

## DECISION RECORD

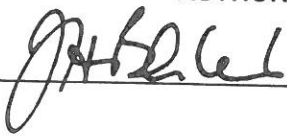
- BUSINESS:** To approve temporary increases in the investment counterparty limits applicable to Bank of Scotland, Santander (UK) and the Nationwide Building Society from £10m to £15m in view of the amount of cash currently available for investment. The temporary arrangement will be for one month and will be reviewed at the end of that period.
- INFORMATION:** The Police Authority's policies and procedures in connection with treasury management activity were agreed by the Authority at its meeting on 22 March 2011 following consideration by the Finance Committee on 15 March 2011. The arrangements are contained within the Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMP) document.
- The TMSS defines guidance on investments, particularly in connection with the creditworthiness of potential counterparties. The Authority uses the creditworthiness service provided by its treasury management advisers, Sector, together with other information to determine its arrangements. The final decisions on investment controls remain a matter solely for the Authority.
- The Authority has continued to operate within previously agreed counterparty limits of £10m in respect of the above institutions. Investment activity has mainly concentrated on lending to the semi-nationalised banks and building societies and those involved with the original support package offered by the Government during the banking crisis together with limited use of call/notice accounts with Yorkshire Bank plc (Clydesdale) which has an acceptable credit rating.
- These arrangements have proved difficult but manageable in terms of placing monies in the market.
- At the Investment Review Meeting on 27 June 2011, officers considered the latest cashflow which now incorporates the confirmed receipt of £19.3m in connection with the Pensions "top up" grant on 1 July and further grant monies w/c 4 July. These receipts together with the existing investments will mean that there will be insufficient headroom within the existing limits for the level of additional monies to be placed with counterparties with the highest credit quality.
- The Deputy Chief Executive and Treasurer and the Assistant Chief Officer (Support) have considered the options of lending to other potential counterparties such as local authorities and building societies. Whilst the former is a possibility which is being explored, currently local authorities are not active in the market for short term loans. The use of building societies other than Nationwide would mean lending to institutions of lower credit quality at a time when there is a likelihood of the rating agencies downgrading them.
- In these circumstances, it is considered that the prudent option is to seek to temporarily increase the credit limits from £10m to £15m for Bank of Scotland, Santander (UK) and Nationwide to avoid compromising credit quality. The current cashflow indicates that the current exceptional circumstances could last for one month. The proposed increases will need to be reviewed at the end of that period when the position will either revert back to the lower limits or consideration will need to be given to seeking a decision to extend the arrangement for a further limited period.
- The TMSS refers to the fact that the TMPs allow for normal market conditions and that it is for the Deputy Chief Executive and Treasurer and the Chief Constable to determine tighter controls and limits as they see fit in the light of unusual market conditions, including reducing counterparty or duration limits.
- Clearly, the current cash position is both exceptional and temporary and whilst the action proposed is increasing limits rather than reducing them, this is in keeping with the requirement to adopt a prudent approach by seeking to reduce counterparty risk. The TMSS requires any temporary changes to be reported to the Authority or to the Resources Committee.
- The decision has been discussed with and is supported by the Chair of the Authority and by the Chair of the Resources Committee.

**DECISION:**

That the counterparty limits in respect of Bank of Scotland, Santander (UK) and the Nationwide Building Society be increased from £10m to £15m for a period of 1 Month from 1 July 2011, that the position be reviewed at the end of that period and that the matter be reported to the Resources Committee.

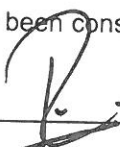
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**AUTHORITY FOR DECISION**


Officer's signature:  Date: 30/1/10

**MEMBER SIGNATURE (When Required)**

We confirm that I have been consulted on the above matter as required by Standing Orders and support the decision.

Member's Signature:  Date: 30/1/10

**Chair of the Police Authority**

Member's Signature:  Date: 30/1/10

Chair of the Resources Committee 12 Feb 11

Copies as appropriate to (Please tick)

- Police Authority Secretariat
- Treasurer to Police Authority
- Head of Support Services
- Appropriate Members

All enquires about this matter should be directed to:

## DECISION RECORD

- BUSINESS:** To approve the increase in the investment counterparty limits applicable to Bank of Scotland, Santander (UK) and the Nationwide Building Society from £10m to £15m for a further month (from 1 August 2011) in view of the amount of cash currently available for investment. The temporary arrangement will be reviewed at the end of this period.
- INFORMATION:** Officers identified at the Investment Review Meeting on 27 June 2011 that, after inclusion of the receipt of the Pensions "top up" grant of £19.3m and further grant monies in the cashflow for July, there would be insufficient headroom within the existing limits to place sufficient additional monies with counterparties with the highest credit ratings. In order to avoid compromising credit quality it was recognised that it would be necessary to seek a temporary increase in the limits of the institutions with the highest credit ratings. As a result and following discussions with the Authority's treasury management advisers, SECTOR, a temporary increase in the counterparty limits from £10m to £15m for Bank of Scotland, Santander (UK) and Nationwide was recommended and approved by Decision Record 119 (copy attached).  
The latest cashflow considered at the Investment Review Meeting on 1 August indicates that the level of cash available for investment will continue to require this additional investment capacity with these high credit quality counterparties in order to avoid placing monies with counterparties with lower credit ratings or with unrated institutions. The position will be reviewed again at the next investment Review Meeting on 22 August 2011.  
Current forecasts suggest that in the absence of long term borrowing cash balances will be run down to the point where the Authority will need to borrow externally to maintain the minimum cash balance of £10m currently deemed necessary to cover day to day requirements by late November/ early December 2011.  
The Treasury Management Strategy Statement (TMSS) refers to the fact that the Treasury Management Practices (TMPs) allow for normal market conditions and that it is for the Deputy Chief Executive and Treasurer and the Chief Constable to determine tighter controls and limits as they see fit in the light of unusual market conditions, including reducing counterparty or duration limits. The current cash position is exceptional and temporary and although the action proposed is increasing limits rather than reducing them, this is in keeping with the requirement to adopt a prudent approach by seeking to reduce counterparty risk.  
The TMSS requires any temporary changes to be reported to the Authority or to the Resources Committee  
The decision has been discussed with and is supported by the Chair of the Authority and by the Chair of the Resources Committee.
- DECISION:** That the temporary increase in counterparty limits in respect of Bank of Scotland, Santander (UK) and the Nationwide Building Society from £10m to £15m be extended for a further month from 1 August 2011 following the earlier decision to increase for a period of 1 month from 1 July 2011, and that the position be reviewed again at the end of August and the matter be reported to the next meeting of the Resources Committee.

## AUTHORITY FOR DECISION

Officer's signature: \_\_\_\_\_

Date: \_\_\_\_\_

18/11

**MEMBER SIGNATURE (When Required)**

We confirm that I have been consulted on the above matter as required by Standing Orders and support the decision.

Member's Signature: \_\_\_\_\_

Date: 4 August 2011

**Chair of the Police Authority**

Member's Signature: \_\_\_\_\_

Date: 2 Aug 2011

**Chair of the Resources Committee**

Copies as appropriate to (Please tick)

Police Authority Secretariat  
Treasurer to Police Authority  
Head of Support Services  
Appropriate Members

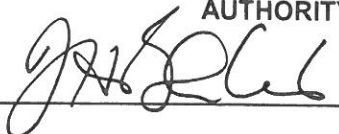
All enquires about this matter should be directed to:

## DECISION RECORD

- BUSINESS:** To approve a further extension of the temporary increase in the investment counterparty limits applicable to Bank of Scotland, Santander (UK) and the Nationwide Building Society from £10m to £15m until the end of September 2011 in view of the amount of cash currently available for investment, after taking money from the PWLB and the possibility of further draw downs during this period in view of the attractive interest rates offered by the Board. The temporary arrangement will be reviewed again at the end of this period.
- INFORMATION:** Officers considered the latest cashflow projections at the Investment Review Meeting on 23 August 2011 together with the attractive interest rates currently being offered by the PWLB for new loans. Following that meeting PWLB loans totalling £6m were drawn down to take advantage favourable borrowing rates which increased the cash available for investment. Extending the limits once again will enable the Authority to continue to invest with counterparties with the highest credit ratings as opposed to compromising on credit quality as discussed in decision records 119 and 121.
- Current forecasts suggest that the Authority will need to borrow again by the end of the calendar year to maintain the agreed minimum level of cash balances. The financial markets have seen PWLB interest rates for new borrowing fall significantly since the start of the financial year and recent weeks have seen volatility in the markets on the back of economic data in the USA and the UK together with events in North Africa and in the Eurozone.
- The Authority is continuing to be on "borrowing watch" with treasury management advisers, Sector, with a view to the possibility of taking further loans in the near future. Excluding new borrowings, the general level of cash available is reducing as predicted. The new borrowing has obviously led to a temporary increase in funds available for investment.
- The Treasury Management Strategy Statement (TMSS) refers to the fact that the Treasury Management Practices (TMPs) allow for normal market conditions and that it is for the Deputy Chief Executive and Treasurer and the Chief Constable to determine tighter controls and limits as they see fit in the light of unusual market conditions, including reducing counterparty or duration limits. The current exceptional cash position remains exceptional and temporary but will be extended longer than originally forecast following the taking of PWLB loans in line with the agreed strategy.
- Although the action proposed is increasing limits rather than reducing them, this is in keeping with the requirement to adopt a prudent approach by seeking to reduce counterparty risk.
- The TMSS requires any temporary changes to be reported to the Authority or to the Resources Committee
- The decision has been discussed with and is supported by the Chair of the Authority and by the Chair of the Resources Committee.
- DECISION:** That the temporary increase in counterparty limits in respect of Bank of Scotland, Santander (UK) and the Nationwide Building Society from £10m to £15m be extended for a further month from 1 September 2011 following the earlier decisions to increase in July and August, that the position be reviewed again at the end of September and the matter be reported to the next meeting of the Resources Committee.

AUTHORITY FOR DECISION

Officer's signature:



Date: \_\_\_\_\_

**MEMBER SIGNATURE** (When Required)

We confirm that I have been consulted on the above matter as required by Standing Orders and support the decision.

Member's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

31/08/11

**Chair of the Police Authority**

Member's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

31 August 2011

**Chair of the Resources Committee**

Copies as appropriate to (Please tick)

Police Authority Secretariat  
Treasurer to Police Authority  
Head of Support Services  
Appropriate Members

All enquires about this matter should be directed to: