

Joint Audit Committee

TREASURY MANAGEMENT MID- YEAR REVIEW 2017/18

Warwickshire and Warwickshire Police and Crime Commissioner at the end of September 2017

1.0 Background

- 1.1 Warwickshire and West Mercia's Police and Crime Commissioners fully comply with the requirements of The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice (COP) on Treasury Management 2009..
- 1.2 The Treasurer has delegated the daily actions of treasury management to the Director of Finance of the Force and her staff.

2.0 Mid-Year Review of Treasury Management Activities

- 2.1 The Mid-Year review of Treasury Management activities covers two aspects; funding capital expenditure and cash flow control and investment. The report will consider each in turn.

3.0 Financing Capital Expenditure

- 3.1 Over recent years the Police and Crime Commissioner's capital expenditure has been financed by Home Office Grant, capital receipts and contributions from cash balances. There has been no need to borrow. This remains the case for 2017/2018. The precise timing of the requirement to borrow will be decided in light of the Police and Crime Commissioners cash flow and market conditions.
- 3.2 The Police and Crime Commissioners carry long-term debt in respect of borrowing to finance capital expenditure. The Police and Crime Commissioner currently hold loans from the Public Works Loan Board (PWLb) as set out overleaf.

| Warwickshire PWLB 30th September 2017 | | | |
|---|----------------------|------------------------------|------------------|
| Loan No | Final Payment | Balance Outstanding £ | Loan Rate |
| 478792 | 30/09/2021 | 81,760.00 | 7.375 |
| 479635 | 31/03/2022 | 41,580.00 | 7.25 |
| 480601 | 30/09/2022 | 49,000.00 | 6.125 |
| 480861 | 31/03/2023 | 47,740.00 | 5.875 |
| 481803 | 30/09/2023 | 470,160.00 | 4.875 |
| 482267 | 30/09/2023 | 105,360.00 | 4.75 |
| 482890 | 30/09/2024 | 302,000.00 | 4.5 |
| 485363 | 30/09/2025 | 387,840.00 | 4.75 |
| 486030 | 30/09/2026 | 545,400.00 | 5 |
| 487162 | 30/09/2027 | 588,000.00 | 4.625 |
| 488383 | 30/09/2028 | 542,080.00 | 4.85 |
| 489015 | 30/09/2029 | 752,941.15 | 5 |
| 489844 | 31/03/2030 | 1,279,645.77 | 4.65 |
| 492299 | 31/03/2032 | 2,102,310.67 | 4.5 |
| 493945 | 30/09/2032 | 2,188,135.74 | 4.95 |
| 496985 | 31/03/2035 | 4,838,314.19 | 4.52 |
| 501860 | 28/01/2023 | 166,784.75 | 1.85 |

| West Mercia PWLB 30th September 2017 | | | |
|--|----------------------|------------------------------|------------------|
| Loan No | Final Payment | Balance Outstanding £ | Loan Rate |
| 494416 | 08/08/2048 | 5,000,000.00 | 4.45 |
| 494451 | 08/02/2048 | 5,000,000.00 | 4.43 |

4.0 Cash flow control and Investment

- 4.1 This is the control of the Police and Crime Commissioners income and expenditure balances held in bank accounts and the temporary investment of surplus funds.
- 4.2 The investment strategy for the Police and Crime Commissioner is to obtain the best available return consistent with the cash flow requirement and his Treasury Management strategy. This strategy states that the security of the cash balance being invested is of primary importance before the return on the investment.
- 4.3 This focus on the security of the investment is addressed by maintaining a list of acceptable borrowers. This list is maintained on a daily basis and is supported by alerts from Arling Close who provide Treasury Management advice on a regular basis and respond to immediate alerts to credit rating changes.

- 4.4 The risk to the security of investments is also mitigated by using a range of money market brokers. The use of the brokers during the 6 month period is as follows.

Warwickshire

| Broker | Number of Loans |
|-------------------------|------------------------|
| Tullet Prebon | 13 |
| Sterling Brokers | 5 |
| Direct Deals (UKDMO) | 33 |
| ICAP | 3 |
| R P Martin | 1 |
| Tradition | 8 |
| London Currency Brokers | 9 |
| Direct Deal Santander | 1 |
| Direct Deal Barclays | 2 |
| Direct Deal Lloyds | 0 |
| Total | 75 |

West Mercia

| Broker | Number of Loans |
|-------------------------|------------------------|
| Tullet Prebon | 6 |
| Sterling Brokers | 7 |
| Direct Deals (UKDMO) | 59 |
| ICAP | 1 |
| R P Martin | 2 |
| Tradition | 7 |
| London Currency Brokers | 7 |
| Direct Deal Lloyds | 1 |
| Direct Deal Barclays | 1 |
| Direct Deal Santander | 4 |
| Total | 95 |

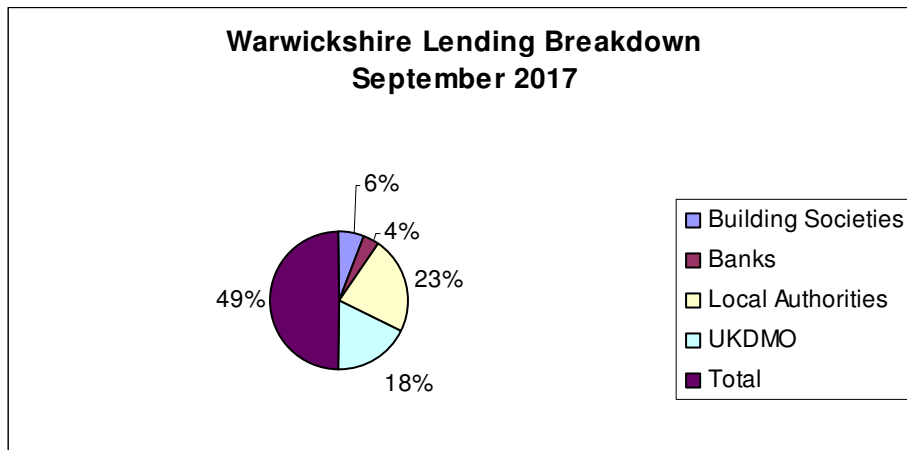
- 4.5 The Police and Crime Commissioner has also set limits to each borrower in order to contain exposure to potential loss.

5.0 Position at 30th September 2017

- 5.1 Funds under management at 30th September 2017 by the Warwickshire Police and Crime Commissioner amounted to £27.5 million invested as follows:-

| | £M |
|---------------------|---------------|
| Overnight | 0 |
| Call | 0 |
| Fixed 1 -3 months | 2,000 |
| Fixed 3 months plus | 23,700 |
| Total | 25,700 |

The Funds as at 31st March 2017 £ 32,300,000

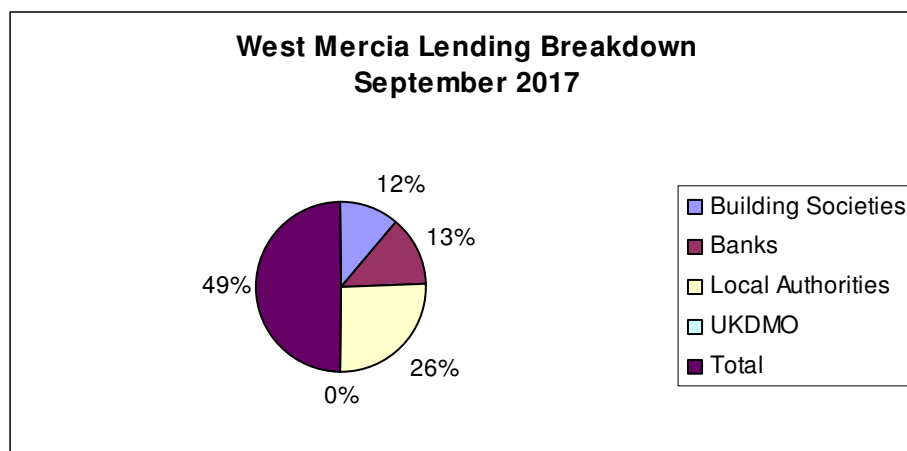


- 5.2 During the period from 1st April 2017 to 30th September 2017 these investments returned a weighted average interest rate of 0.22% and the interest received from investments was £28,679.26.

Funds under management at 30th September 2017 by the West Mercia Police and Crime Commissioner amounted to £17,500 million invested as follows:-

| | £M |
|---------------------|---------------|
| Overnight | 0 |
| Call | 0 |
| Fixed 1 -3 months | 6,000 |
| Fixed 3 months plus | 11,500 |
| Total | 17,500 |

The Funds as at 31st March 2017 £ 20,050,000



During the period from 1st April 2017 to 30th September 2017 these investments returned a weighted average interest rate of 0.17% and the interest received from investments was £13,802.73.