OFFICE OF THE POLICE AND CRIME COMMISSIONER
FOR HUMBERSIDE
DECISION RECORD

Decision Record Number: **DR27/2024**

Title: **Treasury Management Outturn Report**

Executive Summary:

The Commissioner is required to approve all Treasury Management Activities, and as such this report has been presented and discussed with the Commissioner following its review by the Joint Independent Audit Committee

Decision of the PCC

Approved

Background Report: Open – with FOI exemption(s) stated

Treasury Management Outturn report and appendix 1

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 31 July 2024**

POLICE AND CRIME COMMISSIONER
FOR HUMBERSIDE

SUBMISSION FOR: DECISION

OPEN

Title: Treasury Management 2023/24 Outturn Report

Date: 23/7/24

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1. Executive Summary

The Commissioner takes assurance and approves the attached Treasury Management and Outturn report for the 2023/24 Financial Year.

2. **Recommendation(s)**

That the PCC approves the Treasury Management Outturn Report 2023/24 and Appendix 1

3. Background

Treasury Management 2023/24 Outturn and Appendix 1

4. Options

1) Take Assurance and approve the Treasury Management Outturn report for 2023/24 (this must be those charged with governance).

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

All Treasury Management Activities for 2023/24 was undertaken as per the Treasury Management Strategy Statement that was approved in March 2023, Neither the Operational Boundary or Authorised Limit have been breached. The Maturity Profile of outstanding debt is within the approved limits. The Police and Crime Commissioner is just over £20m underborrowed, and this position is reviewed regularly. As prevailing interest rates improve this gap will be reduced. The Commissioner will continue to utilise short term loans as appropriate to maintain cashflow.

6. Legal Implications (Seek advice from Legal Services)

None

7. Driver for Change/Contribution to Delivery of the Police and Crime Plan

Efficient use of resources

8. Equalities Implications (Have due regard to the Public Section Equality Duty)

N/A

9. Consultation

N/A

10. Media information (Seek advice from Communications Officer)

N/A

11. Background documents (This will be published if open)

Treasury Management Outturn 2023/24 (see attached below)

12. Publication

Open

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

N/A

TREASURY MANAGEMENT ANNUAL REPORT 2023/24

SUMMARY

1. This report provides the Police and Crime Commissioner with a review of the treasury management activity and Prudential Indicators for the year 2023/24.

2. The report shows full compliance with the Commissioner's Prudential Indicators for 2023/24 and was also considered by the Joint Independent Audit Committee on 22 July 2024.

RECOMMENDATIONS

3. That the Commissioner takes assurance from the treasury management activities undertaken during 2023/24 and the Prudential Indicators as outlined in paragraphs 14 and 15 and detailed in Appendix 1.

BACKGROUND

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

''The management of the organisation's investments and cash-flows, its banking and 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.''

5. One of the main requirements of the CIPFA Code is that the Commissioner receives an annual report detailing treasury management activities within the year and compliance with the annual Treasury Management Policy.

6. This report provides the Commissioner with details of the treasury management activities and Prudential Indicators for the 2023/24 financial year in line with the requirements of the Code.

INVESTMENT ACTIVITY

7. The Commissioner's temporary investments totalled £9m on 31 March 2024.

Table 1 – Investment income earned 2023/24

Interest Earned 2023/24	Rate of return 2023/24	Benchmark return 2023/24*	Difference (+ favourable)
£1,224,135	5.58%	5.18%	+0.40%

* Benchmark set as the Average SONIA rate for the year

8. Interest earned during 2023/24 was £724k higher than originally budgeted for in respect of investment activity for the year, due to more favourable interest rates than anticipated and a higher level of investments.

BORROWING

Short-Term Borrowing

9. The Commissioner seeks to use of short-term borrowing to fund temporary cash shortfalls. The Commissioner did make use of short-term borrowing during the year.

Long-Term Borrowing

10. Long-term loans are taken out either to replace existing loans which have matured or to fund capital expenditure. Under the Prudential Regime there are no longer centrally imposed limits on borrowing, but individual Commissioners are required to determine themselves what is a sustainable and affordable level of borrowing as an integral part of their Medium-Term Financial Planning processes.

11. The Commissioner's average level of borrowing was £98.4m for 2023/24, on which £2.2m of interest was payable. The Commissioner repaid £1.2m of PWLB debt upon maturity and did not take any new borrowing during 2023/24. Closing PWLB debt at 31 March 2023 was £98m.

PRUDENTIAL INDICATORS

12. Appendix 1 details the agreed Prudential Indicators for 2023/24 and the actual figures for 2023/24.

13. During the financial year the Commissioner operated wholly within the limits approved.

Capital Expenditure

14. The Chief Finance Officer/S.151 Officer considers the current capital programme to be affordable and sustainable with the revenue effects of capital investment built into the Medium-Term Resource Strategy. Through the Medium-Term Financial Planning Process, the Commissioner has aligned resources to key strategic priorities.

Treasury Management

15. Based on the Operational Boundary definition, external debt at 31 March 2024 was £52m below the agreed Operational Boundary for 2023/24 and the maturity structure for both borrowing and investments remain within the approved upper and lower limits. Subsequent borrowing or re-scheduling during 2024/25 will consider prevailing interest rates on offer from the Public Works Loans Board, the current maturity structure of loans, balanced with the need to reduce capital risk by keeping down cash-balances.

STRATEGIC PLAN COMPATIBILITY

16. Treasury management is an integral part of the financial management of the Commissioner. Utilising approved borrowing and investment strategies will maximise investment income whilst minimising exposure to liquidity and market risks.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

17. The continued approach to investment of surplus funds is designed to further mitigate against potential losses because of counterparty failure and reflects a prudent approach to treasury management activity.

LEGAL IMPLICATIONS

18. The Commissioner must comply 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.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

19. No direct issues arise from this report.

CORPORATE RISK MANAGEMENT IMPLICATIONS

20. The application of and regular monitoring thereafter of a prudent Treasury Management Policy and related Prudential Indicators ensures that the Commissioner effectively manages financial risks whilst minimising borrowing costs and maximising investment income. It is therefore key to good financial management and an important element of the Medium-Term Financial Planning Process.

HEALTH AND SAFETY IMPLICATIONS

21. No issues arising.

COMMUNICATIONS ACTIONS ARISING

22. No direct issues arising.

DETAILS OF CONSULTATION AND/OR COLLABORATION

23. The Commissioner's treasury management strategy has been developed using market information and specialist advice supplied by the Commissioner's treasury management advisors.

BACKGROUND PAPERS

24. 'Treasury Management and Capital Expenditure Prudential Indicators, Treasury Management Policy Statement 2023/24 and Minimum Revenue Provision (MRP) for 2023/24'
CIPFA Code of Practice on Treasury Management 2009

RECOMMENDATION RESTATED

25. That the Commissioner takes assurance from the treasury management activities undertaken during 2023/24 and the Prudential Indicators as outlined in paragraphs 14 and 15 and detailed in Appendix 1.

M RANSOM
CHIEF FINANCE OFFICER/S151 OFFICER TO THE POLICE AND CRIME COMMISIONER FOR HUMBERSIDE

Prudential Indicators 2023/24

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:

	2023/24 Revised £k	2023/24 Actual £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
Total Capital expenditure	11,348	6,122	18,008	15,699	4,989

Indicator 2 - Capital Financing Requirement

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

	Revised Estimate 31/03/24 £k	Actual 31/03/24 £k	Estimate 31/03/25 £k	Estimate 31/03/26 £k	Estimate 31/03/27 £k
Capital Financing Requirement	120,148	120,571	130,578	137,905	134,273

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

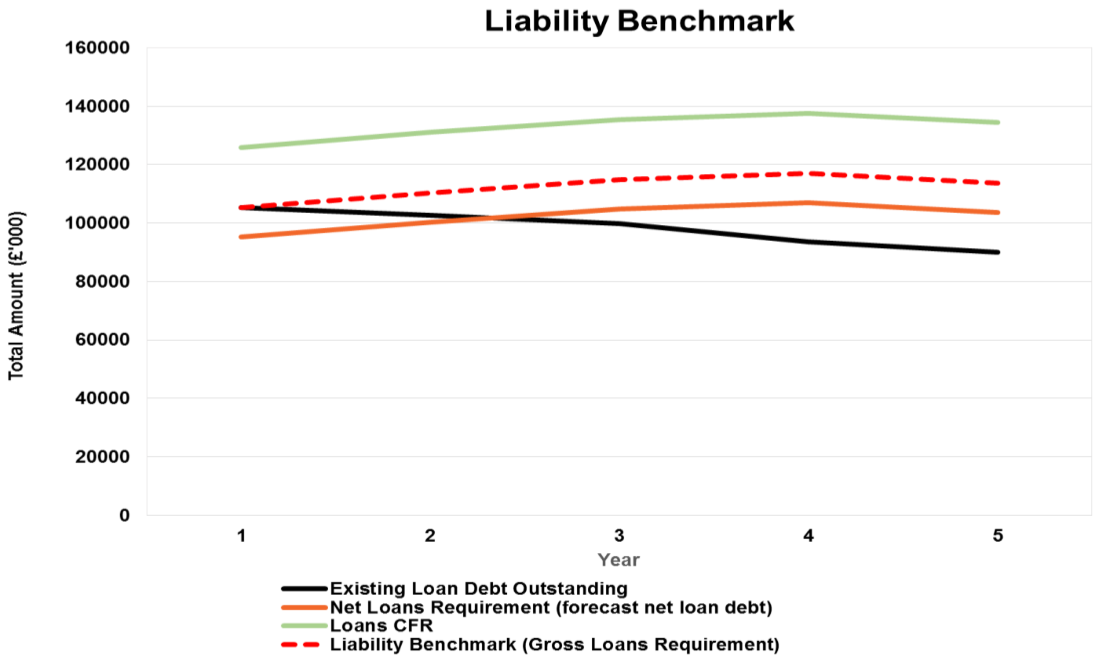
A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The PCC is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

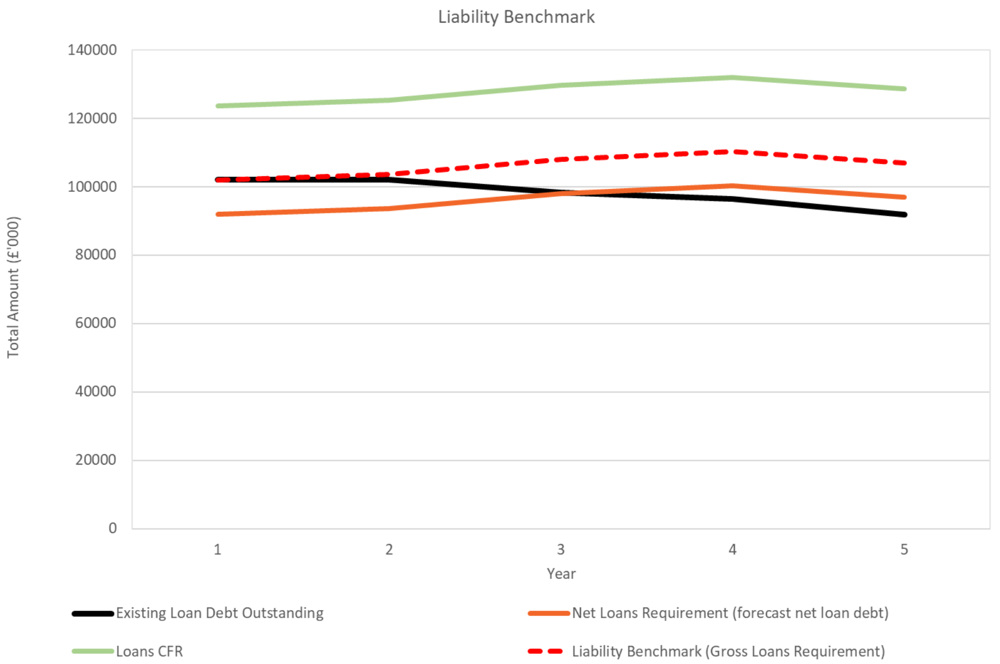
- **Existing loan debt outstanding**: the PCC’s existing loans that are still outstanding in future years.
- **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net 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.

Liability Benchmark at 1 April 2023



Liability Benchmark at 31 March 2024



Indicator 4 – Core Funds and Expected Investment Balances

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

	2023/24 Revised £k	2023/24 Actual £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £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 Operational Boundary £k	Actual as at 31/3/24 £k	2024/25 Operational Boundary £k	2025/26 Operational Boundary £k	2026/27 Operational Boundary £k
Borrowing	150,000	98,312	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 Authorised Limit £k	Actual as at 31/3/24 £k	2024/25 Authorised Limit £k	2025/26 Authorised Limit £k	2026/27 Authorised Limit £k
Borrowing	180,000	98,312	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 Estimate %	2023/24 Actual %	2024/25 Estimate %	2025/26 Estimate %	2026/27 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 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 31/3/24	Upper Limit	Lower Limit
	%	%	%
Under 12 Months	3.3	15	0
12 months and within 24 months	3.1	15	0
24 months and within 5 years	14.2	30	0
5 years and within 10 years	18	60	0
10 years and above	61.40	80	0

The Chief Finance Officer/S.151 Officer confirms that the maturity structure of external debt as at 31 March 2024 is within the upper and lower limits approved by the Commissioner.