

PART ONE

To: Police and Crime Commissioner

Date: July 2015

By: Ian Perkin – Treasurer to the Police and Crime Commissioner for Surrey

Title: 2014/15 Outturn Treasury Management and Prudential Indicators

Purpose of Report/Issue:

In accordance with the Treasury Management Policy Statement and Strategy 2015 to 2018, the Police and Crime Commissioner (PCC) is required to review the annual activity and performance of the treasury management function.

Summary:

This report contains a summary of treasury management activity undertaken during 2014/15, primarily the investment of surplus cash in the last financial year.

In addition this report details the Statutory requirements of the CIPFA Treasury Management Code of Practice (the Code of Practice) and provides an update on the recovery of funds deposited with the failed Icelandic Banks.

Recommendation(s) -

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

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 2014 to 2017 include 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 2014/15

The following treasury management transactions were undertaken in 2014/15:

2.1 Short Term Lending

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

Number of Loans		252
Total Interest Received		£157K
Average Interest Earned	Q1	0.43%
	Q2	0.43%
	Q3	0.44%
	Q4	0.40%

The average rate of return for the year was 0.43%, above the average London Inter-Bank BID rate (formerly Local Authority 7 day rate) for the same period of 0.36%.

2.2 Since 2009/10 the treasury management provider for the Police and Crime Commissioner for Surrey (PCC), SCC, has followed an extremely cautious approach as a direct result of the Council's experience with Icelandic banks. Moving forward into 2014/15, no significant changes have been made to the treasury management strategy reflecting the current economic climate and Council's risk appetite.

2.3 The cost to the PCC for the services of Surrey County Council for 2014/15 was £18,330.30.

2.4 Short Term Borrowing

No short term external borrowing was undertaken during 2014/15, as all cash balances were lent overnight allowing us the flexibility to draw on our own resources.

2.5 Long Term Borrowing

No long term external borrowing was undertaken during the year, and no external long term debt was outstanding at the year.

2.6 Future Borrowing Requirements

There is currently no requirement to borrow for the 2015/16 capital programme.

2.7 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 2014/15.

3 Icelandic Banks Update

In October 2008, Surrey County Council (SCC) invested £20m in Icelandic banks Landsbanki and Glitnir, (£1.5m related to the Office of the Police & Crime Commissioner for Surrey) which collapsed and went into administration. The Landsbanki holding was then sold to a private bidder in January 2014.

In February 2015, the Central Bank of Iceland held a further competitive auction in which UK local authorities were invited to partake with their Glitnir deposits. SCC sold its' outstanding claim in relation to Glitnir through the competitive auction. This was to avoid the increased currency risk inherent in the length of time taken to fully recover the debt and to avoid any potential payment of a proposed 'exit tax'.

This means that all claims in relation to Icelandic deposits are now settled. The PCC's losses were £60,000 in 2013/14 on the sale of Landsbanki and £10,886.69 on the sale of Glitnir. Both losses were more than covered by the Icelandic Bank provision. The remainder of the provision has now been released.

4 Value for Money

The PCC is committed to the principle of achieving best value in treasury management. Although returns on investment remain low and continue to be offset by the competitive cost of the treasury management service provided by SCC. Value for money will be reviewed under a Collaborative arrangement with Sussex Police from 2015/16. SCC was benchmarked against other Local Authorities in March 2015 and the results were that they continue to provide good value for money.

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

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.

Attachments:

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 – 2011 edition

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

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