

Approved by: Charles Garbett, PCC's Chief Financial Officer	Classification of paper: Not Protectively Marked
Report to PCC	Report reference number PCC/0088/14
Date of decision Date of report 29 Oct 2014	Area of county / Stakeholders affected Force wide
Title of report Year End Treasury Review 2013/14	
Report by Alistair Greer, Corporate Accounting Manager	
Enquiries to Charles Garbett, Treasurer	

1.0 Purpose of Report

1.1 To present the year end treasury review for 2013/14

2.0 Recommendation

2.1 The PCC is recommended to note the contents of this annual review of treasury management activity.

3.0 **Benefits of Proposal**

3.1 This report provides the PCC with a review of treasury management activity during 2013/14.

4.0 **Half Yearly Review 2013/14**

Investments

4.1 The following table summarises the investment position at 1 April and 31 March 2014.

Investments	1 April 2013	31 March 2014
	£000	£000
Call accounts	13,476	17,000
Fixed term deposits	15,000	22,500
Total	28,476	39,500

4.2 Call accounts are used for depositing and withdrawing liquid funds on a day-to-day basis. There are three call accounts, with Barclays, National Westminster and Santander UK. The Barclays account was used throughout the year. The National Westminster account was used up to March 2014 and the Santander account has been used since January 2014.

4.3 Fixed term deposit is used for investing the PCC's core funds, i.e. the cash backed element of reserves that is not required on a day-to-day basis. Investment activity during the year has been undertaken with the Bank of England Debt Management Office and with UK financial institutions such as Lloyds and Nationwide Building Society.

4.4 No other investment instruments have been used during the year. Full details of the investment position at 1 April 2013 and 31 March 2014 are shown at Appendix A.

4.5 The average level of investments during the year was £43.201m. Interest earnings for the year were £223k, representing an average return of 0.52%. The budgeted investment income for the year was £304k, and the earnings therefore represent an under-achievement of £81k. This is mainly due to a fall in interest rates on call accounts and fixed term investments since the budget was set.

Comparison of Net Cash Position to Reserves & Provisions

4.6 Table 1 compares the Net Cash Position (i.e. total investments adjusted for current account overdrawn and net creditors) against the Reserves & Provisions at 1 April 2013 and 31 March 2014

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Table 1- Reserves and provisions

	1-Apr-13	31-Mar-14
	£000	£000
Fixed term investments	13,476	22,500
Call accounts	15,000	17,000
Total Investments	28,476	39,500
Less current account overdrawn	(119)	(4,261)
Less net creditors	(549)	(3,805)
Net Cash Position	27,808	31,434
Reserves & Provisions		
General Reserve	19,129	17,998
Earmarked Revenue Reserves	2,553	7,443
Future Capital Funding	13	22
Capital Grants Unapplied	7,102	4,428
Usable Capital Receipts	7,399	7,700
Provisions	1,212	2,943
Total Reserves & Provisions	37,408	40,534
Less internal borrowing on past capital projects	(9,600)	(9,100)
Reserves & Provisions Financed by Cash	27,808	31,434

Borrowings

4.7 There were no short or long term borrowings during the year.

Compliance with Treasury Management Strategy

4.8 There was one instance of a minor breach of investment limits, involving Barclays call account, during the first half of the year. The circumstances and the corrective action were reported in the half yearly update review.

4.9 There was another instance of a breach investment limits, involving Nationwide Building Society, during March 2014. A £5m maturing investment with Nationwide that was being "rolled-over" was incorrectly recorded on the daily cash sheet as being repaid to the PCC. As a result, a payment of £5m was made to Nationwide and they retained the original £5m invested with them.

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4.10 The error was discovered the following day, and Nationwide repaid £5m the same day. The matter was promptly reported to the Treasurer. Treasury activity processes have been strengthened to prevent future occurrences.

4.11 These two breaches represent a 1.5% error rate, measured against the one hundred and thirty four investment transactions during the year. All of the other transactions were fully compliant with the treasury management strategy.

5.0 Police and Crime Plan

Not applicable

6.0 Police Operational Implications

Not applicable

7.0 Financial Implications

Included within the body of the report.

8.0 Legal and Contractual Implications

8.1 Approval of the Treasury Management Strategy satisfies the requirements of the Local Government Act 2003, CIPFA Prudential Code, CLG MRP Guidance, CIPFA Treasury Management Code & CLG Investment Guidance.

9.0 Staffing and Other Resource Implications

Not applicable

10.0 Equality and Diversity Implications

Not applicable

11.0 Background Papers

None

Investment position at 1 April and 31 March 2014


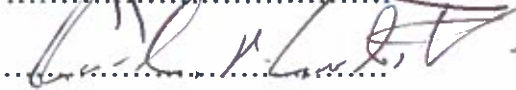
	1 April 2013 £000	Start date	Maturity date	Rate %
<u>Call accounts</u>				
NatWest Bank Plc	9,788			0.60%
Barclays Bank Plc	3,688			0.30%
Total	13,476			
<u>Fixed term deposits</u>				
Lloyds Bank Plc	5,000	18-Dec-12	18-Jun-13	1.00%
Lloyds Bank Plc	5,000	05-Mar-13	05-Apr-13	0.35%
Lloyds Bank Plc	5,000	05-Mar-13	05-Jun-13	0.70%
Total	15,000			
Total all Investments	28,476			

	31 March 2014 £000	Start date	Maturity date	Rate %
<u>Call accounts</u>				
Santander UK Plc	7,000			0.40%
Barclays Bank Plc	10,000			0.30%
Total	17,000			
<u>Fixed term deposits</u>				
Nationwide Building Society	5,000	10-Feb-14	10-Apr-14	0.43%
Nationwide Building Society	2,500	17-Mar-14	17-May-14	0.43%
Debt Management Office	5,000	31-Mar-14	03-Apr-14	0.25%
Lloyds Bank Plc	5,000	08-Jan-14	08-Apr-14	0.65%
Lloyds Bank Plc	5,000	10-Mar-14	10-Sep-14	0.70%
Total	22,500			
Total all Investments	39,500			

The Barclays account also pays an annual bonus of 0.35% on the average balance over the previous twelve months.


Report Approval

The report will be signed off by the Chief Executive and CFO and the PCC Solicitor where legal implications arise.

Chief Executive/M.O. 
Chief Financial Officer 
PCC Legal Advisor (as necessary)

Decision

I agree the recommendations to this report


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PCC/Deputy PCC

I do not agree the recommendations to this report because

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PCC/Deputy PCC

Publication

Reasons for non-publication (*state 'None' if applicable*)

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Signed/Print name

Report for publication	YES	<input type="checkbox"/>
	NO	<input type="checkbox"/>

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

