

Performance and Resources Scrutiny Programme 2021/22

Report to: the Office of the Police, Fire and Crime Commissioner for Essex

Title of Report:	Treasury Management / Cashflow Q2 Update 2021/22
Classification:	Official
Agenda Number	3iii)
Chief Officer	DCC Prophet Julia Berry, Head of Finance, PFCC Office
Report from:	Corporate Finance
Date of Meeting:	26th October 2021
Author on behalf of Chief Officer:	Arfanara Naidu, Technical Capital Accountant and Matt Tokley, Head of Corporate Accounting
Date of Approval:	20th October 2021 (Chief Officers)

1.0 Purpose of Report

- 1.1 Treasury management activity is reported four times annually, with two quarterly updates as well as the half-year outturn report and the full year outturn report. The two additional quarterly reports are new from 2021/22. These reports set out key information in respect of cashflow and treasury management activities for the current year only.

The Chartered Institute of Public Finance and Accountancy (CIPFA) definition of treasury management is:

‘The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.

2.0 Recommendations

- 2.1 The PFCC is recommended to:-

To note the treasury management activity during the first half of 2021/22 and the onward plan for the remainder of the year.

3.0 Executive Summary

3.1 This report provides an overview for how the PFCC's cash balances have been managed during the first half of 2021/22, whether there have been any deviations to the 2021/22 Treasury Management Strategy (TMS) and what investments and borrowings, where applicable, have been undertaken.

4.0 Background

4.1 The PFCC's TMS for 2021/22 was presented to the Strategic Board on the 11th March 2021. Following further updates shared with the PFCC the revised version of the document was presented to the Strategic Board on the 10th June 2021 and formally signed/approved on the 2nd July 2021. The first quarterly report for 2021/22 was presented to the Performance and Resources Scrutiny Board on the 29th July 2021.

5.0 External Context / Economic Background

5.1 The economic resurgence from the coronavirus pandemic continued to dominate the first half of the financial year, including the biggest inoculation programme the country has ever undertaken, with over 48 million people in the UK receiving their first dose of a COVID-19 vaccine, and a further 45 million people receiving their second dose with the majority of lockdown restrictions now removed.

5.2 The Bank of England (BoE) held the base rate stable at 0.10% throughout the period and maintained its Quantitative Easing programme, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE stated that it expected the UK economy to grow at a slower pace than was predicted due to the pace of the global recovery showing signs of slowing and concerns of persistent inflationary pressures. The Bank of England expectation for GDP growth was revised down to 2.1% in part reflecting the tighter supply conditions. CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, mainly due to higher energy prices and core goods inflation

5.3 Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant. The latest labour market data showed that in the three months to July 2021 unemployment fell to 4.6% suggesting an improvement in the labour market.

5.4 In summary the successful vaccine rollout programme is credit positive for the financial services sector and the improved economic outlook has meant that some institutions have been able to reduce provision for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is generally in a better position now compared to earlier this year and during 2020. The institutions and permitted investment durations on the PFCC's counterparty list remains under constant review, with credit rating changes received via the PFCC's treasury management advisors Arlingclose. Whilst there have been no significant changes to the recommended counterparty list during the first half of the year there has been a greater focus on the credit worthiness of local authorities in the context of several reported instances of financial difficulty across the public sector.

6.0 Current Work and Performance

- 6.1 On 31st March 2021, the PFCC had net investments of £11.81m (£13.79m, 31st March 2020) arising from revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These elements are presented in Table 1 below.

Table 1 – Capital Financing Requirement

	31st March 2021 Actual £m
Capital financing requirement	9.10
Less: usable reserves	(25.46)
Less: working capital	4.55
Net (borrowing)/investments	11.81

- 6.2 The treasury management cashbook position as at the 30th September 2021, as well as the change over the preceding six month period is shown in Table 2 below. This represents the accounting position which is consistent with the Statement of Accounts.

Table 2 – Treasury Management Summary

	31st March 2021 Actual £m	Movement £m	30th September 2021 Actual £m
External borrowing	0.00	0.00	0.00
Total external borrowing	0.00	0.00	0.00
Short-term investments	6.50	7.50	14.00
Cash and cash equivalents	5.31	18.09	23.40
Total investments	11.81	25.59	37.40
Total net investments	11.81	25.59	37.40

- 6.3 On 30th September 2021, the PFCC had net cash and investments of £37.40m based on the cashbook position above, however the actual balance held at bank was £37.88m, relating to income and expenditure from its revenue and capital activities. The minor variance between the two figures relates to timings differences. The actual investment portfolio held is presented in Table 3 below, with further details provided within Appendix A.

Table 3 – Investments

	30th June 2021 Actual £m	30th September 2021 Actual £m	Movement £m
Call accounts	2.26	3.26	1.00
Money market funds	4.10	18.50	14.40
Fixed term deposits (including notice accounts)	3.50	15.50	12.00
Lloyds current account	0.31	0.62	0.31
Total	10.17	37.88	27.71

- 6.4 The investments balance has increased by £27.71m over the three-month period, with the majority of this increase relating to the Pension Top Up Grant received from the Home Office, which comprised two amounts in July and August, adding up to a total of £30.15m.
- 6.5 The average level of investments over the three month period from 1/7/21 – 30/9/21 was £41.4m representing additional surplus monies now in hand following the receipt of the aforementioned pension grant. Investment income returns during the period were extremely low in comparison to the previous few years, equating to just £0.0005m, and representing an average return of 0.01% (with many investments incurring a yield of 0.00% return during this period). The low returns reflect the continued priority of security over yield in the PFCC's TMS, the reliance on the Debt Management Office and money market funds, as well as the backdrop of the low interest rate environment referred to in paragraph 5.2.
- 6.6 Each month the PFCC is provided with a plan of anticipated cashflow transactions for the coming month. Where there are significant differences the Corporate Accounting team will liaise with the PFCC to ensure revised plans are put in place. An example of where this would occur is where a counterparty holding Essex Police funds has a credit rating change which is not permissible within the current TMS. Any other variances, including timings fluctuations and differences between actual amounts to estimates, are covered within this reporting mechanism.
- 6.7 For the period 1/6/21 – 30/9/21 the planned cashflow movements compared to the actual transactions has been summarised in Table 2 below, which presents the operating expenditure and income variances.

Table 4 – Cashflow – Income and Expenditure

	As per plan			As per cashflow		
	July	August	September	Total Q2	Actual Q2	Variance
	£m	£m	£m	£m	£m	£m
Opening Position	0.3	0.7	0.7	0.3	0.3	0.0
Expenditure						
Supplier payments	(12.9)	(10.1)	(8.8)	(31.8)	(27.4)	4.4
Capital acquisitions	0.0	(3.5)	0.0	(3.5)	(3.6)	(0.1)
HMRC payments	(6.5)	(6.4)	(6.4)	(19.3)	(19.2)	0.1
Essex LGPS payments	(1.5)	(1.5)	(1.5)	(4.5)	(4.5)	0.0
Pensioners payments	(10.7)	0.0	(5.3)	(16.0)	(16.0)	(0.0)
Payroll - uniform	(8.2)	(8.2)	(8.2)	(24.6)	(25.0)	(0.4)
Payroll - staff	(4.5)	(4.5)	(4.5)	(13.5)	(13.6)	(0.1)
	(44.3)	(34.2)	(34.7)	(113.2)	(109.3)	3.9
Income						
Council tax precepts	10.8	11.7	11.7	34.2	35.1	0.9
Core government funding	16.3	16.3	16.3	48.9	48.9	0.0
Other government grants	30.1	5.7	1.0	36.8	33.5	(3.3)
VAT reimbursements	4.6	0.8	0.8	6.2	6.3	0.1
Property sales	0.5	0.0	0.0	0.5	0.2	(0.3)
Other receipts	6.4	4.0	3.7	14.1	13.9	(0.2)
	68.7	38.5	33.5	140.7	137.9	(2.8)

- 6.8 The opening position represents the current account balance held with Lloyds. In respect of why the monthly opening positions do not match to the previous month's closing balances this is because each of the plans are undertaken in isolation and by the time the next month's plan is produced the actual opening position will be available rather than having to use the previous month estimate.
- 6.9 Each plan is produced at the start of each month based on the most readily available and accurate information held at that time. Because of this process whereby a revised plan is produced on a rolling monthly basis, there are sometimes amounts which slip from month to month and would therefore be included in more than one of the plans e.g. a grant in July may slip into August, and may also subsequently slip into September. In this instance the same grant would be included in three different plans. Therefore, based upon providing an accurate variance position in the above table which reflects realistic differences between estimates and actuals, the following amounts which were included in more than one of the monthly plans circulated, have now been removed from Table 4:-
- £3.5m Boreham Depot purchase – the date of this purchase was originally included in the July plan but subsequently slipped into the following month, with the purchase subsequently completing on the 24th August.

6.10 The overall variance for actual expenditure in the period compared to estimated values was a reduction of £3.9m, after the adjustment referred to above. This mainly related to the following issues:-

- Supplier payments made up the bulk of the main variance in relation to expenditure, with outgoings £4.4m less than expected compared to the forecast. Typically, higher supplier payment forecasts are used in the first quarter of the year and then reduced thereafter as the year progresses. Work on being able to accurately analyse forecast outgoings, particularly following the move to weekly supplier payments earlier in 2021, will be a key workstream in the Corporate Accounting team with new staffing resources now in place.
- A payroll variance of £0.4m reflecting backdated cover payments for detectives, based on a one-off payment in the September payroll, covering the period 1st September 2020 – 31st August 2021, which had not previously been included in the cashflow forecast.

6.11 There was an overall £2.8m decrease in income compared to the forecast plans submitted, with the main reasons and explanations for these variances being set out below:

- £0.9m additional council tax precept income – expected timings for 21/22 Council Tax income updated with some reprofiled dates coming out of this exercise. This can vary slightly month to month based on billing authority adjustments, and the additional income of £0.9m reflected in Quarter 2 related to actual income received in July compared to the corresponding planned forecast.
- £3.3m variance relating to other government grants , in the main relating to the pensions top up grant which came in at £26.0m compared to the planned forecast of £30.1m.
- Other areas of variance compared to forecast for the second quarter include property sales underachieving by £0.3m and a reduction in other receipts income of £0.2m. The planned income for property sales related to Limes Farm and 37 Kingston Avenue of which the latter slipped, contributing to the reduction in receipts.

- 6.12 For the period 1/7/21 – 30/9/21 the summarised cashflow movement including treasury management activity, has been summarised in Table 5 below.

Table 5 – Cashflow (incorporating Treasury Management Activity)

	As per plan			As per cashflow		
	July	August	September	Total Q2	Actual Q2	Variance
	£m	£m	£m	£m	£m	£m
Opening Position	0.3	0.7	0.7	0.3	0.3	0.0
Net expenditure						
Expenditure	(44.3)	(34.2)	(34.7)	(113.2)	(109.3)	3.9
Income	68.7	38.5	33.5	140.7	137.9	(2.8)
	24.4	4.3	(1.2)	27.5	28.6	1.1
Investment activity						
Fixed term investments - new deals	(46.5)	(42.0)	(34.0)	(122.5)	(130.6)	(8.1)
Fixed term investments - repayment	35.5	35.5	34.5	105.5	118.5	13.0
Money market funds - additions	(15.0)	(4.0)	(6.5)	(25.5)	(31.5)	(6.0)
Money market funds - withdrawals	6.0	6.0	7.0	19.0	16.0	(3.0)
Call accounts - additions	0.0	0.0	0.0	0.0	0.0	0.0
Call accounts - withdrawals	0.0	0.0	0.0	0.0	0.0	0.0
Interest receivable	0.0	0.0	0.0	0.0	0.0	0.0
	(20.0)	(4.5)	1.0	(23.5)	(27.6)	(4.1)
External borrowing activity						
Short-term external borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Long-term external borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Interest payable	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0
Closing Position	4.7	0.5	0.5	4.3	1.3	(3.0)

- 6.13 During the first half of the year there have been no significant deviations to the investment approach adopted by the PFCC with similar financial instruments used during this period. Table 5 expands on Table 4 to encompass the treasury management activity during Quarter 2 reflecting a net increase in expected investments of £5.5m. The variance relates to £4.5m fixed term deals and £1.0m relating to money market funds.
- 6.14 The forecast total cash and investments are included in each monthly plan to the PFCC, in addition to the cashflow movements. Table 6 below shows the variances between the estimated month-end totals compared to the actual balances held – there were no material differences or anything to report which has not already been noted in Table 4.

Table 6 – Total Balances

	July	August	September
	£m	£m	£m
Total cash & investments - estimated as per plan	29.9	35.3	35.5
Total cash & investments - actual as per month-end position	31.5	36.4	37.9
Variance	1.6	1.1	2.4

7.0 Cashflow – remainder of 2021/22

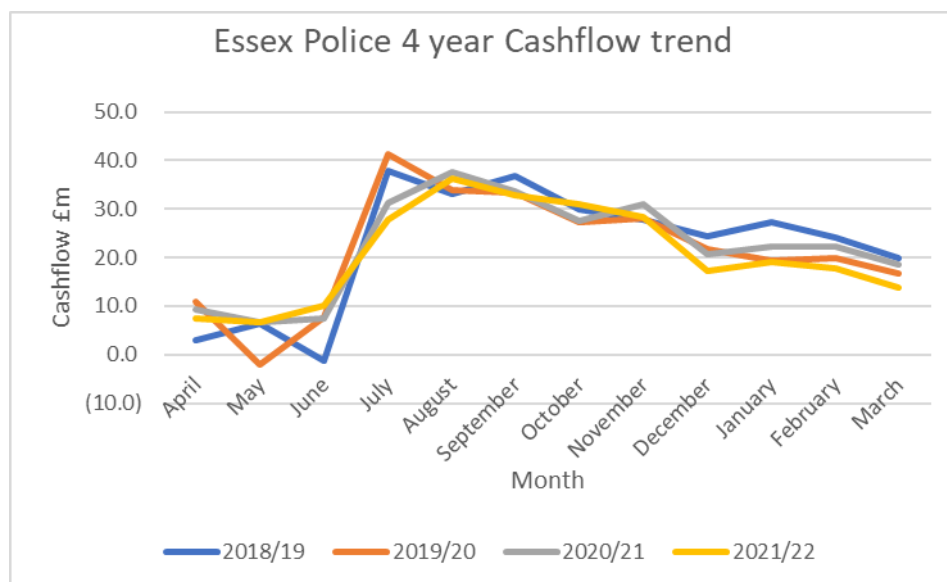
7.1 The cashflow has been projected forward for the remainder of the financial year, with a summary included in Table 7 below (a monthly version is included within Appendix B).

Table 7 – Cashflow plan for 2021/22 (October – March)

	Cashflow summary & forecast - 2021/22			
	Q1	Q2	Q3	Q4
	£m	£m	£m	£m
Opening Position	0.8	0.3	0.6	0.0
Expenditure				
Supplier payments	(38.6)	(31.0)	(36.8)	(30.4)
Capital - property acquisitions	0.0	0.0	0.0	0.0
HMRC payments	(19.1)	(19.2)	(19.2)	(19.3)
Essex LGPS payments	(4.4)	(4.5)	(4.4)	(4.4)
Pensioners payments	(16.0)	(16.0)	(21.4)	(10.7)
Payroll - uniform	(24.4)	(25.0)	(25.1)	(25.5)
Payroll - staff	(13.4)	(13.6)	(13.5)	(13.5)
	(115.9)	(109.3)	(120.5)	(103.9)
Income				
Council tax precepts	30.3	35.1	36.1	32.8
Core government funding	49.0	45.6	48.9	49.0
Pension top-up grant	0.0	0.0	0.0	0.0
Other government grants	6.5	36.7	0.6	0.5
VAT reimbursements	3.0	6.3	2.3	3.6
Property sales	4.6	0.2	0.4	1.9
Other receipts	14.0	14.2	11.0	12.7
	107.4	138.1	99.2	100.4
Net cashflow surplus/(deficit)	(7.6)	29.1	(20.7)	(3.4)
Treasury activity				
Investment balances brought forward	17.8	10.2	37.8	17.1
Net addition to/(reduction of) investments	(7.6)	27.6	(20.7)	(3.4)
Net external borrowings	0.0	0.0	0.0	0.0
Total net cash and investments	10.2	37.8	17.1	13.7

- 7.2 The cashflow forecast, particularly the more detailed version, demonstrates that the cashflow peaks between the second and third quarter, and thereafter declines over the remainder of the year. More specifically the second quarter trend relates to the annual Pension Top-Up Grant of £26.0m received in July, with a further £4.1m received in August. This latter payment reflects an updated calculation provided to the Home Office in respect of the 2020/21 outturn position.
- 7.3 The cashflow position is expected to drop to circa £17m by the end of December, with an estimated position of £13.7m by the end of March. Therefore, the expected £3.8m external borrowing requirement is no longer expected in 2021/22, with the current revenue and capital forecast underspend position consistent with the higher amounts of cash now being retained within the force.
- 7.4 In respect of property sales the PFCC is expecting to receive a further £2.3m before year-end, including £1.65m for Harlow. These sales will be dependent on completions being finalised in expected timescales and may potentially slip into 2022/23. If this does occur the PFCC can cover this deficit based on the forecast cash levels set out elsewhere in this report.
- 7.5 Treasury management activity will be concentrated on how to best utilise the forecast surplus balances during the remainder of the year, with the focus on achieving a reasonable return on investments whilst keeping enough of the PFCC's portfolio in liquid instruments, ensuring that short-term cashflow commitments can be managed and covered when required. It continues to be the case that the range of current instruments will not alter, although additional opportunities to invest in new call account deposits will be explored as well as semi-liquid instruments such as treasury bills will be reviewed, which offer a fixed term maturity date as well as an option to sell on the secondary market. In addition, covered bonds continue to be a growth area within public sector treasury management and the benefits and risks of using these instruments will be reviewed. The Corporate Finance team will also assess the maximum duration that fixed term deposits are placed, although with some monies already planning to be placed in the six month duration from October, it is expected that the remainder of funds will remain in the three-month range.
- 7.6 Table 7 confirms that no external borrowing is anticipated to be required in 2021/22 to support its investment plans. It also means the PFCC is not expected to require to take any further action to retain the minimum balance of £10m investments in accordance with MiFID II legislation. Further details of this requirement are set out in the 2021/22 TMS.
- 7.7 Table 8 on the following page sets out the four year cashflow trend for the period 2018/19 – 2021/22.

Table 8 – 4 year Cashflow trend



7.8 The continuation of the above trend across the medium-term will depend on a wide array of factors including the size of the annual deficit in the Police Officer Pension Account, the timing of the anticipated investment in the HQ project and wider capital programme, the revenue budget position linking into the MTFs plans, as well as the profile of any associated external borrowing repayments. The timing of specific government grant income, often received at short notice, will also dictate the likelihood of further peaks and troughs arising compared to the trend curve presented.

8.0 Compliance – Prudential Indicators

8.1 Throughout the Quarter 2 reporting period the PFCC has concentrated on its compliance with its investment strategy as well as borrowing requirements in accordance with the CIPFA Prudential Code. In summary the PFCC's treasury management activities undertaken to date in 2021/22 have complied with both the CIPFA Code of Practice as well as the Prudential Code, with some minor variations to the approved PFCC's TMS, as set out within the section below.

8.2 Gross Debt

The PFCC is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In accordance with statutory guidance a lower 'operational boundary' is also set as a warning level should debt approach the affordable borrowing limit. Compliance with the authorised limit and operational boundary key prudential indicators for the year to date in 2021/22 are demonstrated in Table 9 below.

Table 9 – External Borrowing Limits

	2021/22 - TMS	2021/22 - Actual (to date)	Complied (Yes/No)
Authorised limit - total external debt	£25m	£0m	Yes
Operational Boundary - total external debt	£20m	£0m	Yes

8.3 The other prudential indicators within the TMS 2021/22 are as follows:-

- Estimates of Capital Expenditure
- Estimates of Capital Financing Requirement
- Gross Debt and the Capital Financing Requirement
- Proportion of Financing Costs to Net Revenue Stream

8.4 For the first three elements above, these prudential indicators are being regularly reported to the PFCC within the monthly budget monitoring reporting process and/or within the regular Medium Term-Financial Strategy (MTFS) updates. This information has therefore not been re-produced for this report, and compliance is accepted for each indicator. In respect of the financing costs indicator the current forecasts in 2021/22 for minimum revenue provision (MRP), interest payable and interest receivable are all immaterial based on net revenue stream, and are not deemed to be a key risk.

9.0 **Compliance – Treasury Management Practices (TMP's)**

9.1 The TMP's within the TMS 2021/22 and the compliance against each of these are set out in the table below (more detail for each individual TMP will be provided in the year-end TM outturn report).

Table 10 – TMP's summary

TMP's	2021/22 - TMS	Complied (Yes/No)
Interest rate risk indicator - 1% rise in interest rates (upper limit impact)	(£150,000)	Yes - no rate rise to date during 2021/22
Interest rate risk indicator - 1% fall in interest rates (upper limit impact)	£150,000	Yes - no rate rise to date during 2021/22
Minimum credit rating for counterparty investments	A	Yes
Gross bank account overdraft facility availability	£10m	Yes
Net bank account overdraft facility availability	£1m	Yes
Minimum amount of investment portfolio held in call accounts and money market funds	Lower of £10m or 50% of total investments	Yes
Limit on principal invested beyond one year (non-government)	£0m	Yes
Maturity structure of (external) borrowing	Various	Yes - no external borrowing during the Quarter 2 period of 2021/22

10.0 Compliance – Investments

Investment Counterparties & Strategy Compliance

- 10.1 Compliance with the approved investment counterparties list is demonstrated in Table 11 below. As can be seen there have been some instances where the strategy limits have not been complied with, and these issues are consistent with those highlighted within the 2020/21 TM Outturn Report. These issues also represent the need to source further liquidity options within the PFCC's investment portfolio, to assist with the diversification of funds.

Table 11 – Investment Compliance

	2021/22 - maximum to date	30/09/2021	2021/22 guideline limit	Complied (Yes/No)
UK central government (including DMADF & Treasury Bills)	£32.0m	£14.0m	£ unlimited (10 years)	Yes
UK local government - per authority	£0.0m	£0.0m	£5.0m per authority (5 years)	Yes
UK local government - total	£0.0m	£0.0m	£ unlimited in total (5 years)	Yes
Lloyds bank account plc (operational bank account)	£4.0m (overnight only)	£0.62m / 1.7%	Higher of 5% or £1.0m (1 year), or up to £5.0m (overnight only)	Yes
UK financial institutions (between A and AAA, liquid investments)	£3.2m / 81% (highest % when > £1m)	£4.76m / 12.6%	Higher of 5% or £1.0m (unlimited in total, 1 year per institution)	No* (see commentary in Section 10)
Money market funds (AAA rated) - Total	£22.5m / 60%	£18.5m / 49%	50% of total investments	No* (see commentary in Section 10)

- 10.1 In respect of liquid UK financial institutions, the 81% issue related to balances held with Barclays on the 1st June, and was covered within the Quarter 1 report commentary. As previously noted, additional flexibility was included in the 2021/22 TMS where guideline limits are breached for a short time, but which do not cause undue risk exposure to the PFCC. This was deemed as one of those instances, particularly as £1m of these monies have same day access availability.

10.2 During the second quarter there were two instances where money market funds in total exceeded the 50% threshold, with 54% held on the 23rd April and 1st September. In both scenarios this was corrected on the next working day and related to additional cashflow movements not previously anticipated, tipping this % over the guideline threshold. There have also been a few instances of the individual MMF balances being higher than the recommended 10% per fund limit, and this issue is currently being reviewed by the Head of Corporate Accounting and Technical Capital Accountant to try and come up with a more manageable solution for inclusion in the 2022/23 TMS. The guideline limits and the relevant compliance criteria were discussed at the Performance and Resources Scrutiny Board when the Quarter 1 report was presented in July 2021, with a more manageable and practical approach proposed for these limits based on the limited options available currently in respect of the PFCC's investments.

11.0 Other Issues

Revised Public Works Loans Board (PWLB) Guidance

11.1 HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. Whilst this does not immediately impact the PFCC based on the current investment approach adopted, it does mean that the PFCC will need to adhere to new rules and requirements as and when financing is required via the PWLB route. These include the requirement to submit capital plans annually in advance of borrowing, with further returns required where estimates change by more than 10%.

11.1 In addition, the settlement time for PWLB loans has now been extended to two working days meaning the PFCC will not be able to access same day monies from this source going forward. In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.1%.

Revisions to CIPFA Codes

11.2 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice, and in September CIPFA issued the revised Codes and Guidance Notes documents in draft form, and opened a new consultation process for these changes. The key proposed amendments are as follows:-

- Clarification that local authorities (including the PFCC) must not borrow to invest primarily for financial return, and it is not prudent for any authority to make any investment that will increase the CFR, unless primarily related to the functions of the authority.
- More tighter definitions around acceptable reasons to borrow money e.g. securing affordability, re-financing, temporary cash deficits, and undertaking core business.
- New prudential indicators, most notably the mandatory inclusion of the liability benchmark, split into four sections (existing loans, loans CFR, net loans, liability benchmark itself). Note – the PFCC already includes this indicator within the TMS.
- Greater emphasis on Environmental, Social and Corporate Governance (ESG) issues within the content of TM reports, as well as more focus on sustainability.
- Additional requirements in respect of the knowledge and skills of those involved in TM decision making.

Investment position at 30th September 2021

	30/9/21 £000	Start date (where applicable)	Maturity date (where applicable)
Call/notice accounts			
Santander UK PLC - call	2,260		
Barclays Bank PLC – call	1,000		
Barclays Bank PLC – notice	1,500		
	4,760		
Money market funds			
Aberdeen	4,000		
Aviva	4,000		
Black Rock	3,500		
Federated	5,000		
Insight	2,000		
	18,500		
Fixed term deposits			
Bank of England - DMO	14,000	7/9/21	1/10/21
Total	14,000		
Other			
Lloyds current account	624		
Total	624		
Total treasury investments	37,884		

Appendix B

Monthly Cashflow Forecast for the remainder of 2021/22

	Cashflow forecast - remainder of 2021/22					
	October	November	December	January	February	March
	£m	£m	£m	£m	£m	£m
Opening Position	0.3	0.0	0.0	0.0	0.0	0.0
Expenditure						
Supplier payments	(14.0)	(10.1)	(12.7)	(10.1)	(10.1)	(10.2)
Capital - property acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
HMRC payments	(6.3)	(6.4)	(6.4)	(6.4)	(6.4)	(6.4)
Essex LGPS payments	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Pensioners payments	(5.4)	(5.4)	(10.7)	0.0	(5.4)	(5.4)
Payroll - uniform	(8.1)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)
Payroll - staff	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)
	(39.7)	(36.3)	(44.2)	(31.0)	(36.4)	(36.5)
Income						
Council tax precepts	12.7	11.7	11.7	11.7	11.7	9.4
Core government funding	16.3	16.3	16.3	16.3	16.4	16.3
Pension top-up grant	0.0	0.0	0.0	0.0	0.0	0.0
Other government grants	0.6	0.0	0.0	0.5	0.0	0.0
VAT reimbursements	0.7	0.8	0.8	0.8	0.8	2.0
Property sales	0.0	0.0	0.4	0.0	1.6	0.3
Other receipts	2.3	5.0	3.7	3.6	4.7	4.4
	32.6	33.8	32.9	32.9	35.2	32.4
Net cashflow surplus/(deficit)	(6.8)	(2.5)	(11.3)	1.9	(1.2)	(4.1)
Treasury activity						
Investment balances brought forward	37.8	31.0	28.5	17.1	19.0	17.9
Net addition to/(reduction of) investments	(6.8)	(2.5)	(11.3)	1.9	(1.2)	(4.1)
Net external borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Total net cash and investments	31.0	28.5	17.1	19.0	17.9	13.7

Appendix C

Arlingclose Interest Rate Outlook for the remainder of 2021/22 and beyond

The PFCC uses Arlingclose as its treasury advisor, to assist with its investment and borrowing strategy, as well as advising on the economic outlook and dealing with related risks and new wider treasury management issues.

Arlingclose have provided an updated interest rate forecast which is included below for information.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Arlingclose expects the bank rate to rise around June 2022, with the Bank of England keen to move away from emergency levels rather than necessarily fears of inflationary pressure.

Investors have priced in multiple rises to the bank rate to 1% by 2024. While Arlingclose believes the bank rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.