year**

The treasury management function is carried out by Surrey County Council (SCC) under a service level agreement. Under this agreement the following treasury management transactions were undertaken in 2018/19 and up to September 2019:

**2.1 Short Term Lending**

In accordance with agreed policy, surplus cash was lent on a daily basis to SCC. The following loans were made during the year:

		<b>2018-2019</b>	<b>2019-2020 Quarters 1&amp;2</b>
Number of Loans		252	126
Total Interest Received		£213K	£99K
Average Interest Earned	Q1	0.50%	0.75%
	Q2	0.75%	0.70%
	Q3	0.75%	
	Q4	0.76%	

The average rate of return for the year 2018-2019 was 0.69% and the average rate of return for the first two quarters of the year 2019-2020 was 0.73% based upon an average investment of £23m and is above the average London Inter-Bank BID rate (formerly Local Authority 7 day rate) for the same period of 0.57%. Appendix 1 shows the % interest rates achieved with appendix 2 showing the actual interest amounts received.

Appendix 3 shows that investment balances started to fall in 2016/17 and continued to do this due to the use of reserves to fund the budget and the reduction in capital receipts received.

2.2 The primary consideration governing the SCC Strategy is to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking optimal rate of return or yield and to strike a balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim is to achieve a total return that is equal or higher than the prevailing rate of inflation in order to maintain the spending power of the sum invested.

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2.3 The bank rate was forecast by the Council's advisors to remain at 0.50% during 2018/19 however the Bank of England increased the rate to 0.75% in August 2018. SCC currently pay with higher of; the London Inter-Bank BID rate, the Bank of England Rate or the SCC rate.

2.4 The cost to the PCC for the services of SCC for 2018/19 was £18,455 and is forecast to remain in the same region for 2019/20.

### 2.5 Short Term Borrowing

No short term external borrowing was undertaken during 2018/19 or to September 2019, all cash balances were lent overnight allowing us the flexibility to draw on our own resources.

### 2.6 Long Term Borrowing

The PCC has taken out a loan with Public Work Lending Board (PWLB) as at March 2019 in support of the Building the Future project along with funding the proposed capital programme.

The PCC has various options for financing borrowing, this is likely to be achieved through a mixture of internal borrowing and PWLB borrowing. The main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

### 2.7 Future Borrowing Requirements

The 2019/20 capital programme includes external borrowing to support the Estates Strategy and may require further borrowing in the future.

### 2.8 General

SCC treasury management officers monitor cash flow on behalf of the PCC and aggregate this with their own cash flow, before making appropriate investments on behalf of both organisations. Accordingly there was no requirement to deal with brokers or bankers during 2018/19 and up to September 2019.

3 Value for Money

The PCC is committed to achieving value for money in treasury management. Although returns on investment appear low this is offset by the competitive cost of the treasury management service provided by SCC.

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**Equalities Implications** – There are no equalities implications arising from this report.

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**Risk-** The following risk arises from this report:

If the PCC does not review annual performance review of treasury management activity in line with the CIPFA Treasury Management Code of Practice there is a risk of censure from the auditors and reputational damage as a consequence.

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**Human Rights** – There are no human rights implications arising from this report.

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**Attachments:** Appendix 1 Interest Rates graph, Appendix 2 Annual Interest Received graph and Appendix 3 Average Investment graph attached

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**Background papers –**

This document has been prepared with due regard to:-

PCC Treasury Management Strategy

CIPFA The Prudential Code for Capital Finance in Local Authorities – 2017 edition

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

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**Contact details -**

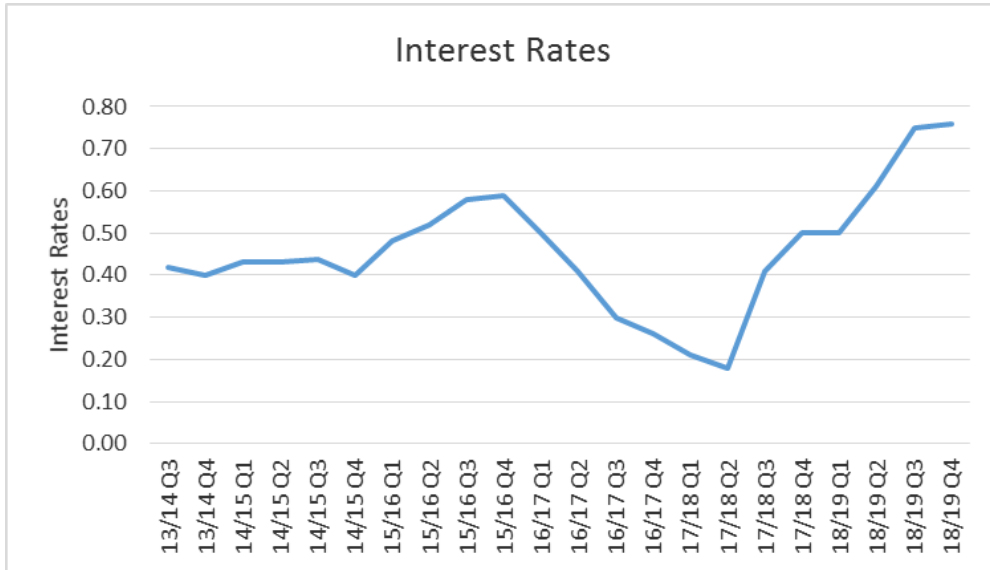
**Name:** Sue Eaton

**Job Title:** Financial Accountant

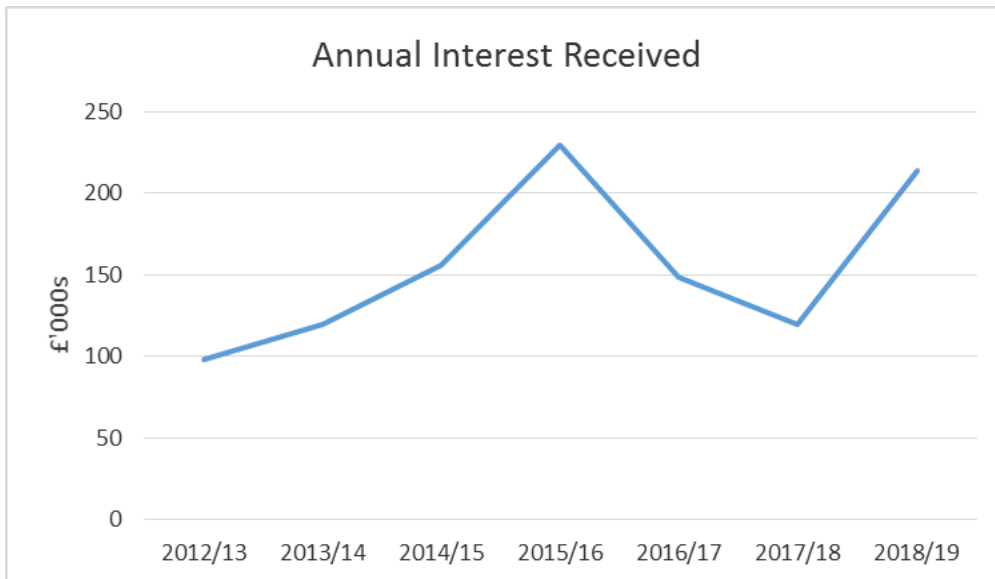
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Appendix 1



Appendix 2



Appendix 3

