

WIRRAL COUNCIL

PENSIONS COMMITTEE

18 JUNE 2009

REPORT OF THE DIRECTOR OF FINANCE

TREASURY MANAGEMENT ANNUAL REPORT 2008/09

1. EXECUTIVE SUMMARY

- 1.1 The Pensions Committee is requested to note the annual report on Treasury Management within MPF for the 2008/09 financial year, which complies with the reporting requirements of the Code of Practice for Treasury Management in Local Authorities.

2. BACKGROUND

- 2.1 On 28 January 2008, the Pensions Committee approved the Treasury Management: Plan and Strategy 2008/09.
- 2.2 In addition to the quarterly presentations to the Investment Monitoring Working Party on the performance of the cash element of the Fund, the Treasury Management Plan requires an annual report to be made to Committee on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the treasury management policy statement.
- 2.3 This report relates to money managed in-house by the Fund and does not include frictional cash balances held by investment managers in respect of the external mandates or the internal UK and European investment managers.

3. TREASURY MANAGEMENT

- 3.1 At 31 March 2009, the Fund had a cash balance of £67.3 million as against £100.6 million at 31 March 2008. Of these funds, £46.8 million was held on call accounts with the Royal Bank of Scotland, Invesco and Standard Life with the balance of £20.5 million on term accounts.
- 3.2 Over the twelve month period, WM calculated the cash performance to be 4.8% against a benchmark performance (3 month LIBID) of 3.6%. The performance is enhanced by the inclusion of securities lending income.

- 3.3 Transactions were undertaken in response to the day-to-day cash flows of the Fund, matching inflows from lendings to predicted outflows.
- 3.4 There was one area of non-compliance with the treasury management policy statement and treasury management practices and that was the portfolio arrangements for liquid resources. The percentage of cash on call fell below 0.5% to as low as 0.43%, this was due to a combination of factors, including the transfer of internal UK and European managers' cash to State Street, the reduction of cash in the implementation of the strategic benchmark of 1% along with investment cash outflows. The percentage of deposits with maturity dates of 1 to 6 months marginally exceeded its range to 0.52% which was corrected the following month. It also fell below the 0.25% lower limit, due to more attractive rates on call and through the use of money market funds. There was no negative impact experienced by the Fund at these times of non-compliance.
- 3.5 The Fund had a total of £7.5m deposited with Glitnir Bank £5m and Heritable Bank £2.5m. The latest presentation by Glitnir Bank indicates that full recovery of the principal and interest to 15 October 2008 is likely to be achieved. Recovery is subject to confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through Icelandic Courts. The Heritable Bank creditor progress report outlined that the return to creditors was projected to be 80p in the £ by the end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. A detailed disclosure note is being made in the annual accounts in respect of these deposits.

4. FINANCIAL IMPLICATIONS

- 4.1 The financial implications are stated above.

5. STAFFING IMPLICATIONS

- 5.1 There are no staffing implications in this report.

6. EQUAL OPPORTUNITY IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. COMMUNITY SAFETY IMPLICATIONS

- 7.1 There are none arising directly from this report.

8. LOCAL MEMBER SUPPORT IMPLICATIONS

8.1 There are no specific implications for any Member or Ward.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1 There are none arising directly from this report.

10. PLANNING IMPLICATIONS

10.1 There are none arising from this report.

11. BACKGROUND PAPERS

11.1 Treasury Management: Plan and Strategy 2008/09 – January 2008

11.2 Code of Practice for Treasury Management in Public Services – CIPFA 2002

11.3 Glitnir Creditor Meeting Presentation – 6 February 2009

11.4 Heritable Creditor Progress Report – Ernst & Young 17 April 2009

12. RECOMMENDATION

12.1 That Members note this report.

IAN COLEMAN
DIRECTOR OF FINANCE