

MOPACMAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

MPS-MOPAC JOINT AUDIT PANEL 8 January 2020

Treasury Management Annual Update

Report by: MOPAC Interim Chief Finance Officer

Report Summary

Overall Summary of the Purpose of the Report

This report provides the annual update to Audit Panel on the Treasury Management function, including the 2018/19 outturn performance, the MOPAC Treasury Management (TM) 2019/20 strategy, and the year to date 2019/20 performance.

Key Considerations for the Panel

To note the performance, strategy and operational arrangements for the management of treasury functions.

Interdependencies/Cross Cutting Issues

Risk register, governance, financial oversight.

Recommendations

The Audit Panel is recommended to:

- a. Note the current position regarding treasury management

1. Supporting Information

- 1.1. In June 2018 MOPAC updated the Audit Panel on the developments and performance of its Treasury Management function. This paper provides the 2019 update

2018/19 performance

- 1.2. All investment and borrowing activity during 2018-19 was undertaken within the guidelines and objectives set out in the relevant policy and investment and borrowing strategies.
- 1.3. MOPAC generated investment related income of £1.2m at a weighted average yield of 0.84%, which is 0.15% above the benchmark yield of 0.69% - the weighted average 3 month LIBID (London Interbank Bid Rate).
- 1.4. As planned, new long term borrowing took place in 2018/19. A sum of £200m new long term borrowing was secured from the Public Works Loan Board (PWLb) in January 2019, and there were scheduled repayments of existing debt. As a result, the long term borrowing increased by a net £173.55m, from £143m at the start of the year to £316.55m at 31 March 2019.
- 1.5. The cost of borrowing in interest was £7.0m. The weighted average cost of borrowing of all long term loans as at 31 March 2019 was 3.78% (4.33% as at 31 March 2018).
- 1.6. Further detail can be found in the Treasury Management Outturn 2018/19 decision on the MOPAC website.

2019/20 strategy

- 1.7. The 2019/20 Treasury Management Strategy was approved in March 2019. There were no significant changes from the 2018/19 strategy, with MOPAC maintaining a low risk appetite approach to its treasury strategy - operating on the principles of security, liquidity and yield in that order.
- 1.8. CIPFA's Prudential Code required the production of a Capital Strategy for 2019/20. This was published with the 2019/20 Treasury Management Strategy in March 2019. It included planned capital investment over the long term, capital financing and treasury management. MOPAC will continue to include detailed treasury management aspects within the annual Treasury Management Strategy. A draft Capital Strategy has been included as part of the 2020/21 Budget Submission.

2019/20 performance to date

- 1.9. As at 30 September 2019 investments were £297.25m, with a cumulative return of 0.93%, against a benchmark of 0.65%. Forecast investment income is £2m against a revised budget of £1.3m. Total borrowing is £303.75m, and forecast

borrowing costs are within the budget of £12.8m. There are no reported breaches of the strategy.

2. Equality and Diversity Impact

There are no equality and diversity implications directly arising from this report.

3. Financial Implications

3.1. The direct cost of the GLA shared service function to MOPAC is £61k p.a. This is met from within the existing MOPAC budget. In addition, the GLA retain a proportion of interest earned to fund the service which is estimated at £70k p.a. The structure of charging mechanism for the shared service is under review for 2020/21.

3.2. The income generated from investment returns in 2018/19 was £1.2m which was used to support the costs of policing. The interest cost of borrowing in 2018/19 was £7m, which was within the MPS budget.

3.3. Forecast income and borrowing costs for 2019/20 are within budget.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

5.1. The investment strategy is set to reflect the low risk appetite of MOPAC, and in line with the principles of the CIPFA Code of Practice. Borrowing is currently all fixed rate and with the Public Works Loans Board (PWLB) in order to provide certainty of exposure.

5.2. Whilst every effort is made to minimise the likelihood of an incident the failure of for example a counter party would generate risks to the sum deposited and reputational risk for MOPAC

6. Contact Details

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7. Appendices and Background Papers

None