POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA

JOINT INDEPENDENT AUDIT COMMITTEE

8 DECEMBER 2014

TREASURY MANAGEMENT PERFORMANCE TO 30 SEPTEMBER 2014

REPORT OF THE JOINT CHIEF FINANCE OFFICER

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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 2014.

2. Background

2.1 The mid-year performance of the Treasury Management Service is reported in line with CIPFA's Code of Practice on Treasury Management and the Treasury Policy Statement and Strategy which was approved by the Police and Crime Commissioner on 13 March 2014.

2.2 The performance to the 30 September 2014 is summarised in the Appendix.

3. Financial Considerations

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

3.2 A net budget underspend of £0.152m is projected for the investment and borrowing activity of the Commissioner in 2014/15.

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 Statement 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 2014.

Appendix

Treasury Management Performance to 30 September 2014

Purpose of the Report

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Background

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Investment Performance

3. The latest projection of investment income for 2014/15, based on interest earned to date and expected interest to March 2015, is £0.146m compared to the original estimate of £0.187m. The £0.041m decrease is due to receiving a lower average rate of return than anticipated due to changes to the rates available on reserve accounts.

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 0.47%, which is a slight underachievement against the estimate of 0.53%.

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 0.04% exceeds the LIBID 7 day rate equivalent of 0.03%. The Commissioner's average rate of return of 0.47% is well in excess of the equivalent LIBID 7 day rate of 0.35%.

6. The quarterly Capita Asset Services Investment Benchmarking report has been received for September 2014. This assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other authorities. The benchmarking position at September 2014 showed the Commissioner's weighted average rate of return of 0.50% was below the group average of 0.69% but higher than the other PCC in our group, North Yorkshire. Their weighted average rate of return is 0.44%. Our rate of return achieved reflects the current borrowing strategy that is being employed.

Heritable Bank

7. The most recent update from the administrators, Ernst and Young, confirmed that they do not intend to make any further distributions of dividend until the resolution of the ongoing litigation of their claim with Landsbanki.

Borrowing

8. The Treasury Strategy was based on a borrowing requirement for the year of £29m. As at 30 September, the Commissioner has entered into short term borrowing of £13m to fund the capital programme (£8m for 6 months and £5m for 364 days). This is in line with the current strategy to defer any long term borrowing and use cash balances and capital receipts generated from the estates rationalisation programme to fund the capital programme.

9. The current forecast for interest payable on total borrowing is £3.564m at an average rate of 3.65% compared to the budget of £3.757m at an average rate of 3.53%. This represents an estimated gross saving of £0.193m.

Summary of Mid-year Performance

10. The projected net impact of investments and borrowing activity to the Commissioner in 2014/15 is an underspend of £0.152m to the budget.