




DECISION : 2021/16	DATE: 29 SEPTEMBER 2021
TITLE: 2021/22 Treasury Management position as at 30 June 2021	
REPORT BY: Steve Freeman, Chief Finance Officer	
Executive Summary This report sets out the Police and Crime Commissioner's (PCC) borrowing and lending activities during 2021/22. All borrowing and investment activities undertaken throughout the year are in accordance with the 2021/22 Treasury Management Policy and based on anticipated spending and interest rates prevailing at the time.	
Recommendation The Police and Crime Commissioner is asked to note and endorse the report	
Signature	
Police and Crime Commissioner	
Date:	30-9-21



PCC Quarterly Treasury Management July 2021

1. Position at 30 June 2021

Borrowing outstanding

PWLB (Public Works Loan Board)	£42.441m
Other Local Authorities	£40.000m
Total	£82.441m
Estimated Capital Funding Requirement 31.3.22	£93.665m
Committed debt 31.3.22	£56.491m

Investments

- 1.1. There is only one fixed rate investment which is £5.350m which is a yearlong investment due to mature 24 August 2021. Interest rate was 0.4%
- 1.2. All other investments were with the call account at Lancashire County Council (LCC) paying 0.1%. Balance at 30 June £16.147m

2. Activity in last quarter

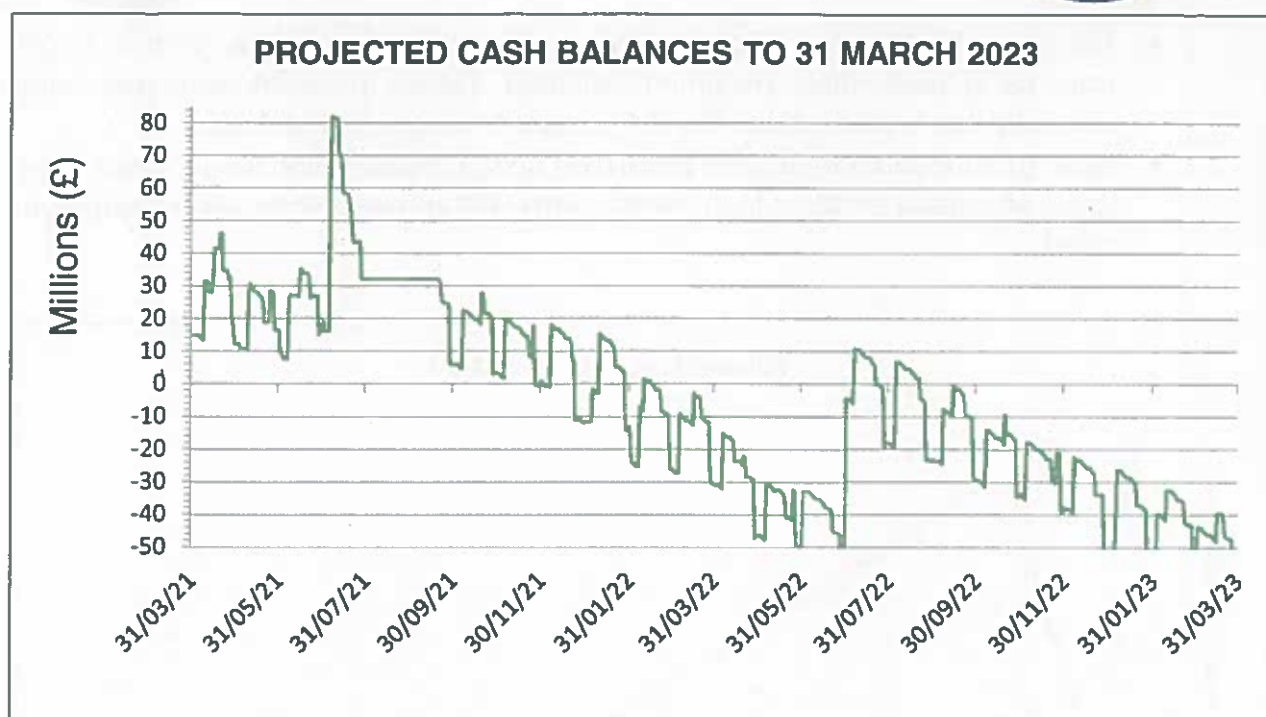
- 2.1. Two loans started in April 2021 both to April 2022 to cover short term shortfall and help towards longer term position:

Counterparty	£	Date from	Days	Maturity date
BRIGHTON & HOVE CITY COUNCIL	5,000,000	15/04/21	364	14/04/2022
WEST MIDLANDS COM AUTHORITY	10,000,000	20/04/21	275	14/04/2022

- 2.2. Investments have been held in LCC call account. Average balance invested for the quarter £24.002m

3. Cash flow position

- 3.1. Graph below shows cash flow forecast to 31.3.23. As usual the PCC see a significant increase in cash with the receipt of the Pension Fund Grant. The balances are expected to fall and in the last quarter of the financial year there are anticipated to be significant periods where the cash position is overdrawn. This pattern is expected to continue next year but with the expenditure on the capital programme it is anticipated that there will be more borrowing requirements.



4. Economic Forecasts

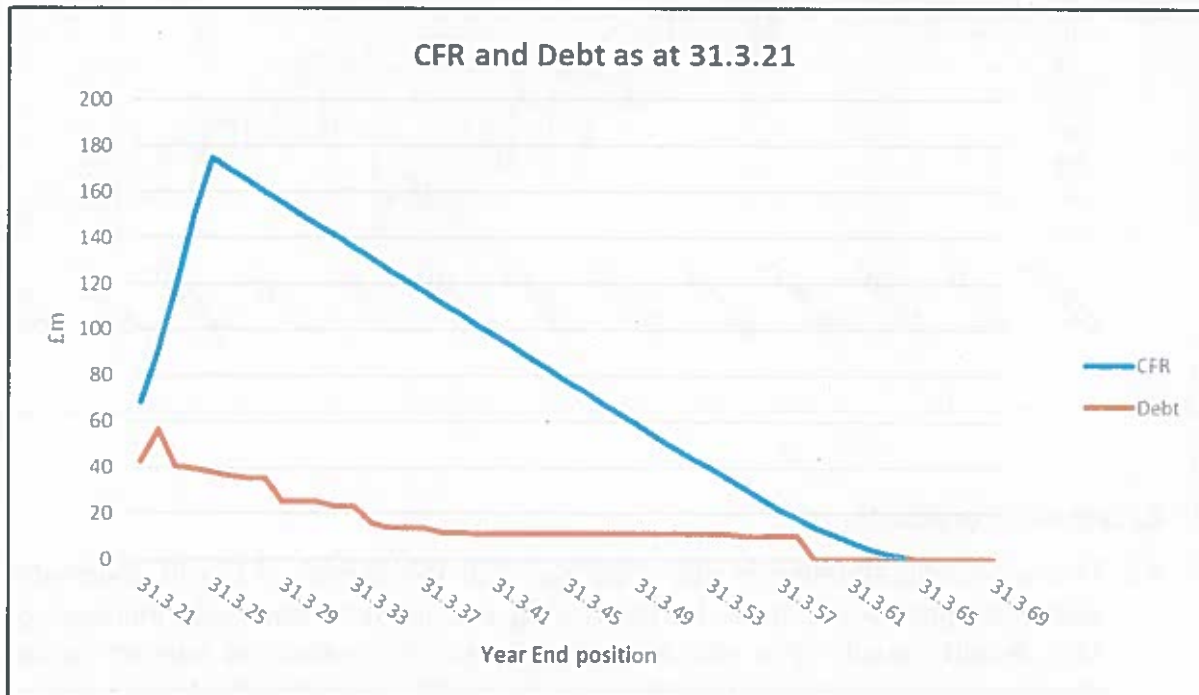
- 4.1. The economic situation is still uncertain with the impact of Covid. Currently economic growth seems to be recovering and inflation has been increasing. This would usually give rise to expectations of increase in interest rates. However, most commentators including most MPC members feel the increase in inflation is temporary while the growth is uncertain with the risk of future Covid variants, impact of removing the furlough and the impact of Brexit.
- 4.2. Arlingclose, in their latest economic forecast, are predicting that the Base rate will stay at 0.1% throughout the forecast period (September 2024). They state "Arlingclose expects Bank Rate to remain at the current 0.10% level. The risk of movement in Bank Rate in the short term is low, although the risks are leaning to the upside".
- 4.3. Similarly, they do not see much movement in the Gilt Yields which determine the cost of borrowing from the PWLB.

5. Required/Potential action

- 5.1. The data would suggest there is no immediate need to borrow while investments will be considered if fixed term deposits with other LA provide better value than the call account within the appropriate time frame.
- 5.2. It would seem clear that some new borrowing will be required. There are a number of options:



- Borrow to fill the gaps where balances go negative or too low (£5m or £10m may be a reasonable minimum balance). Rates for short term borrowing currently low 1 year around the 0.1% mark 6 month around 0.05%
- Look to take some long term borrowing now. Consideration would need to be given regarding length of loan. Graph within TM strategy report shows long term need.



Example PWLB maturity loan rates:

- 10 year 1.44%
- 25 years 1.80%
- 40 years 1.68%

- Use shorter term borrowing but take some up to 2 or 3 years if available.

6. Budget Monitoring

	Budget	Forecast	Variance
	£m	£m	£m
Minimum Revenue Provision	1.406	1.429	0.023
Interest payable	1.684	1.300	-0.384
Interest receivable	-0.257	-0.040	0.217
Net budget	2.833	2.689	-0.144



- 6.1. MRP to be reviewed in light any new information on Programme and spend in 2020/21.
- 6.2. Current debt cost likely to be around £1.3m. Forecast will be higher but will depend on new loans taken
- 6.3. Interest received -anticipate will be lower as rates keeping low and limited opportunities for longer term fixed rate deposits. Needs to be reviewed but will be circa £0.040m

7. Technical updates/Reports to be produced

- 7.1. The Prudential Code and the Treasury Management Code are being reviewed and consultation has been issued. Most significant changes are likely to be around borrowing for yield and attempts to reduce/stop the practice. Some changes to indicators may impact on the PCC notably the introduction of the benchmark liability. Awaiting final version of the documents

8. Links to the Police and Crime Plan needs completing

- 8.1. The PCC is charged with providing an efficient and effective police force. Sound financial management is key to the delivery of this requirement. As part of the overall financial management strategy effective Treasury Management activity contributes directly to the delivery of sound financial management for the organisation.

9. Consultation

- 9.1. N/A

10. Implications

- 10.1. Legal
There are no legal comments associated with this paper.
- 10.2. Financial
The financial implications are shown in the report.
- 10.3. Equality considerations
There are no Equality comments associated with this paper.


11. Background Papers

- 11.1. Treasury Management Strategy 2021/22, <https://www.lancashire-pcc.gov.uk/transparency/financial-information/financial-strategy/>

12. Public access to information

- 12.1. Information in this form is subject to the Freedom of Information Act 2000 and other legislation.



Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	30.9.21
EQUALITIES IMPLICATIONS – As above	
CONSULTATION – As above	
<p>Director to the Office of the Police and Crime Commissioner (Monitoring Officer)</p> <p>I have been informed about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.</p> <p>Signature:  Date: 30-9-21</p>	