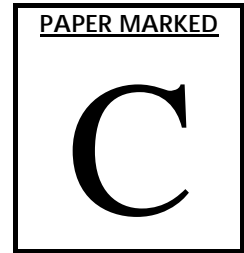


LEICESTERSHIRE POLICE AUTHORITY



Meeting FINANCE AND GENERAL PURPOSES COMMITTEE
Date TUESDAY 22 DECEMBER 2009 – 2.00 P.M.
Report of CHIEF CONSTABLE & TREASURER
Subject TREASURY MANAGEMENT – INVESTMENT STRATEGY

Purpose of Report

1. To review the Investment Strategy in accordance with the decision of the Finance and General Purposes Committee on 8 September 2009.

Background

2. The 'Code of Treasury Management' published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recommended by the Home Office, has been adopted by the Police Authority.
3. The Treasury Management Policy and Strategy is approved annually to run from 1 April to the following 31 March.
4. The Police Authority approved a report on the 11 November 2004, which set out changes to the policy which took into account Internal Audit recommendations. The report also redefined the categories of approved organisations for lending and the maximum amount that could be loaned to them.
5. On 29 October 2008 the Police Authority agreed a temporary suspension of the investment strategy. This was in response to the volatility being experienced in the banking sector. The latest position is discussed below. On 24 March 2009 the Finance and General Purposes Committee reviewed that temporary suspension and agreed to an amended Investment Strategy. On 5 May the Police Authority reviewed the Strategy and approved further amendments, in particular the opening of an account with the Government Debt Management Office. Those decisions were ratified by a further review at the 8 September Committee meeting. The amended Strategy is as follows.

Approved Organisations for Lending

These are:-

<u>Institution</u>	<u>Maximum Loan</u> £m	<u>Maximum Period of Loan</u>
Clearing Banks	*	364 days
Northern Rock	**	6 months
Debt Management Office	***	364 days

* Although the maximum is suspended, staff will work to a limit of £7 million as far as possible.

** Although the maximum is suspended, staff will work to a limit of £6 million as far as possible.

*** No limit is set. Funds will be placed here that cannot be placed with the Clearing Banks or Northern Rock.

Latest Position

6. In view of the very low rates available there is little to be gained by extending our exposure beyond the institutions approved currently, although changes continue to be made to ratings, and these are monitored regularly.
7. Members are reminded of the financial impact of the reduction in rates, based upon average investments of £30 million, as follows:
 - a) The 2008-09 budget forecast investment income of £1,020,000
 - b) The 2008-09 outturn records income of £1,476,000
 - c) The 2009-10 budget forecast is for £450,000 based upon an average interest rate of 1.5%. Current rates are less than half of that, and the latest income forecast for the year is £144,000.

Recommendation

8. The Authority is RECOMMENDED to confirm the investment strategy set out below and note that the issue will be reviewed once again at the next meeting of the Finance and General Purposes Committee.

<u>Institution</u>	<u>Maximum Loan</u> £m	<u>Maximum Period of Loan</u>
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Implications

Financial: As described in the report. Legal: none. Diversity: none. Risk Management: As described in the report.

Background Papers

CIPFA 'Code of Practice for Treasury Management in the Public Services'.

Officer to Contact

Mr C Smith, Treasurer, Tel: (0116) 229 8984

email: police.authority@leicestershire.pnn.police.uk