WIRRAL

POLICY AND RESOURCES COMMITTEE

Wednesday, 10 November 2021

REPORT TITLE:	**TREASURY MANAGEMENT MID-YEAR REPORT 2021/22**
REPORT OF:	**DIRECTOR OF RESOURCES (S151 OFFICER)**

REPORT SUMMARY

The Authority's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires the production of an annual Treasury Management Strategy Statement on likely financing and investment activity. The Code also recommends that Members are informed of treasury management activities at least twice a year.

This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance.

At the Mid-Year point the Treasury Management budget forecast for this year is for a balanced outturn. Whilst the low interest rate environment continues to impede investment interest, this shortfall is being offset by lower interest costs on Treasury Management loans.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATION/S

It is recommended that Policy and Resources Committee notes the Treasury Management Mid-Year Report for 2021/22.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 Wirral Council has adopted the CIPFA Code of Practice on Treasury Management ("the Code"), which includes regular update reports to Members of treasury activity. This report is the mid-year review for 2021/22.

2.0 OTHER OPTIONS CONSIDERED

2.1 As per the requirements of the CIPFA Code, this report updates Members on Treasury activities to 30th September 2021, therefore no other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Treasury management is defined by CIPFA as: "The management of the local authority investments and 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."

3.2 The Council approves the Treasury Management Strategy at the start of each financial year. This identifies how it is proposed to finance capital expenditure, borrow and invest in the light of capital spending requirements, the interest rate forecasts and the expected economic conditions. The Authority is able to borrow and/or invest substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are, therefore, central to the Authority's treasury management strategy. During the year, the Cabinet receives a mid-year report on treasury management activities and at the end of each financial year an Annual Report.

ECONOMIC BACKGROUND

Growth & Inflation

3.3 The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

3.4 The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% on the last quarter. Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% (Quarter on quarter), construction 3.8% and services 6.5%, taking all of these close to their pre-pandemic levels.

3.5 Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics'

(ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year on year, marginally higher than expectations for 2.7%. Inflation worries continued during the period. An increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, lead to higher prices.

3.6 The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme. 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.

Monetary Policy

3.7 The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting.

Market Reaction

3.8 Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

3.9 The UK government issues bonds to raise funding, these bonds are known as 'Gilts'. The pricing of Gilts can fluctuate and depends on market opinion on areas such as interest rate expectation and investors perception of the condition of the economy.

3.10 The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.02% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.36%.

3.11 The interest rates at which the government issues bonds act as a base in rate setting for loan and investment opportunities that the Council may be presented with, for example the Public Works Loan Board (PWLB) would charge the Council a rate of interest of gilts & a fixed margin for any borrowing we arrange from them. It is for this reason that the gilt market is under constant review in case any favourable borrowing conditions arise for the Council.

THE COUNCIL TREASURY POSITION

3.12 The table shows how the position has changed since 31 March 2021.

Table 1: Summary of Treasury Position

	Balance 31 Mar 21 £m	Maturities £m	Additions £m	Balance 30 Sep 21 £m
Investments	47.8	(259.5)	262.9	51.2
Borrowings	(254.9)	95.6	(29.6)	(188.8)
Other Long-Term Liabilites	(36.9)	1.1	0.0	(35.8)
Net Debt	(244.0)	(162.8)	233.3	(173.4)

Throughout the first six months of the year the level of net debt has reduced due to the repayment of debt as it fell due, most notably a net repayment of £66 million of temporary loans from other Local Authorities that were taken out towards the end of 2020/21 for cashflow purposes. Temporary loans from other Local Authorities are relatively inexpensive compared to fixing into longer term loan arrangements with for e.g., the PWLB, hence their use for short-term cashflow.

3.13 The decrease in Net Debt is the result of repaying loans as they fall due and managing Capital financing requirements via ‘internal borrowing’ to minimise interest costs payable by the Authority. Internal borrowing is discussed further in this report.

TREASURY INVESTMENT ACTIVITY

3.14 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. These investments arise from a number of sources including General Fund Balances, Reserves and Provisions, grants received in advance of expenditure, money borrowed in advance of capital expenditure, Schools’ Balances and daily cashflow / working capital.

3.15 Table 2 below shows the level of investment decreasing to £40 million at 30 June 2021 (from £48 million as 31 March 2021) due to:

- Invested cash being used to repay temporary loans as they become due, rather than entering into replacement loan agreements
- The continued utilisation of the COVID response funding as service need dictates

At 30 September 2021 the level of Council investments increased to £51 million as temporary cashflow loans were arranged to provide additional liquidity.

3.16 **Table 2: Investment Profile**

Investments with:	31 Mar 21 £m	30 Jun 21 £m	30 Sep 21 £m
UK Banks	5.9	5.0	5.1
Money Market Funds	23.9	15.5	26.1
Green Energy Bonds	-	1.5	1.5
Community Interest Companies	1.0	1.3	1.5
Other Pooled Funds:			
- *Property Funds*	1.0	1.0	1.0
- *Strategic Bond Funds*	1.0	1.0	1.0
- *Public Sector Social Investment Fund*	10.0	10.0	10.0
- *Cash Plus Funds*	5.0	5.0	5.0
TOTAL	**47.8**	**40.2**	**51.2**

3.17 **Table 3: Investment Sources**

Usable Reserves	31 Mar 21 £m	30 Jun 21 £m	30 Sep 21 £m
General Fund	10.7	10.7	10.7
Earmarked Reserves	114.6	114.6	114.6
Capital Receipts Reserve	1.2	1.7	1.7
Capital Grants Unapplied	24.4	42.0	52.4
	150.9	**169.0**	**179.4**
Internal Borrowing in lieu of External Borrowing	(103.1)	(128.8)	(128.2)
Reserves Invested	**47.8**	**40.2**	**51.2**

3.18 With short-term investment interest rates having remained at historic low levels, it is more cost effective, in the short-term, to use internal resources rather than undertake longer term external borrowing. By doing so, the Authority is able to reduce net borrowing costs despite foregone investment income and also reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the short term, internal resources are reducing and it is unlikely that such a policy can be sustained long term. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to eventually rise.

3.19 Security of capital remains the main investment objective. This is maintained by following the counterparty policy set out in the Treasury Management Strategy Statement for 2021/22 which defined high credit quality organisations as those having a long-term credit rating of A- or higher.

3.20 Counterparty credit quality is assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for 2021/22 is A- across rating agencies Fitch, S&P and Moody's); Credit Default Swap (CDS) prices, financial statements, information on potential government support and reports in the quality financial press.

3.21 The following table shows the credit composition of the Council's investment portfolio as at 30th September 2021:

Table 4: Credit Composition of Investment Portfolio

Credit Rating	Proportion of Portfolio %
AAA	65
A	10
Unrated	25
Total	**100**

Note: *'Unrated' institutions are organisations that despite the absence of a formal rating, are deemed credit worthy due to analysis of their performance over a variety of credit metrics. These institutions are subject to a lower counterparty limit than those with formal credit ratings. Unrated investments at the 30 September 2021 are as follows:*

- £1.5 million credit facility with Edsential
- £10.0 million investment with the Public Sector Social Investment Fund (PSSIF)
- £1.5 million in a Bagnall Green Energy Bond

Both the PSSIF and Bagnall Green Energy bond were subject to external due diligence before funds were invested.

3.22 Investments with banks are primarily call accounts and fixed-rate term deposits. The maximum duration of any new investment was constantly reviewed in line with the prevailing credit outlook during the year as well as market conditions.

3.23 In keeping with the Department for Levelling Up, Housing and Communities (DLUHC – formerly the MHCLG) Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and the use of call accounts.

3.24 For diversification purposes the Council can invest in a variety of counterparties and financial instruments to help mitigate counterparty and liquidity risks. A summary of the instruments invested in follows:

Table 5: Investment Portfolio – Financial Instruments

Investment Instrument	Proportion of Portfolio %
Money Market Fund	51
Externally Managed Fund	33
Call Account	10
Term Deposit	3
Green Energy Bond	3
Total	**100**

3.25 £17m of the Authority's investments are held in externally managed strategic pooled bond, property and cash plus funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generate an income return which is used to support services in year.

3.26 As these funds have no defined maturity date, but most are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. In light of their performance over the medium to long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained.

3.27 The budget for investment income is £1.2 million but achievable income will be in the region of £0.2 million. This reduction in investment income is attributable to these key factors:

a) Low interest rates offered for investments
b) The economic impact of COVID-19
c) The continuing policy of relying on internal borrowing to temporarily fund and thereby delay borrowing for the capital programme, which reduces balances available to put into investments but generates savings in interest incurred.

3.28 The UK Bank Rate remained at 0.1% throughout the first half of the year. The return on live investments at the end of September ranges from 0.01% to 4.11% depending on the type of investment, with the portfolio invested in secure counterparties with a good level of liquidity.

3.29 However, the reduction in investment income is being offset by the savings of an estimated 2.0% on delayed borrowing for amounts internally borrowed, hence the balanced Treasury outturn projection for this financial year.

3.30 The return on investments, along with our policy of internally borrowing, reflects prevailing market conditions and the objective of optimising returns commensurate with the overriding principles of security and liquidity.

BORROWING AND DEBT MANAGEMENT

3.31 The Council undertakes borrowing to fund capital expenditure. As short-term investment interest rates have remained and are likely to remain at least over the immediate future, lower than long-term borrowing rates, the Authority determined it was more cost effective in the short-term to use internal resources instead.

3.32 The use of internal borrowing will not be sustainable over the medium term. Elements of the Capital programme will ultimately require funding via borrowing from external sources. As reserves are called upon the resources temporarily available to use in lieu of external borrowing diminish, meaning the Council will reach a point when it is no longer possible to delay borrowing any further. Internal borrowing does not remove the need to externally borrow, it merely delays incurring the debt and consequently the financing costs.

3.33 The decision to continue to use internal resources in lieu of borrowing for capital purposes, is helping to reduce borrowing costs in 2021/22. The level of cost reduction will be dependent upon the borrowing requirement of Capital schemes delivered within the financial year. In future years, as cash flows diminish through use of reserve and/or interest rates rise, external borrowing will have to increase. The Treasury Management team will continue to proactively manage the Authority's cash flow to delay external borrowing for as long as is possible and prudent to reduce costs.

3.34 With external longer-term borrowing reducing, the Council has used the Local Authority loan market to delay entering into more costly debt, generating savings as illustrated below. The deferral of further borrowing costs through internal borrowing and policy amendments have provided substantial one-off savings to the Council.

3.35 Effective utilisation of the short-term Local Authority loan market has further delayed the need to enter into more costly longer-term loans. At 30th September the Council had £19 million borrowed via such loans running at an average rate of 0.02%. These temporary, short dated loans, from other local authorities remain affordable and attractive for periods of low cash flow, with rates available of around 0.05% for up to six-month periods.

3.36 Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

3.37 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

3.38 The Public Works Loans Board (PWLB) remains the Council's preferred source of longer-term borrowing given the transparency and control that its facilities continue to provide.

3.39 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders. Further changes to the CIPFA Prudential Code expected in December 2021 are likely to prohibit borrowing for the primary purpose of commercial return even where the source of borrowing is not the PWLB. The Council's current capital programme does not contain schemes that are primarily focussed on a commercial return.

3.40 Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Council's treasury advisor.

3.41 Other Long-Term Liabilities include the schools Private Finance Initiative (PFI) scheme and finance leases used to purchase vehicles, plant and equipment. Under International Financial Reporting Standards (IFRS) these are shown on the Balance Sheet as a Financial Liability and therefore need to be considered within any Treasury Management decision making process.

3.42 The Council has not entered into any new lease agreements during 2021/22.

3.43 The table below shows Council debt as at 30 September 2021:

Table 7: Council Debt as at 30 September 2021

Debt Principal	Balance 31 Mar 21 £m	Maturities £m	Additions £m	Balance 30 Sep 21 £m
Borrowings				
PWLB	(18.2)	0.4	-	(17.8)
Market Loans (Fixed Rate)	(41.5)	-	-	(41.5)
Market Loans (LOBO)	(107.5)	-	-	(107.5)
Interest Free Loans & Other	(2.7)	0.3	(0.6)	(3.0)
Total Capital Finance Loans	**(169.9)**	**0.6**	**(0.6)**	**(169.8)**
Other Long Term Liabilities (PFI)	(36.9)	1.1	-	(35.8)
Temporary Cashflow Loans	(85.0)	95.0	(29.0)	(19.0)
TOTAL	**(291.8)**	**96.8**	**(29.6)**	**(224.6)**

The reduction in total debt is due to a combination of factors:

- *Repayment of temporary cashflow loans that were required over the latter part of 2020/21.*
- *The partial repayment of longer term loans, through the use of internal resources rather than arranging new loans to replace the maturing debt.*

3.44 LOBO loans: The Authority continues to hold £108m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks have exercised their option during the first half of the year. Discussions are taking place to investigate the possibility of replacing some LOBOs with alternative less costly loan arrangements.

COMPLIANCE WITH TREASURY INDICATORS

3.45 The Chief Finance Officer reports that all treasury management activities undertaken during the first half of the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Appendix 1 below.

INTEREST RATE FORECAST

3.46 The Council's Treasury advisors, Arlingclose, expects Bank Rate to remain at the current 0.10% level. The risk of movement in Bank Rate in the immediate term is low although the risks over the MPC's 3-year horizon have increased and are leaning to the upside

3.46 Gilt yields volatility is likely given the uncertainties over the economic outlook and central bank asset purchase programmes. Longer term yields may face upward pressure towards the end of our forecast period as the economy moves back to a sustained footing and policy expectations start to strengthen.

3.48 Downside risks remain – the risk of further virus mutations including the Delta variant could destabilise the recovery. Downside risks also arise from potential future vaccine shortages as the demand for vaccines increases.

Table 8: Arlingclose Bank of England Interest Rate Forecast

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Upside Risk	0.15	0.15	0.15	0.30	0.30	0.30
Arlingclose Central Case	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**
Downside Risk	0.10	0.10	0.10	0.15	0.15	0.15

AUTHORISED SIGNATORIES

3.49 A revised list of the current Authorised Signatories for Treasury Management activity, as designated by the Director of Resources, is included in Appendix 2.

CIPFA CONSULTATION

3.50 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

3.51 In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The proposed changes include:

- Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority.

- Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes.

- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.

- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).

4.0 FINANCIAL IMPLICATIONS

4.1 Capital debt finance has reduced annually over recent years, despite additional annual Capital commitments. This has contributed to the generation of substantial savings.

4.2 Investment income has also helped to generate resources for service delivery.

4.3 The Treasury Management team will endeavour to further reduce interest costs wherever possible during the second half of the year.

4.4 Interest rates have been significantly reduced by the Bank of England as a response to the COVID pandemic. Opportunities for investments have been curtailed whilst the rate of increase for yields has slowed, however work is being carried out with Arlingclose to try and enhance the rate of return on the investment portfolio. With regards to reducing the interest costs associated with the Council's loans, work is taking place to renegotiate borrowing terms with lenders but is behind schedule due to other demands on financial institutions and other involved parties.

4.5 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP) and is a charge that is made against the Treasury Management budget. If the capital programme is delivered as forecast in the Quarter 2 Capital Monitoring report, the Authority will consequently increase its capital debt by £45.7 million. This debt is repaid via charges to the revenue budget over the lives of the assets created or enhanced. The revenue impact of the additional £45.7 million of borrowing required to fund all forecast works in 2021/22 is as follows:

Table 4: MRP Charges to Revenue Relating to 2021/22 Debt Funded Capital

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Additional revenue cost	1.662	1.692	1.723	1.753

Note – MRP repayments from revenue only start the year after the capital expenditure has taken place i.e., for spend incurred in 2021/22, the first MRP repayments will be charged in the 2022/23 revenue accounts.

4.6 The MRP charge is calculated on an annuity basis, which means the annual repayments gradually increase each year. This, coupled with additional capital activity each year results in an increase in the MRP charge year on year.

5.0 LEGAL IMPLICATIONS

5.1 The Council has adopted the CIPFA Code of Practice on Treasury Management. This requires the annual production of Performance Indicators and a Treasury Management Strategy Statement and the reporting of treasury management activities at least twice a year.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 The Council is responsible for treasury decisions and activity and none of these decisions are without risk. The successful identification, monitoring and control of risk are important, and the main risks are: -

Risk	**Mitigation**
Fluctuations in interest rate levels	That the borrowing and investment profiles are balanced both in terms of maturity (utilising short- and long-term instruments) and also in terms of the nature of the interest rate of the portfolio (fixed rate and variable interest rate products)
Exposure to inflation	That wherever possible investments are entered into at inflation equalling levels of interest. This depends entirely on the nature and purpose of the proposed investment.

Legal and Regulatory Risk	That appropriate legal advice is sought on new opportunities to ensure adherence to relevant legislation and regulation.
Credit and Counterparty Risk (Security of investments).	That any potential counterparty is subjected to suitable due diligence to ascertain appropriateness for investment and investment criteria
Council issues S114 notice	Should the Council encounter difficulties in obtaining borrowing following a S114 notice, the Authority has access to borrow from the PWLB as a lender of last resort. Any such borrowing would be subject to higher rates of interest.

8.0 ENGAGEMENT/CONSULTATION

8.1 This strategy report has been written in consultation with the Council's external treasury management advisors, Arlingclose Ltd, in accordance with best practice.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 As part of future investment strategy, consideration will be given to potential opportunities to invest in environmentally focussed instruments or organisations. 'Ethical, Social and Governance' (ESG) investment criteria will be considered and, where viable in adherence to the policies laid out in this strategy, will only be entered into following satisfactory assessment of the instrument and/or organisation. Two such investments in the current investment portfolio are the holding in the Public Sector Social Impact Fund along with the Green Energy Bond held.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 Investment vehicles that embrace green and sustainable practices will be given due consideration, should a suitable investment opportunity become available and subject to appropriate due diligence. One fund that the Authority invest in is the Public Sector Social Impact Fund, an organisation that is keen to look at investment opportunities within the local area. Possible investment examples include (but not limited to);

- Social Housing – affordable places to live for many residents
- Solar/Wind Power – cleaner air and cheaper energy
- Community lending vehicles – creating jobs and revenues in local communities

- Forestry – greener communities
- Vehicle Charging Points– cutting down on pollution, cleaner air

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APPENDICES

Appendix 1 Treasury Indicators 2021/22
Appendix 2 Authorised Signatories

BACKGROUND PAPERS

CIPFA Code of Practice on Treasury Management

SUBJECT HISTORY

Council Meeting	Date
Treasury Management Strategy Statement 2021-22	**17th February 2021**
Treasury Management Annual Report 2020-21	**28th July 2021**

APPENDIX 1

TREASURY MANAGEMENT INDICATORS 2021/2022

Background

Treasury management indicators are not in the 2017 edition of the CIPFA Treasury Management Code itself but in the separate Treasury Management Code guidance notes for local authorities, which was last published in 2011. The Authority measures and manages its exposures to treasury management risks using the following indicators.

Treasury Management Indicators

1. Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	**Target**	**As at 30.09.21**
Portfolio average credit rating	A-	AA-

2. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice. As shown below the Council entered into temporary cashflow loans that exceeded the target set in the indicator. This evidences that there are sufficient sources of liquidity available to the Council, should the need arise.

Liquidity risk indicator	**Target**	**As at 30.09.21**
Total sum borrowed in past 3 months without prior notice	£15m	£19m

3. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity Structure of Borrowing	Lower Limit 2021/22 %	Upper Limit 2021/22 %	Actual Maturity 30.09.21 %
Under 12 Months	0	90	66%
12 Months and within 24 months	0	75	4%
24 Months and within 5 years	0	75	4%
5 years and within 10 years	0	75	1%
10 years and over	0	100	25%
		Total	**100%**

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment, including LOBO loans, many of which have repayment options every six months. The Authority complied with this indicator in the first half of the year.

4. Principal Sums Invested for Periods Longer Than a Year

The Council has placed an upper limit for principal sums invested for periods longer than a year. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Price risk indicator	2021/22	As At 30.09.21
Limit on principal invested beyond year end	£50m	£11.5m

APPENDIX 2

AUTHORISED SIGNATORIES

The following officers are authorised to make payments, either via the Council's online banking system or by signing cheques, and issue other instructions relating to Treasury Management transactions on behalf of Wirral Borough Council:

Director of Resources – Shaer Halewood

Assistant Director of Finance & Investment – Daniel Kirwan

Senior Finance Manager – Peter J. Molyneux

Senior Finance Manager – Diane Grisdale

Senior Finance Manager – Mark Goulding

Senior Finance Manager – Chris Kelly (With effect 28 November 2021)

This list can be amended at the discretion of the Director of Resources, should the need arise due to operational requirements.