

**JOINT INDEPENDENT AUDIT COMMITTEE****7 DECEMBER 2015**

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**TREASURY MANAGEMENT PERFORMANCE TO 30 SEPTEMBER 2015****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 2015.

**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 26 February 2015.
- 2.2 The report is attached.

**3. Financial Considerations**

- 3.1 Financial considerations are included throughout this report and there are no additional financial implications arising from the report.
- 3.2 A net budget underspend of £0.564m is projected for the investment and borrowing activity of the Commissioner in 2015/16. Full details can be found in the attached 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 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 To note the Treasury Management performance for the six months to 30 September 2015.

## Treasury Management Performance to 30 September 2015

### Purpose of the Report

1. The purpose of this report is to summarise Treasury Management performance for the six months to 30 September 2015.

### Background

2. 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 2015/16 to 2017/18 which was approved by the Police and Crime Commissioner on 26 February 2015.

### Investment Performance

3. The latest projection of investment income for 2015/16, based on interest earned to date and expected interest to March 2016, is £0.328m compared to the original estimate of £0.085m. The £0.243m increase is mainly due to a recent dividend received in August 2015 of £0.211m in relation to the Heritable Bank and average investments and average rate of investments being higher than budgeted.
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 0.48%, which is an overachievement against the estimate of 0.40%.
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 0.48% is well in excess of the equivalent LIBID 7 day rate of 0.36%.
6. Capita Asset Services produces a quarterly Investment Benchmarking report that 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 similar Authorities. In the most recent report that covers the period up to June 2015, the Commissioner achieved a weighted average rate of return of 0.50% on investments. This is at the lower end of the risk adjusted expectations as defined in the benchmarking report of between (0.50%) and (0.61%) which reflects the Commissioners risk averse approach to investments and primary objective of safeguarding assets.

### Heritable Bank

7. When Heritable Bank entered administration in October 2008 the former Police Authority had £5.238m invested which was due to mature with interest by the end of 2008/09; the total value including accrued interest was £5.300m.
8. It has been previously reported dividends totalling £4.983m (94.02 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.

9. A further Heritable Bank dividend has been received in August 2015 for £0.211m. This receipt increases the dividend paid to £5.194m representing 98p in the £.
10. The balance of the investment outstanding is therefore £0.106m.
11. This new dividend has been reflected as additional investment income in the accounts of the Police and Crime Commissioner 2015/16.

### **Borrowing**

12. The Treasury Strategy was based on a borrowing requirement for the year of £24m which includes £14m carry forward from 2014/15. As at 30 September 2015 the Commissioner has entered into £21m short term borrowing and £10m long term borrowing. 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.
13. The current forecast for interest payable on total borrowing is £3.617m at an average rate of 3.34% compared to the budget of £3.938m at an average rate of 3.93%. This represents an estimated gross underspend of £0.321m.

### **Summary of Mid-year Performance**

14. The projected net impact of investments and borrowing activity to the Commissioner in 2015/16 is an underspend of £0.564m against the original budget.