OFFICE OF THE POLICE AND CRIME COMMISSIONER
FOR HUMBERSIDE
DECISION RECORD

Decision Record Number: **DR17/2024**

Title **Treasury Management and Prudential Indicators 2023/24 Quarter 3 Update**

Executive Summary:
The Treasury Management and Prudential Indicators were presented to the PCC and Chief Executive for the period ending 31 December 2023

Decision of the PCC:

The PCC is aware of the attached Treasury Management and Prudential indicators and notes that Operational Boundary and Authorised Limit have not been breached.

Background Report: Open

Police and Crime Commissioner for Humberside

I confirm I have considered whether 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 **Date 21/03/2024**

POLICE AND CRIME COMMISSIONER
FOR HUMBERSIDE

SUBMISSION FOR: DECISION

OPEN

Title: Treasury Management and Prudential Indicators 2023/24 Quarter 3 Update

Date: 28th February 2024

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1. Executive Summary

The Treasury Management and Prudential Indicators (Q3) are disclosed below and have been reviewed and noted by the PCC and Chief Executive.

2. Recommendation(s)

That the PCC takes assurance from the Treasury Management and Prudential Indicators disclosed below.

3. Background

Treasury Management, as defined by Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2009 is:

> “The management of the organisations investments and cash-flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks.”

The Police and Crime Commissioner (PCC) approved the annual 2023/24 Treasury Management Strategy Statement in March 2023 and agreed a range of Prudential Indicators aimed at ensuring effective treasury management and affordability of capital plans.

This decision record ensures compliance with the recommended practice as outlined in the Code, by providing the PCC with an update on treasury management undertaken since the beginning of the financial year and highlighting key Prudential Indicator information.

The following was presented to the PCC:

Prudential Indicators 2023/24 – Q3

a) Capital Expenditure

Indicator 1 - Capital Expenditure

The actual capital expenditure for the current year compared to the revised budget, together with estimates of expenditure to be incurred in future years are shown below:

	2022/23 Actual £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
Total Capital expenditure	11,348	7,930	11,255	10,396	5,362

Indicator 2 - Capital Financing Requirement

The capital financing requirement for 2023/24 and estimates for future years are as follows:

	Actual 31/03/23 £k	Estimate 31/03/24 £k	Estimate 31/03/25 £k	Estimate 31/03/26 £k	Estimate 31/03/27 £k
Capital Financing Requirement	121,148	122,516	125,770	127,794	124,535

The capital financing requirement measures the Commissioner's need to borrow for capital purposes. In accordance with best professional practice, the Commissioner does not associate borrowing with particular items or types of expenditure. The Commissioner has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Strategy. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises because of all the financial transactions of the Commissioner and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Commissioner's underlying need to borrow for a capital purpose. A key indicator of prudence under the Prudential Code is: -

"In order to ensure that over the medium-term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

The Chief Finance Officer/S.151 Officer reports that the Commissioner has had no difficulty meeting this requirement during this financial year and no difficulties are envisaged in future years. This considers current commitments, existing plans and the proposals contained in the Medium-Term Resource Strategy.

Indicator 3 – Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The PCC is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

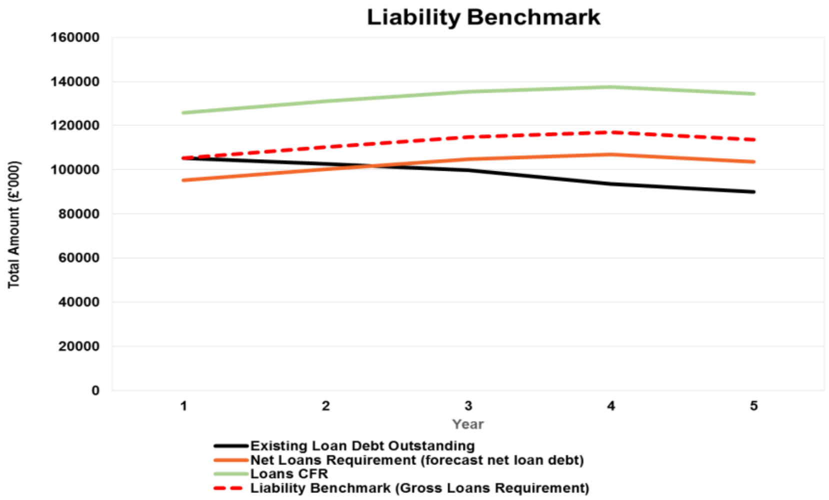
There are four components to the LB: -

- **Existing loan debt outstanding**: the PCC's existing loans that are still outstanding in future years.
- **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement**: this will show the PCC's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

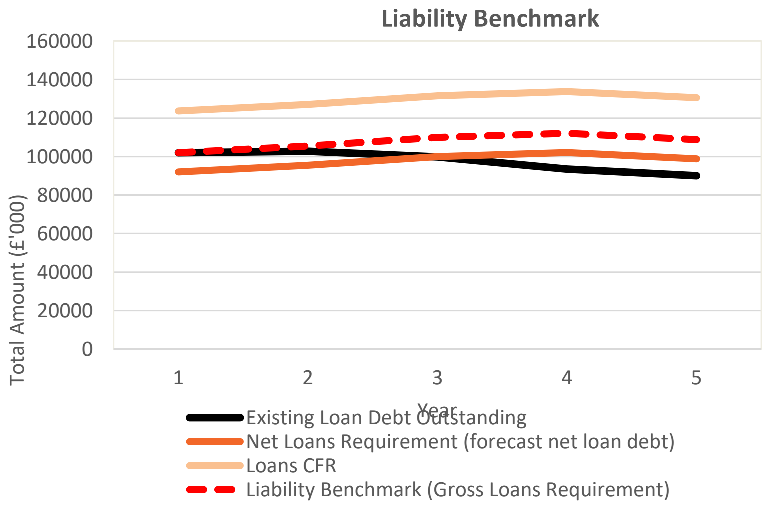
The graph below shows that the PCC is currently slightly internally borrowed and this will increase over the next few years. The PCC will actively monitor interest rates and determine the most advantageous time to take actual long-term borrowing. Short-term borrowing may be used until borrowing rates become more attractive.

Commented [RM21]:

Liability Benchmark at 1 April 2023



Liability Benchmark at 31 December 2023



Indicator 4 – Core Funds and Expected Investment Balances

The total core funds and expected investments for 2023/24 and future years are as follows:

	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate
	£k	£k	£k	£k	£k
Total Core Funds	30,800	23,600	17,700	12,300	10,100
Expected Investments	(482)	(8,831)	(10,875)	(14,627)	(7,082)

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.)

b) Treasury Management

Indicator 5 - Operational Boundary for External Debt

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the S.151 Officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Chief Finance Officer/S.151 Officer.

	2023/24	Actual	2024/25	2025/26	2026/27
	Operational Boundary	as at 31/12/23	Operational Boundary	Operational Boundary	Operational Boundary
	£k	£k	£k	£k	£k
Borrowing	150,000	102,588	150,000	150,000	150,000

The Chief Finance Officer/S.151 Officer confirms that borrowing in the year has not exceeded the operational boundary at any point within the year and is not expected to do so over the course of the next period based on information currently available.

Indicator 6 - Authorised Limit for External Debt

The table below shows the Authorised limit for External Debt for 2023/24 and subsequent three-year period as approved by the Commissioner compared to the actual level of borrowing as at 31 March 2023.

	2023/24	Actual	2024/25	2025/26	2026/27
	Authorised Limit	as at 31/12/23	Authorised Limit	Authorised Limit	Authorised Limit
	£k	£k	£k	£k	£k
Borrowing	180,000	102,588	180,000	180,000	180,000

The Authorised Limit reflects the Commissioner's projected long- and short-term borrowing requirements, together with any other long-term liabilities it may have. The figures are based on the estimate of most likely, prudent but not worst case scenario, with sufficient headroom over and above this to allow for operational management of, for example unusual cash movements.

The Chief Finance Officer/S.151 Officer confirms that the Authorised Limit has not been approached at any point during the year.

Indicator 7 - Ratio of Capital Financing Costs to Net Revenue Stream

The ratio of financing costs to net revenue stream for the current year and estimates for future years are as follows: -

	2023/24	2023/24	2024/25	2025/26	2026/27
	Estimate	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%
Ratio of Financial Costs					
to Net Revenue Stream	3.8	3.7	4.2	4.3	4.3

These ratios indicate the proportion of the net budget of the Commissioner that is required to finance the costs of capital expenditure in any year. Estimates of financing costs include current commitments and the proposals contained in the capital programme of the Commissioner.

In calculating the ratio, Net Revenue Streams in any year have been taken to exclude any element of the net budget requirement that is intended to provide reserves for the Commissioner.

Indicator 8 – Upper and Lower Limits for the maturity structure of borrowings

This indicator seeks to ensure the Commissioner controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Commissioner is not forced to replace a large proportion of loans at a time of relatively high interest rates.

“The Authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowings. The prudential indicators will be referred to as the upper and lower limits respectively for the maturity structure of borrowing and shall be calculated as follows:

Amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate;

Where the periods in question are:

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above”

	Actual as at 31/12/23	Upper Limit	Lower Limit
	%	%	%
Under 12 Months	2.83	15	0
12 months and within 24 months	4.53	15	0
24 months and within 5 years	14.86	30	0
5 years and within 10 years	15.88	60	0
10 years and above	61.90	80	0

The Chief Finance Officer/S.151 Officer confirms that the maturity structure of external debt as at 31 December 2023 is within the upper and lower limits approved by the Commissioner.

4. Options
N/A

5. Financial Implications (Seek financial advice from Chief or Deputy Chief or Deputy Chief Finance Officer)
The Chief Finance Officer/Section 151 Officer presented the information that is contained above.

6. Legal Implications (Seek advice from Legal Services)
The PCC must comply with the with the requirements of the CIPFA Code of Practice on Treasury Management and the Local Authorities (Capital Finance

and Accounting) (England) (Amendment) Regulations 2008. This report ensures such compliance.

7. Driver for Change/Contribution to Delivery of the Police and Crime Plan
Maintain adequate resources to support the PCC and the Force.

8. Equalities Implications (Have due regard to the Public Section Equality Duty)
There is no requirement to carry out an equality impact assessment as this does not relate to a policy or service delivery change.

9. Consultation
N/A

10. Media information (Seek advice from Head of Communications)
N/A

11. Background documents (This will be published if open)
Treasury Management Strategy Statement 2023/24
CIPFA Code of Practice on Treasury Management
CIPFA Treasury Management Guidance

12. Publication
Open

13. DPIA considered (Data Protection Officer will complete full checklist)