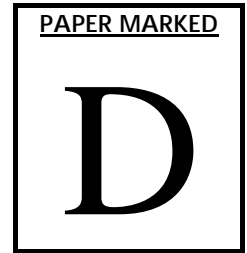


# LEICESTERSHIRE POLICE AUTHORITY



Meeting      POLICE AUTHORITY  
Date          TUESDAY, 5 MAY 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 24 March 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 adopt the following Investment Strategy.

## **Approved Organisations for Lending**

These are:-

<u>Institution</u>	<u>Maximum Loan</u> £m	<u>Maximum Period of Loan</u>
Clearing Banks	*	364 days
Irish Banks	*	364 days
Foreign Banks	0.0	
Northern Rock	**	6 months

Building Societies:		
Nationwide	**	6 months

\* 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.

### **Latest Position**

6. Uncertainty continues to prevail in the banking sector and the time is not yet right for a complete return to the original strategy of spreading investments over countries and smaller institutions.
7. Indeed, difficulties are being experienced in the Irish economy, where emergency budget measures have been introduced. This has led to concerns that the Irish government might struggle to fully guarantee the large amounts that have been invested in that country.
8. Changes continue to be made to ratings, including a recent down grading of the Nationwide Building Society.
9. The Chartered Institute of Public Finance and Accountancy has recently issued a bulletin confirming how important it is that treasury management policies adequately reflect risk and in particular security, liquidity and yield risk, in that order of importance.
10. In view of all of this steps have been taken to register with the Government Debt Management Office so that investments can be placed with their deposit facility. Security is guaranteed although interest rates have been lower than the rest of the market in the past. With the reduction in rates across the board the differential is no longer a significant issue.
11. 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 half of that.

### **Recommendation**

12. The Authority is RECOMMENDED to adopt the revised 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>
Clearing Banks	*	364 days
Irish Banks	0.0	
Foreign Banks	0.0	
Northern Rock	**	6 months

Building Societies:	0.0	
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.

### **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](mailto:police.authority@leicestershire.pnn.police.uk)