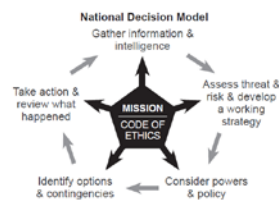


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<b>Required for:</b>	PCC Performance Meeting November 2018
<b>Security Classification:</b>	<b>Official</b>
<b>Handling information if required:</b>	n/a
<b>Suitable for publication:</b>	Yes
<b>Title:</b>	2018/2019 Mid-Year Treasury Management report
<b>Version:</b>	n/a
<b>Purpose:</b>	To review the annual activity and performance of the treasury management function.
<b>ACPO / Strategic Lead:</b>	PCC
<b>National Decision Model compliance:</b>	Yes
<b>Date created:</b>	17 October 2018
<b>Date to be reviewed:</b>	
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**What are the Policing Principles?**

- |                |   |            |   |              |   |
|----------------|---|------------|---|--------------|---|
| Accountability | ✓ | Fairness   | ✓ | Honesty      | ✓ |
| Integrity      | ✓ | Leadership | ✓ | Objectivity  | ✓ |
| Openness       | ✓ | Respect    | ✓ | Selflessness | ✓ |

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### **Summary:**

This report contains a summary of treasury management activity undertaken during 2017/18 and for the six month period ending September 2018.

In addition this report details the statutory requirements of the CIPFA Treasury Management Code of Practice (the Code of Practice).

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### **Recommendation(s) -**

The PCC is asked to note the contents of this report.

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## Introduction -

### 1 Treasury Management – Statutory Requirements

- 1.1 Compliance with the CIPFA Code of Practice is a requirement under The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The main aim is to ensure that local authorities have in place comprehensive policies and practices for the effective management and control of their treasury management activities, including the effective management and control of risk.
- 1.2 Treasury management is defined in the Code of Practice as *“the management of the organisation’s 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 optimum performance consistent with those risks.*
- 1.3 The Treasury Management Policy Statement and Strategy 2017 to 2020 includes a requirement that the PCC will review/approve, the following:
- An annual Treasury Management Policy Statement and Strategy
  - Borrowing limits and other prudential indicators
  - Six monthly reports (annual and mid-year) on activities and performance of the Treasury Management function
- 1.4 The Code of Practice emphasises that when assessing the performance of a treasury management provider, comparisons should only be made with other providers who have a similar risk appetite, and should always consider the security, liquidity and yield of funds invested, with security and liquidity having priority over yield.

**2 Treasury Management Transactions mid-year**

The treasury management function is carried out by Surrey County Council (SCC) under a service level agreement. Under this agreement the following treasury management transactions were undertaken in 2017/18 and up to September 2018:

**2.1 Short Term Lending**

In accordance with agreed policy, surplus cash was lent on a daily basis to SCC. The following loans were made during the year:

		<b>2017-2018</b>	<b>2018-2019 Quarter 1&amp;2</b>
Number of Loans		253	128
Total Interest Received		£120K	£96K
Average Interest Earned	Q1	0.21%	0.50%
	Q2	0.18%	0.66%
	Q3	0.41%	
	Q4	0.50%	

The average rate of return for the year 2017-2018 was 0.33% and the average rate of return for the first two quarters of the year 2018-2019 was 0.58% based upon an average investment of £24m and is above the average London Inter-Bank BID rate (formerly Local Authority 7 day rate) for the same period of 0.21%. Appendix 1 shows the interest rate received with appendix 2 showing the actual interest received. Appendix 3 shows that investment balances started to fall in 2016/17 and continued to do this due to the use of reserves to fund the budget and the reduction in capital receipts received.

2.2 The primary consideration governing the Surrey County Council's Strategy is to have regard for security and liquidity of its investments before seeking optimal rate of return whilst minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council's proposed position is to maintain the current counterparty, duration and investment criteria only investing in countries with a minimum AAA. This rating does not apply to the UK which has seen its AAA rating reduced.

2.3 The bank rate was forecast by the Council's advisors to remain at 0.50% during 2018/19 however the Bank of England increased the rate to 0.75% in August 2018.

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SCC currently pay with higher of; the London Inter-Bank BID rate, the Bank of England Rate or the SCC rate.

2.4 The cost to the PCC for the services of Surrey County Council for 2017/18 was £18,877 and is forecast to remain in the same region for 2018/19.

### 2.5 Short Term Borrowing

No short term external borrowing was undertaken during 2017/18 or to September 2018, all cash balances were lent overnight allowing us the flexibility to draw on our own resources.

### 2.6 Long Term Borrowing

No long term external borrowing was undertaken during 2017/18 or to September 2018.

### 2.7 Future Borrowing Requirements

The 2018/19 capital programme included external borrowing to support the Estates Strategy however to date this has not been required.

### 2.8 General

Surrey County Council's treasury management officers monitor cash flow on behalf of the PCC and aggregate this with their own cash flow, before making appropriate investments on behalf of both organisations. Accordingly there was no requirement to deal with brokers or bankers during 2017/18 and up to September 2018.

## **3 Value for Money**

The PCC is committed to achieving value for money in treasury management. Although returns on investment appear low this is offset by the competitive cost of the treasury management service provided by SCC. SCC was benchmarked against other Local Authorities for 2017/18, Appendix 4 illustrates that the average rate of interest for Surrey Police was at 0.33% but it should also be noted that the rates have increased during 2018/19.

**Equalities Implications** – There are no equalities implications arising from this report.

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**Risk-** – The following risk arises from this report:

- If the PCC does not review annual performance review of treasury management activity in line with the CIPFA Treasury Management Code of Practice there is a risk of censure from the auditors and reputational damage as a consequence.
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**Human Rights** – There are no human rights implications arising from this report.

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**Attachments:**

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**Background papers –**

This document has been prepared with due regard to:-

PCC Treasury Management Strategy

CIPFA The Prudential Code for Capital Finance in Local Authorities – 2017 edition

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

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**Contact details -**

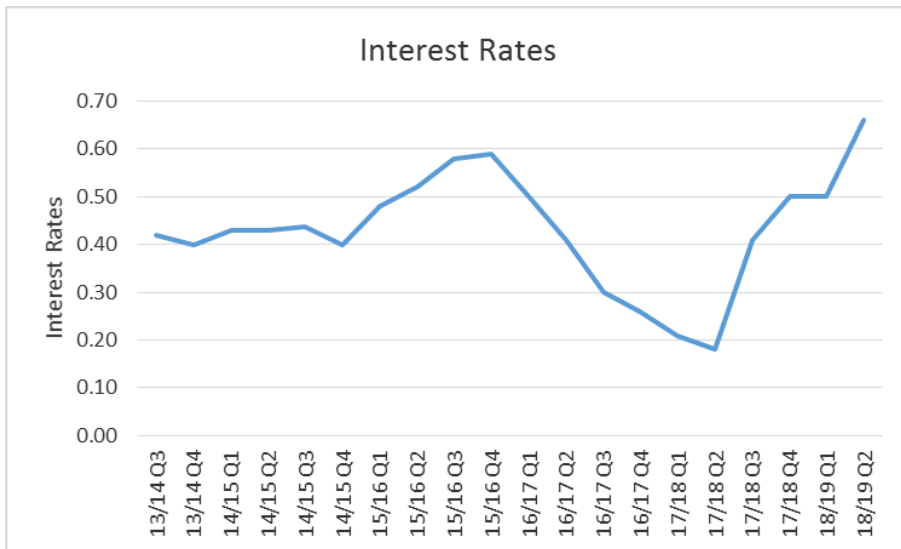
**Name:** Sue Eaton

**Job Title:** Financial Accountant

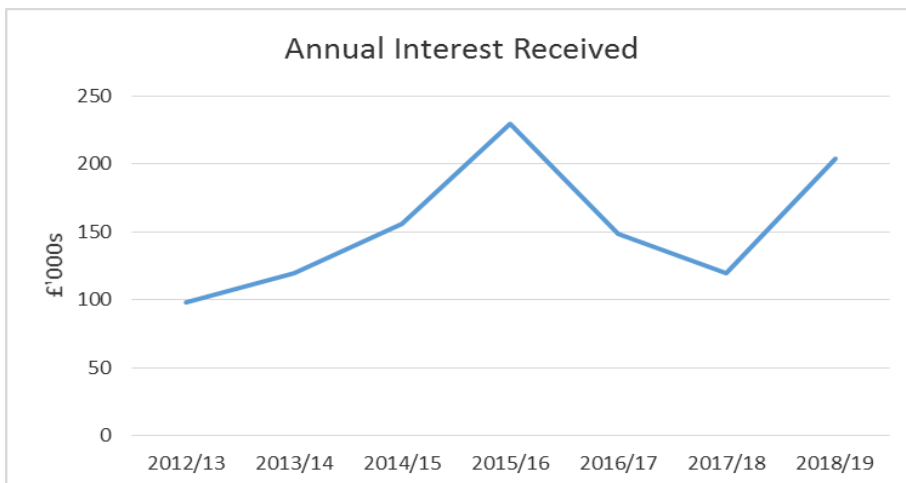
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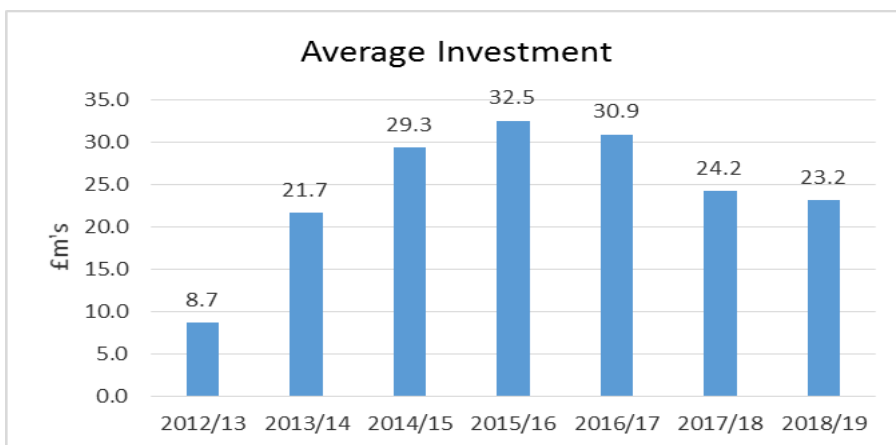
Appendix 1



Appendix 2



Appendix 3



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Appendix 4

<b>Authority</b>	<b>TM services In-house/Outsourced</b>	<b>2017/18 Cost of Advisors</b>	<b>Advisors</b>	<b>2017/18 Average rate of interest</b>
Guildford	In-house	£28,000	Arlingclose	0.21%
Reigate & Banstead	In-house	£33,000	Link Asset	0.96%
Mole Valley	In-house	£8,000	Link Asset	0.61%
Spelthorne	In-house	£20,000	Arlingclose	0.47%
Surrey Heath	In-house	£6,750	Arlingclose	0.52%
Waverley	In-house	Not provided	No	0.84%
Sussex Police	In-house	Not provided	Link Asset	0.74%
Surrey Police	Outsourced	£18,877	N/A	0.33%