

# LEICESTERSHIRE POLICE AUTHORITY



Meeting      **FINANCE AND GENERAL PURPOSES COMMITTEE**

Date          **TUESDAY 08 SEPTEMBER 2009 – 10.00 A.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 Police Authority on 5 May 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. 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
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.

### **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. Changes continue to be made to ratings, and these are monitored regularly.
8. 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**

9. 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.

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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**

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