

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

Decision Record Number **DR32/2023**

Title: **Review of Quarter 1 Treasury Management & Prudential Indicators**

Executive Summary:

The Treasury Management and Prudential Indicators were presented to the PCC and CEO for the period ending 30 June 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 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



Date 05/10/2023

**POLICE AND CRIME COMMISSIONER
FOR HUMBERSIDE**

SUBMISSION FOR: DECISION

OPEN

Title: Treasury Management and Prudential Indicators (Q1)

Date: 29/09/2023

1. Executive Summary

The Treasury Management and Prudential Indicators (Q1) 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

Prudential Indicators 2023/24 – Q1

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	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate
	£k	£k	£k	£k	£k
Total Capital expenditure	11,348	9,937	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	Estimate	Estimate	Estimate	Estimate
	31/03/23	31/03/24	31/03/25	31/03/26	31/03/27
	£k	£k	£k	£k	£k
Capital Financing Requirement	121,148	124,304	127,411	129,287	125,869

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 – 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	24,300	18,400	15,700	15,100
Expected Investments	(482)	(2,979)	(7,083)	121	(573)

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 4 - 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	as at	Operational	Operational	Operational
	Boundary	31/03/23	Boundary	Boundary	Boundary
	£k	£k	£k	£k	£k
Borrowing	150,000	101,997	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 5 - 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 31/03/23	Authorised Limit	Authorised Limit	Authorised Limit
	£k	£k	£k	£k	£k
Borrowing	180,000	101,997	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 6 - 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	3.8	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 7 – 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”

(Paragraph 74 of the code)

	Actual as at 31/03/23	Upper Limit	Lower Limit
	%	%	%
Under 12 Months	3.46	15	0
12 months and within 24 months	3.17	15	0
24 months and within 5 years	9.69	30	0
5 years and within 10 years	16.52	60	0
10 years and above	67.16	80	0

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

4. Financial Implications (Seek financial advice from Chief or Deputy Chief or Deputy Chief Finance Officer)

The Chief Finance Officer/S151 Officer presented the information contained above.

5. Publication

Open