



To: Business Co-ordination Board

From: OPCC Chief Finance Officer

Date: 25 February 2020

TREASURY MANAGEMENT STRATEGY 2020/21

1. Purpose

1.1. This report updates the Business Co-ordination Board (“the Board”) on the Treasury Management Strategy Statement (TMSS) for 2020/21.

2. Recommendation

2.1 The Board is invited to note the report.

3. Background

3.1 The Office of the Police and Crime Commissioner is required to have a Treasury Management Strategy in place, which is reviewed annually. CIPFA defines treasury management as *“The management of the local authority’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.”*

3.2 The 2020/21 Treasury Management Strategy is at Appendix 1 to this report.

4. Review of Treasury Management Strategy 2020/21

4.1 The Treasury Management Strategy sets out how the PCC and Constabulary will manage its financial investment and borrowing over the next four years. The strategy has to be set in context against the Capital Programme and Asset Management Strategy.

4.2 The Treasury Management Strategy will need to be flexible enough to respond to changes in operational demand which will drive the use of assets and the ever changing economic outlook. The constabulary has a longer term strategy to seek the best return on assets to ensure that it can keep investing in infrastructure. As a result it may choose

to use cash reserves to finance capital projects rather than to borrow at higher rates than the return on investments.

- 4.3 The Asset Management Strategy will be driven by the Constabulary and seek to determine how and what assets are required over the medium term. The Strategy will identify those assets that are surplus and will be the subject of disposal or used in an alternative way thus to enhance the return on the given asset. Each one of these assets will be subject to an individual assessment that will identify the most economically advantageous means of disposal. The disposal method could require investment by the Commissioner to maximise the return and for this reason any Treasury Management Strategy will need to be kept under review.
- 4.4 Alongside the Asset Management Strategy will be a Capital Programme that will require funding. The funding may come from a number of sources, including borrowing, revenue funding, asset disposal proceeds or reserves. The capital programme will attempt to schedule when schemes will be implemented and as such when funds will need to be available. The Treasury Management Strategy will have to set alongside this programme to ensure the appropriate funding is available.
- 4.5 The way an individual capital scheme is financed will be specific to the particular circumstances at the time. For example, it may be best to internally borrow from cash reserves/investment at a time when borrowing rates are high. However, if borrowing interest rates fall then it may be more prudent to borrow to fund a specific scheme. It may also be dependent on other circumstances, for instance, if sale proceeds are expected imminently then cash reserves maybe used to bridge the funding in the short-term.

5.1 Recommendation

- 5.1 The Board is invited to note the report and the updated Treasury Management Strategy Statement.

BIBLIOGRAPHY

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| Source Documents | Treasury Management Strategy Statement 2020/21 |
| Contact Officers | Matthew Warren, Chief Finance Officer, Office of Police and Crime Commissioner |