

**Report of the Chief Constable to the Chair and Members
of the Policy & Resources / Corporate Development Panel
24th November 2009**

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

Status: For Information

Treasury Management to 30th September 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 This delegated authority was initially to be withdrawn at 30th September 2009 but Members agreed at their Meeting on the 10th September to extend this authority until the 31st March 2010.
- 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

- 2.1 Members are requested to note the contents of the report.

3 Reasons

3.1 Market Conditions

Whilst conditions within the Financial Markets are now significantly less turbulent than they have been, we continue to only place investments with a select few institutions and where possible we primarily place these investments where the money is instantly accessible.

3.2 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.

3.3 Investments

As at the end of September the Force had £13.6m of external investments in place, these are detailed in the table below. This is £1.4m higher than forecast. This resulted from supplier payments being £0.75m lower than forecast and a reduction in debtor balances of £0.8m during the month. The Graph at Appendix C sets out the expected Cash balances throughout 2009/10 and shows these in comparison to 2008/09.

Investment Placed With	Date Investment Made	Date Investment will Mature	Amount Invested £
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	03.09.09	26.10.09	1,500,000
Nat West	03.09.09	02.11.09	500,000
Alliance & Leicester	08.09.09	02.11.09	1,000,000
Nat West	17.09.09	30.10.09	1,500,000
Nat West	30.09.09	12.10.09	1,000,000
Nat West Holding Account (Instant Access)	n/a	n/a	3,100,000
Total Investments			13,600,000

3.4 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.

3.5 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 September the Authority had £11.108m 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.

3.6 The maturity date of these loans is spread over the next 10 financial years. One loan has been repaid during this financial year, on the 30th September, for £320k. Appendix B refers.

3.7 The Authority is incurring a range of interest charges of between 4.40% and 5.30% on the outstanding loans with the average charge being 4.88%. The cost to the organisation of these loans for this financial year will be £542k, with the repaid loan having already incurred £8k of interest.

3.8 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 this loan 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.

3.9 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 3.75%.

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	repaid	5.000	Sep-09	repaid
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	11,108			542

APPENDIX B

Repayments to be made

Financial Year	£000
2009/10	repaid
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	11,108

APPENDIX C

