

TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2018/19

PURPOSE OF THE REPORT

1. This report provides details of Treasury Management activity undertaken during the period 1 April to 30 September 2018. It demonstrates compliance with the agreed arrangements set out within the Treasury Management Strategy Statement (TMSS) approved by the Police and Crime Commissioner (PCC) in March 2018.

BACKGROUND

2. As members are aware, the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) underpins the system of capital finance which allows local authorities, including PCCs, to determine their own programmes for capital investment. The aims are to ensure authorities operate within a clear framework to satisfy themselves that investment plans are considered affordable, prudent and sustainable and treasury management decisions are taken in accordance with good professional practice.
3. The Code requires the PCC to agree a Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) which set out the responsibilities, delegation and reporting arrangements with regard to treasury management. They are designed to support and record local decision making in a manner that is publicly accountable.
4. The TMSS for 2018/19 was approved in March 2018. It requires those setting the policy and strategy to receive a minimum of a Mid-Year Review Report and an Annual Report on treasury management activities.
5. The Annual Report for 2017/18 was considered by this Committee on 30 July 2018 prior to approval by the PCC.
6. This report ensures that the requirements of the Strategy, and therefore the Code, are met. It will need to be approved by the PCC following consideration by this Committee.
7. The Mid-Year Review Report has been prepared in conjunction with Link Asset Services, treasury management advisers to the PCC.
8. The Report for 2018/19 is attached at Appendix 1 and includes details of performance and information on relevant agreed Treasury and Prudential Indicators.

9. During the period no new long term loans were taken from the PWLB but some short term borrowing was undertaken, particularly in the early part of the financial year pending receipt of monies in connection with the Pension Top-Up Grant in early July 2018.
10. During the period all investment activity has been undertaken within the agreed counterparty limits.

OPTIONS, RISKS AND OPPORTUNITIES

11. The TMSS sets out detailed information in relation to risks associated with treasury management activity and proposed mitigating actions whilst acknowledging that the risk cannot be entirely eliminated. The TMSS and the TMPs and the procedures detailed within them are intended to limit the exposure to unforeseen and unbudgeted financial consequences of treasury management activity.
12. The reporting requirements are intended to ensure that treasury management activity has been conducted in accordance with the policy and strategy agreed by the PCC and that treasury management operations have been performed within agreed limits. There is no option but to consider the report.
13. Link Asset Services have provided officers with ongoing detailed information in relation to treasury management activity. It must continue to be recognised however that the responsibility for all decisions with regard to policies, strategy and transactions remain with the PCC.
14. The investments that have been held during the first half of the financial year and that are currently held are with institutions with the highest credit quality. The monthly investment reports that are available to members via their secure area of the website provide details of the investments held and the level of counterparty risk.

POLICING PLAN AND PERFORMANCE

15. Effective treasury management arrangements are an important factor in ensuring that the Force and the OPCC operate efficiently and in doing so contribute to the delivery of the Police and Crime Plan by seeking to make the best use of resources.

IMPACTS ON OR LINKS TO COLLABORATION

16. There are no direct links to collaboration as the treasury management activity relates solely to Humberside however the Treasury Team has carried out the same function for the South Yorkshire Police and Crime Commissioner since July 2015.

FINANCIAL IMPLICATIONS

17. The Treasury Management Mid-Year Review Report sets out details of the treasury management activity undertaken in the period 1 April to 30 September 2018. The financial implications of treasury management activity have been factored into budget monitoring reports and will inform the development of the Medium Term Resource Strategy (MTRS) that will support the PCC's recommendations for precept in 2019/20. The MTRS enables the impact on the cashflow of potential budget and precept scenarios to be modelled and provides a basis for setting prudential and treasury management indicators.

LEGAL IMPLICATIONS

18. The PCC must comply with the requirements of the Local Government Act 2003 and to have regard to guidance from the Ministry of Housing Communities and Local Government and the CIPFA Code when determining its treasury management policy and strategies together with detailed practices.

19. The TMSS requires the PCC to consider a Mid-Year Review Report on treasury management activity in the first half of the financial year.

EQUALITIES AND DIVERSITY AND HUMAN RIGHTS

20. There are no equality and diversity and human rights issues in the context of this report.

CONCLUSIONS

21. This Mid-Year Review Report sets out information on treasury management activity undertaken during the period 1 April – 30 September 2018. It includes a commentary on events affecting the money markets during the period and interest rate forecasts and confirms that action has been taken locally to utilise counterparties with the highest credit quality.

22. The report provides detailed information on compliance with the treasury management practices agreed by the PCC and indicates that the treasury management operation has operated within the agreed Treasury and Prudential Indicators.

RECOMMENDATION

23. It is recommended that:-

- (a) Note the review of the treasury management activity that has been undertaken during the period 1 April to 30 September 2018;
- (b) The report be recommended to the PCC for approval.

John Bates
Deputy Chief Executive and Treasurer

Background Documents: JB/File/TM/2018/19 Q2

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