

Joint Audit Committee

29 April 2020

Responsible Officer:	Impact on Business:		Risk Register Reference & RAG
Matthew Warren CFO for the OPCC	High		
	Medium	X	
	Low		
Lead Manager:	Report Type:		
	Governance		
	Strategic	X	
	Operational		
Previous papers to Committee:			
Treasury Management Mid-Year Report 2019/20 to November 2019 Treasury Management Strategy 2019/20 January 2019 meeting			

Report summary	<p>The Treasury Management Strategy for 2020/21 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.</p> <p>This strategy was approved by the Business Co-ordination Board in February 2020 and is brought to the JAC for information.</p> <p>Since this strategy was approved, the COVID-19 pandemic is occurring and this strategy will be fully reviewed at the mid-year point in light of key uncertainties around Public Finances and affordability.</p>			
Related Police and Crime Plan objective				
Action (tick one box only)	Information <input checked="" type="checkbox"/>	Assurance <input type="checkbox"/>	Approval <input type="checkbox"/>	Decision <input type="checkbox"/>
Recommendation	For the Committee to note.			

1. Background

- 1.1 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.”*
- 1.2 The 2020/21 Treasury Management Strategy is at Appendix 1 to this report.

2. Review of Treasury Management Strategy 2020/21

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 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.

BIBLIOGRAPHY

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