

**TREASURY MANAGEMENT PERFORMANCE TO 30 SEPTEMBER 2013****Report of the Treasurer (PCC)**

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**1. Purpose of the Report**

- 1.1 The purpose of this report is to summarise Treasury Management performance for the six months to 30 September 2013.

**2. Background**

- 2.1 The mid-year performance of the Treasury Management Service is reported in line with CIPFA's Revised Code of Practice on Treasury Management and the Treasury Policy and Strategy which was approved by the Police and Crime Commissioner on 15 April 2013.

**3. Financial Considerations**

- 3.1 Financial considerations are considered throughout this report, there are no additional financial implications arising from the report.

**4. Legal Considerations**

- 4.1 Relevant legislation and guidance has been complied with in the delivery of the Treasury Management activities.

**5. Equality Considerations**

- 5.1 There are no equality implications arising from the contents of this report.

**6. Risk Management Considerations**

- 6.1 Associated risks have been considered and adequate control measures implemented. All Treasury Management activity during the year was carried out in accordance with the approved Treasury Management Policy and Strategy, which has the underlying aim of minimising risk to ensure the Commissioner's principal sums are safeguarded. Maximising income is considered secondary to this main aim.

**7. Recommendation**

- 7.1 The Committee is asked to note the Treasury Management performance for the six months to 30 September 2013.

## Treasury Management Performance to 30 September 2013

### Purpose of the Report

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### Background

2. The mid-year performance of the Treasury Management Service is reported in line with CIPFA's Revised Code of Practice on Treasury Management and the Treasury Policy and Strategy which was approved by the Police and Crime Commissioner on 15 April 2013.

### Investment Performance

3. The latest projection of investment income for 2013/14, based on interest earned to date and expected interest to March 2014, is £0.276m compared to the original estimate of £0.237m. The £0.039m increase is due to receiving a slightly higher average rate of return than anticipated.
4. The average rate of return is monitored for each investment type that the Commissioner enters into and these are used to calculate an average rate of return for the year to date. The current rate of return is 0.89%, which is a slight overachievement against the estimate of 0.77%.
5. As a means of benchmarking, the average rate of return for the month and year to date is compared to the equivalent 7 day London Inter Bank Bid Rate (LIBID), which is the rate that banks are willing to borrow money from each other. The monthly return of 0.06% exceeds the LIBID 7 day rate equivalent of 0.03%. The Commissioner's average rate of return of 0.89% is also well in excess of the equivalent LIBID 7 day rate of 0.36%.

### Heritable Bank

6. The Commissioner had a deposit of £5.2m invested in Heritable Bank, a wholly owned subsidiary of an Icelandic bank, Landsbanki, when it entered administration in October 2008. The full deposit in Heritable was due to mature by the end of 2008/09 with interest.
7. To date dividends totalling £4.983m (94.02p in the £) have been received. This is an overachievement against the estimated return of 90p in the £. As the original investment was impaired in 2010/11 to reflect the expected return, all additional income above 90p in the £ is revenue income. The additional 4.02p in the £ equates to £267,356 revenue income.
8. The most recent update from the administrators confirmed that the next dividend will be dependent on the resolution of ongoing litigation which is expected to be resolved within the next 12 months.

## **Borrowing**

9. The Treasury Strategy was based on a borrowing requirement for the year of £29m. As at 30 September, the Commissioner has entered into new borrowing of £20m to fund the capital programme.

The current forecast for interest payable on total borrowing is £3.648m at an average rate of 4.01% compared to the budget of £3.928m at an average rate of 4.44%. This represents an estimated gross saving of £0.280m.

## **Summary of mid-year performance**

10. The projected net impact of investments and borrowing activity to the Commissioner in 2013/14 is an underspend of £0.319m.