

**OFFICE OF THE POLICE AND CRIME COMMISSIONER
FOR HUMBERSIDE
DECISION RECORD**

Decision Record Number: **27/2013**

Title: **Treasury Management Counterparty Limits**

Executive Summary:

It was agreed on 3 July 2013 that the counterparty limits applicable to Bank of Scotland and the Nationwide Building Society could be increased from £15m to £17.5m until the end of July 2013. Current cashflow forecasts now indicate that this arrangement needs to be extended until 30 September 2013 to ensure that investments can continue to be made with organisations with the highest credit ratings.

Decision:

That the counterparty limits in respect of Bank of Scotland and the Nationwide Building Society be increased from £15m to £17.5m until the end of September 2013.

Background Report: Open

Police and Crime Commissioner for Humberside

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with my code of conduct.

Any such interests are recorded below.

The above decision has my approval.

Signature *Matthew Crow*

Date **31.07.13**

**POLICE AND CRIME COMMISSIONER
FOR HUMBERSIDE**

SUBMISSION FOR: DECISION

OPEN

Title: Treasury Management Counterparty Limits

Date: 31 July 2013

1. Executive Summary

It was agreed on 3 July 2013 that the counterparty limits applicable to Bank of Scotland and the Nationwide Building Society could be increased from £15m to £17.5m until the end of July 2013. Current cashflow forecasts now indicate that this arrangement needs to be extended until 30 September 2013 to ensure that investments can continue to be made with organisations with the highest credit ratings.

2. Recommendation

That the counterparty limits in respect of Bank of Scotland and the Nationwide Building Society are increased from £15m to £17.5m until the end of September 2013.

3. Background

The cashflow projections considered at the Investment Review Meeting at the end of June 2013 showed that following receipt of the Pensions Top Up Grant of almost £30m the existing counterparty limits did not provide enough capacity to enable investments to be made with counterparties with the highest credit quality.

You agreed that the counterparty limits in connection with the Bank of Scotland and the Nationwide Building Society could be increased from £15m to £17.5m on 3 July until 31 July 2013. Since then these revised limits have been fully utilised and monies have in addition been lent to other local authorities.

The cashflow forecasts to the end of July now indicate that the uplift in counterparty limits now needs to be extended further to the end of September 2013.

If approved, the arrangement will be formally reported together with the previous decision in the annual and mid-year reports required in line with the TMSS.

4. Options

The preferred option is to temporarily seek an extension of the temporary increase in the counterparty limits for the Bank of Scotland and Nationwide which have the highest creditworthiness scores. There are alternatives such as lending to local authorities, investing with organisations that have lower credit quality or seeking to utilise other facilities such as money market funds.

Lending to other local authorities is an option and one that has been used but it cannot be guaranteed that councils will be in the market and also the rates of interest on offer much lower than those from the two counterparties identified in this report.

Investing with counterparties that have a lower credit rating than that set out in the agreed scoring system is not considered a realistic or prudent option.

Using money market funds remains untested and would increase administration. This is not considered necessary, given that the amounts of cash available are still expected to reduce to manageable levels by the end of September and with the forecast currently showing the need to borrow late in the calendar year.

5. Risks

The actions outlined in the preferred option are aimed at minimising counterparty risk by ensuring that those counterparties with only the highest credit rating are used.

6. Financial Implications

The arrangements seek to minimise the financial risk associated with treasury management activity and loss of principal monies invested. Given the low level of interest rates for short term investments the financial implications in relation to potential loss of interest are not a material consideration.

7. Legal Implications

You have approved the Treasury Management Strategy Statement (TMSS) and Treasury Management Practices Statement (TMPS) for the year which prescribes the arrangements for assessing the credit worthiness of counterparties and the limits for individual counterparties and classes of counterparties. This report seeks the necessary approval to a further temporary extension of those limits.

8. Equalities Implications

There are no equality implications in the context of this report.

9. Consultation

There are no consultation requirements but the recommendation is based on internal discussions informed by market data received from external advisers Sector and other sources. It should be noted that all decisions in respect of investments are for us to determine.

10. Media Information

There are no immediate media issues although the PCC's investment activities could be of interest to the press and media.

Background documents

Investment Review Minutes 29/07/2013 ****CONFIDENTIAL****

TMSS approved in March 2013

Publication

N/A