

**Report of the Chief Constable to the Chair and Members
of the Policy & Resources / Corporate Development Panel
10th September 2009**

**Executive & Presenting Officer: Mrs Ann Hall, Assistant Chief Officer
(Finance & Commissioning)**

Status: For Information

Treasury Management to 31st July 2009

1 Purpose

- 1.1 Local Authorities' (including Police Authorities) treasury management activities are prescribed by the Local Government Act 2003. Essentially a police authority may borrow or invest for any purpose relevant to its functions, under any enactment, or 'for the purpose of the prudent management of its financial affairs'.
- 1.2 Members agreed an investment strategy for 2009/10 at their meeting on 26th February 2009. At this meeting Members resolved to continue to delegate authority to amend the approved List of Counterparties and the investment limits with institutions to the Chief Executive in consultation with the Deputy Section 151 officer. This delegated authority would automatically be withdrawn at 30th September 2009.
- 1.3 This report is to update Members on the status of the Authority's investments and borrowing. It is part of the process introduced by the Authority to maintain prudent financial management.

2 Recommendations

Members are requested to:

- 2.1 Note the contents of the report.

- 2.2 Extend the period of delegated authority to the Chief Executive in consultation with the Deputy Section 151 officer, to amend the approved List of Counterparties and the Investment Limits with institutions to 31st March 2010.
- 2.3 Note that the Investment Strategy for the remainder of 2009-10 will be unchanged from that approved by Members on the 26th February 2009.

3 Reasons

3.1 Market Conditions

Conditions within the Financial Markets are now significantly less turbulent that they were in the last 6 months of the previous financial year however it is too early to say that everything has returned to normal. With that in mind it is thought prudent to extend the period of delegated authority to amend the approved list of Counterparties and the Investment Limits with institutions to 31st March 2010.

- 3.2 Within the Prudential Indicators and Treasury Management Strategy 2009-13, that was approved on the 26th February 2009, was a commitment to bring forward a further report to Members detailing the investment strategy for the remainder of 2009/10. This was to be done prior to the delegated authority being automatically removed on the 30th September 2009. As the delegated authority is now requested to be extended for the remainder of this financial year Members are asked to note that the Investment Strategy that they previously approved will remain in place for the rest of the current financial year.

3.3 Return on Investments

The LTFP was based on having £16m invested throughout the year, at an interest rate of 1.69%, generating £270k of interest. With the Bank of England base rate having reduced to 0.5%, as of the 5th March, from 1.5% when the budget was set, a pressure of £160k is expected to materialise in this area.

3.4 Investments

As at the end of July the Force had £13.2m of external investments in place, these are detailed in the table below. This is in line with forecasts but is £14.0m lower than last year and £6.8m lower than 2007-8. The use of the Capital receipts to deliver our Capital programme and the steady use of our reserves will see our Cash balances at levels significantly below those in previous years. The Graph at Appendix C sets out the expected Cash balances throughout 2009-10 and shows these in comparison to 2008-9.

Investment Placed With	Date Investment Made	Date Investment will Mature	Amount Invested £
Nat West	01.07.09	10.08.09	1,000,000
Nat West	01.07.09	14.08.09	1,000,000
Alliance & Leicester	01.07.09	17.08.09	1,500,000
Alliance & Leicester	01.07.09	28.08.09	2,500,000
Bank of Scotland	01.07.09	23.10.09	4,000,000
Bank of Scotland	02.07.09	01.10.09	1,000,000
Nat West	02.07.09	14.09.09	1,000,000
Nat West Holding Account (Instant Access)	n/a	n/a	1,200,000
Total Investments			13,200,000

- 3.5 Whilst returns on investments are of secondary importance to the security of the sums invested, it is still important to ensure that the best financial decisions are being made. With this in mind we will track the investments that we make throughout the year against the 7 day Average Interest Rate. The investments made so far this year are shown at Appendix D. With the exception of 4 short term deals made during July all of the investments have been made at an interest rate higher than the 7 day average.
- 3.6 Long Term Loans
All loans are from the Public Works Loan Board. The loan profile is set out at Appendix A. As at the end of July the Authority had £11.428m of outstanding long term loans. This is well within the Operational Boundary for External Debt of £16.380m and also the Authorised Limit for External Debt of £18.380m approved by the Authority on 26th February 2009.
- 3.7 The Authority is incurring a range of interest charges of between 4.40% and 5.30% on these loans with the average charge being 4.81%. The cost to the organisation of the above loans for this financial year will be £550k.
- 3.8 The maturity date of these loans is spread over the next 10 financial years. There is one loan due for repayment during this financial year, on the 30th September, for £320k. Appendix B refers.
- 3.9 To underpin the approved Capital Programme for 2009-10 it will be necessary for the Authority to take out loans with the Public Works Loan Board (PWLB) totalling £3,272k. The timing of these loans has not yet been determined and will be dependent on the progression of the Capital Programme, the needs of the Cash Flow of the Force and the interest rates available on the loans.
- 3.10 The current rate of interest for a 10.5 to 11.0 year loan, which is the period over which we are likely to take the loan out, is 4.07%

4 Implications

4.1 Finance

There are no financial implications other than those mentioned above.

4.2 Diversity & Equal Opportunities

Diversity considerations are kept under constant review in line with Force policies and 'Putting People First'. There are no issues arising from this report to bring to Members attention.

4.3 Human Rights Act

There are no Human Rights Act implications arising from this report.

4.4 Sustainability

This report is part of the process introduced by the Authority to establish sustainable annual and medium term financial plans and maintain prudent financial management.

4.5 Risk

There are no additional risks arising from this report.

5 Conclusion

- 5.1 The protection of the Authority's underlying investments will continue to be of utmost importance throughout 2009-10. To that end the investments of the Authority will continue to be placed in a prudent manner and also one that ensures sufficient funds are available to meet its' commitments as they become due.

Sean Price
Chief Constable

APPENDIX A

Schedule of Fixed Rate Loans

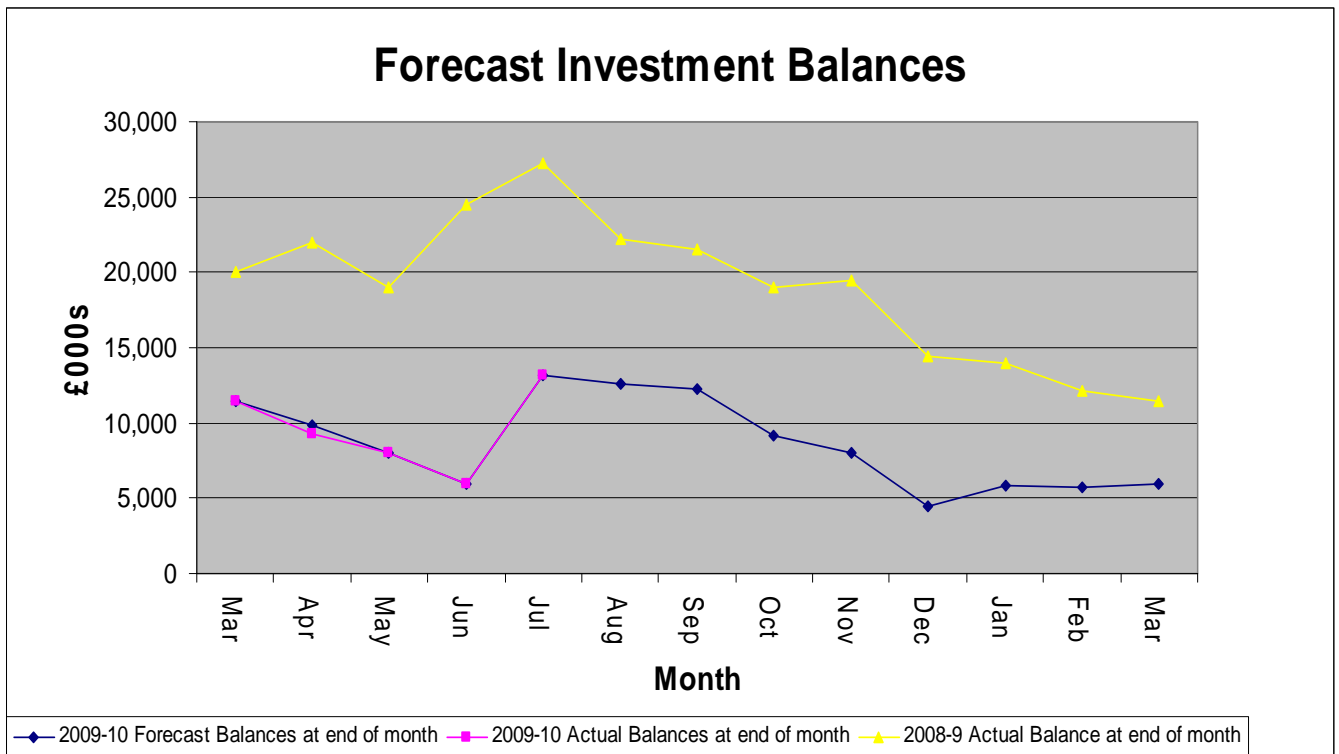
Loan Number	Balance	Interest Rate	Loan Repayment Date	Annual Interest Charges
	£000	%		£000
481392	320	5.000	Sep-09	8
483442	354	5.250	Sep-10	19
485148	385	5.000	Sep-11	19
486372	575	5.125	Sep-12	29
487161	1,106	4.625	Sep-12	51
488248	860	5.300	Sep-13	46
489234	1,340	4.800	Sep-14	64
489425	1,100	4.700	Sep-15	52
491366	872	4.400	Sep-16	38
493143	872	4.950	Mar-17	43
494503	872	4.520	Sep-18	39
494694	2,772	5.080	Sep-19	141
Totals	11,428			550

APPENDIX B

Repayments to be made

Financial Year	£000
2009/10	320
2010/11	354
2011/12	385
2012/13	1,681
2013/14	860
2014/15	1,340
2015/16	1,100
2016/17	1,744
2018/19	872
2019/20	2,772
Total	11,428

Appendix C



Appendix D

