Section A For Publication

THE OFFICE OF POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

DECISION RECORD

Request for PCC Decision	Received in OPCC Date: 27 JUNE 2016	OPCC Ref: 27/2016

Title: ANNUAL REPORT ON TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2015-16

Executive Summary: To be completed by PCC Specialist lead

The report provided information on the Treasury Management performance 2015/16 in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and to report on the outturn position 2015/16 for the Prudential Indicators in line with the Prudential Code for Capital Finance.

Decision

Resolved that

i. The report on Treasury Management performance for 2015/16 and the outturn position 2015/16 for Prudential Indicators in line with the Prudential Code for Capital Finance were formally received.

Declaration

I confirm that I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for the Police and Crime Commissioner for Derbyshire. Any such interests are recorded below.

The above request has my approval.

Signature	

HARDYAL DHINDSA	**Date 27 June 2016**
PUBLICATION SCHEME CONSIDERATIONS	
Is the related Section B report to be published Yes If no, please indicate relevant exemption	

Is the publication of this approval to be deferred No

If Yes, provide reasons below

Date to be deferred to –

NB Statutory Instrument 2011/3050 (as amended by SI 2012/2479) states that: *all decisions made by a PCC are in the types of information that must "be published as soon as practicable after it becomes available to the elected local policing body".*

OFFICER APPROVAL

Chief Executive or Nominee:

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report.

I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner

Name Helen Boffy Date 27 June 2016

STRATEGIC GOVERNANCE BOARD

27 JUNE 2016

JOINT REPORT OF CHIEF CONSTABLE AND TREASURER

10C: ANNUAL REPORT ON TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2015/16

1. PURPOSE OF THE REPORT

1.1 To provide information on the Treasury Management performance 2015/16 in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and to report on the outturn position 2015/16 for the Prudential Indicators in line with the Prudential Code for Capital Finance.

2. INFORMATION AND ANALYSIS

2.1 TREASURY MANAGEMENT

2.2 Borrowing

2.3 Long Term Borrowing for Capital Purposes

2.4 Following the Comprehensive Spending Review in October 2010, the Government made the decision that no new Supported Borrowing (SCE) allocations will be made for the Spending Review period. The Capital Programme reflects no new borrowing for 2015/16 (Supported or Unsupported).

2.5 As at 31 March 2016 long term external borrowing for capital expenditure amounted to £5.651m for PWLB loans plus £0.360m for transferred debt held with Derby City and Derbyshire County Councils. In addition there are long term liabilities of £12.022m for PFI schemes giving a total of £18.033m as at 31 March 2016 for long term borrowing and liabilities.

2.6 The average rate of interest on the PWLB debt outstanding as at 31 March 2016 was 5.045%.

2.7 Short term Borrowing

2.8 The overdraft facility has not been used during the year. There was no need to borrow any other short-term funds during the year.

2.9 The Operational Boundary and Authorised Limit have not been exceeded during the year.

2.10 **Lending**

2.11 This period of unprecedented low interest rates and uncertainty within the financial markets continues to persist. This has meant the lending policy remains focussed on the need for prudence and security. Given the general level of interest rates, there is little financial reward for taking extra risks.

2.12 On temporary loans and investments accounts, the total interest earned for 2015/16 amounted to £0.221m. The average rate of interest earned for the year was 0.493%. The equivalent interest earned to the 31 March 2015 was £0.249m, an average interest rate of 0.498%. . The amount available to invest has reduced compared to last year and the interest rates that are being achieved when replacing investments are still low. Because there is still uncertainty in the market, Local Authorities and the Debt Management Office have been used more than normal, the DMO rates are 0.25% and Local Authority rates average 0.28%.

2.13 The movement throughout the year is illustrated against the Bank Base rate and LIBID (London Interbank Bid Rate) in Appendix A. Because of lowering rates it can be seen in Appendix A that generally the weekly rate that has been achieved has fallen below the base rate.

2.14 The total temporary loans and investments made in 2015/16 amounted to £380.5m. The total investments outstanding as at 31 March 2016 amounted to £28.5m. These are shown in Appendix B.

2.15 **Interest Rate Analysis**

2.16 The Bank base rate has been 0.5% since 5 March 2009. The rate had been forecast to increase to 0.75% from June 2016 but the governor of the Bank of England definitively ruled out an increase in the Bank Rate in the very near future. This was due to UK growth being still too weak and prospects for future growth being likely to be hampered by poor global growth.

2.17 Long-term PWLB interest rates for borrowing are in a region of 2.70% for 20 years and 2.94% for 25 years.

2.18 **Prudential Indicators**

2.19 The Prudential Code sets out a framework for self-regulation of capital spending; in effect allowing authorities to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable.

2.20 To facilitate the decision making process and support capital investment decisions, the Prudential Code requires the Commissioner to agree and monitor a number of prudential indicators. The Commissioner approved the Prudential Indicators for 2015/16 on 27 January 2015 and these were updated on 26 January 2016. These indicators were monitored throughout the year and

monitoring reports were presented to the Strategic Governance Board on the 9 November 2015 and 22 February 2016 respectively.

2.21 In line with the Prudential Code for Capital Finance the outturn figures for certain Prudential Indicators have to be reported. These are:-

PI Number	Category	Description
1	Capital Expenditure	Actual Capital Expenditure
2	Capital Expenditure	Actual Capital Financing Requirement
3	Affordability	Actual Ratio of financing costs to net revenue stream
4	External Debt	Actual External Debt

2.22 **Prudential Indicator 1 – Actual Capital Expenditure**

2.23 The Approved Capital Programme in 2015/16 totalled £12.785m; this was reported to the Commissioner on the 14 December 2015. The actual capital expenditure in 2015/16 was £10.082m (this is outlined within the Capital Outturn 2015/16 report also on this agenda).

Capital Expenditure	2014-15 Estimate £m	2014-15 Actual £m	2015-16 Estimate £m	2015-16 Actual £m
Total spend	8.623	6.378	12.785	10.082

2.24 **Prudential Indicator 2 – Actual Capital Financing requirement**

2.25 The Capital Financing Requirement (CFR) represents capital expenditure financed by external debt/liabilities and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. The Capital Financing Requirement is as follows:-

Capital Financing Requirement	2015-16 Estimate £m	2015-16 Actual £m
Total CFR at year end	27.684	27.684
Net movement in CFR	(1.203)	(1.203)

2.26 The CFR measures the underlying need to borrow for a capital purpose. No external borrowing has been taken out in 2015/16 in accordance with the Treasury Management Strategy.

2.27 The movement in the CFR of minus £1.203m reflects the repayments of PWLB debt, transferred debt and PFI liabilities in the year.

2.28 **Prudential Indicator 3 – Actual Ratio of financing costs to net revenue stream**

2.29 The main limiting factor on the ability to undertake capital expenditure is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government. Within the framework of prudential indicators the Commissioner is required to assess the affordability of the capital investment plans.

2.30 This indicator identifies the trend in the cost of capital (net of investment income) against the net revenue stream. The variance between the estimate and actual is mainly down to the increase in investment income.

	2015-16 Estimate £m	**2015-16 Actual £m**
Cost of Capital	2.551	2.550
Investment Income	(0.210)	(0.221)
Financing Costs	**2.341**	**2.329**
Net Revenue Stream	161.507	161.507
Percentage	1.45%	1.44%

2.31 **Prudential Indicator 4 – Actual External Debt**

2.32 External Debt is as follows:-

External Debt	**31/03/16 Estimate £m**	**31/03/16 Actual £m**
Fixed Rate Debt PWLB **Transferred Debt**	5.651 0.360	5.651 0.360
Total Debt	**6.011**	**6.011**
Other Long Term Liabilities	12.022	12.022
Total External Debt	**18.033**	**18.033**

2.33 **Comparison of External Debt to Authorised Limit and Operational Boundary**

2.34 The Authorised limit represents the limit beyond which borrowing is prohibited and needs to be set and revised if necessary by the Commissioner. This limit was set at £28.0m for 2015/16.

2.35 The operational boundary is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. This figure was set at £20.2m for 2015/16.

2.36 These indicators are monitored on an ongoing basis. Appendix C shows a comparison of actual external debt compared to the Operational Boundary and Authorised limit. These have not been exceeded in 2015/16.

3. RECOMMENDATIONS

3.1 That the Commissioner formally receives the report on Treasury Management performance for 2015/16 and to receive the report on the outturn position 2015/16 for Prudential Indicators in line with the Prudential Code for Capital Finance.

4. IMPLICATIONS

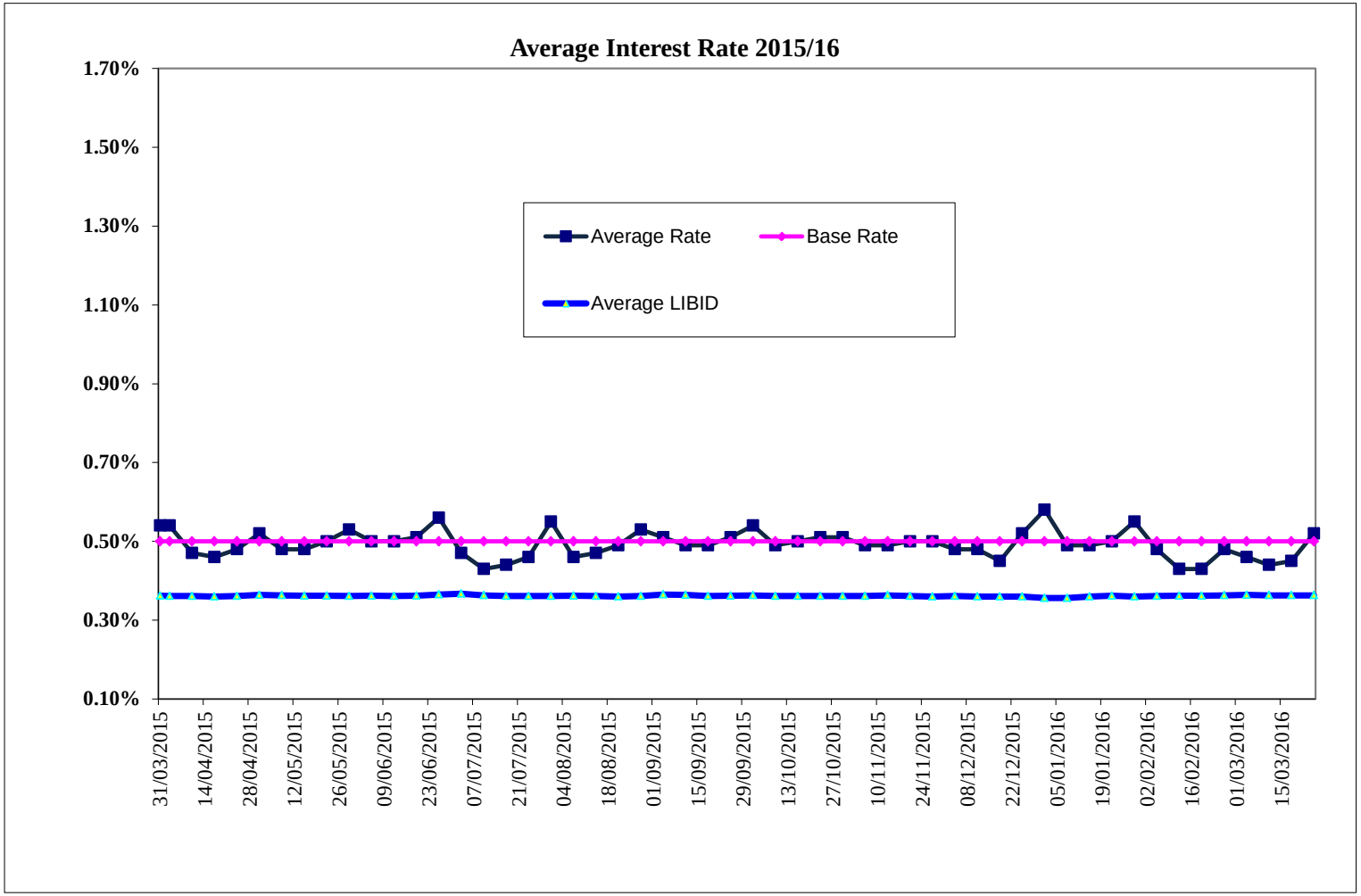
All implications are assessed and scored to the table below.
HIGH – supporting explanation and narrative required and to be contained within the report
MEDIUM – narrative to be contained within the report at the discretion of the author
LOW – no narrative required

	LOW	MEDIUM	HIGH
Crime and Disorder	X		
Environmental	X		
Equality and Diversity	X		
Financial		X	
Health and Safety	X		
Human Rights	X		
Legal	X		
Personnel	X		

Contact details in the event of enquiries	**Name: Chief Superintendent Sunita Gamblin** **External telephone number: 0300 122 4196** **Email address: sgbenquiries@derbyshire.pnn.police.uk**

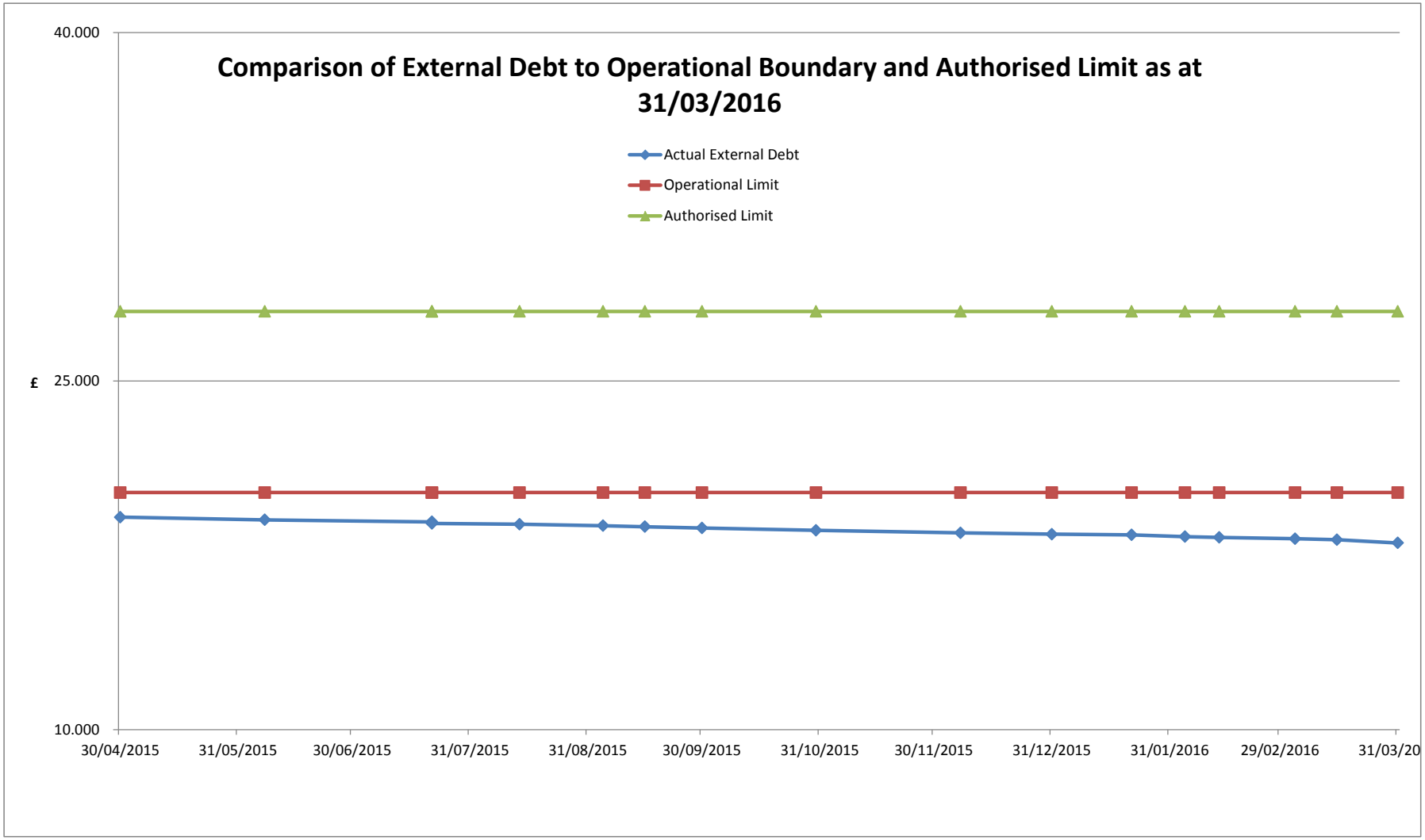
ATTACHMENTS

Appendix A Average Interest Rate 2015/16
Appendix B Investments as at 31 March 2016
Appendix C Comparison of External Debt to Operational Boundary and Authorised Limit as at 31 March 2016


Average Interest Rate 2015/16
1.70%
1.50%
1.30%
1.10%
0.90%
0.70%
0.50%
0.30%
0.10%
Average Rate
Base Rate
Average LIBID
31/03/2015
14/04/2015
28/04/2015
12/05/2015
26/05/2015
09/06/2015
23/06/2015
07/07/2015
21/07/2015
04/08/2015
18/08/2015
01/09/2015
15/09/2015
29/09/2015
13/10/2015
27/10/2015
10/11/2015
24/11/2015
08/12/2015
22/12/2015
05/01/2016
19/01/2016
02/02/2016
16/02/2016
01/03/2016
15/03/2016

AS AT: 31/03/2016 INVESTMENTS IN DATE ORDER RETURNED 2015-16

	Date From	Date To	Bank/Buidling Soc	Amount		Rate %
87	10-Feb-16	**01-Apr-16**	Central Bedfordashire Cou	3,000,000		0.40
105	31-Mar-16	**07-Apr-16**	DMO	1,500,000		0.25
r/o 67	08-Jan-16	**08-Apr-16**	Lloyds TSB Bank	1,000,000		0.57
r/o 163	08-Jan-16	**08-Apr-16**	Lloyds TSB Bank	1,000,000		0.57
r/o 2	11-Jan-16	**11-Apr-16**	Nationwide BS	2,000,000		0.50
r/o 70	16-Jul-15	**18-Apr-16**	Lloyds TSB Bank	3,000,000		0.80
r/o 71	20-Jan-16	**20-Apr-16**	Lloyds TSB Bank	1,000,000		0.57
r/o 31	**29-Mar-16**	**28-Apr-16**	Coventry BS	2,000,000		0.41
r/o 32	**29-Mar-16**	**29-Apr-16**	Coventry BS	2,000,000		0.41
r/o 27	31-Mar-16	**29-Apr-16**	Coventry BS	1,000,000		0.41
r/o 33	31-Mar-16	**29-Apr-16**	Coventry BS	1,000,000		0.41
105	31-Mar-16	**29-Apr-16**	Newcastle City Council	2,000,000		0.50
					20,500,000	
r/o 82	05-Feb-16	**05-May-16**	Nationwide BS	3,000,000		0.50
r/o 130	10-Aug-15	**10-May-16**	Lloyds TSB Bank	2,000,000		0.80
r/o 108	12-Aug-15	**12-May-16**	Lloyds TSB Bank	1,000,000		0.80
					6,000,000	
r/o 16	17-Mar-16	**17-Jun-16**	Nationwide BS	1,000,000		0.50
					1,000,000	
r/o 181	15-Feb-16	**15-Aug-16**	Lloyds TSB Bank	1,000,000		0.75
					1,000,000	
				28,500,000	**28,500,000**	0.00%


Comparison of External Debt to Operational Boundary and Authorised Limit as at 31/03/2016
Actual External Debt
Operational Limit
Authorised Limit
£
40.000
25.000
10.000
30/04/2015
31/05/2015
30/06/2015
31/07/2015
31/08/2015
30/09/2015
31/10/2015
30/11/2015
31/12/2015
31/01/2016
29/02/2016
31/03/20