



LOCAL PENSIONS BOARD

Wednesday, 31 March 2021

REPORT TITLE:	TREASURY MANAGEMENT STRATEGY & REPORT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to request that Members approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund (MPF) for the year 2021/22.

The main aims when managing liquid resources are the security of capital; the liquidity of investments; matching inflows from lending to predicted outflows; an optimal return on investments commensurate with proper levels of security and liquidity.

Effective management and the control of risk are prime objectives of the treasury management policy and practices.

MPF will comply with the twelve treasury management practices set out in the treasury management policy statement.

The policy statement is attached as Appendix 1 to this report.

RECOMMENDATION/S

That Members approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund for the financial year 2021/22.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 The approval of the treasury management policy statement and the treasury management practices for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant for this report.

3.0 BACKGROUND INFORMATION

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year. The plan and strategy were last approved by the Pensions Committee on 3 February 2020.
- 3.2 The Fund will run minimal cash balances to pay pensions and meet other obligations. The core position is 1% of Fund assets as agreed within the strategic asset allocation approved on 3 February 2020.
- 3.3 Internally managed investment cashflows will continue to be channelled through the Custodian, to maximise benefits and efficiencies agreed under the contract.
- 3.4 Counterparties are reviewed on a regular basis using a range of information sources, including credit rating agencies, internal research (both from the treasury team and internal investment managers), information from brokers, advice given by the treasury management consultants, information on Government support for banks and the credit ratings of that Government support. The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.
- 3.4 The Fund's cash flows for dealings with members has moved negative with outflows to pensioners more than income from contributions and with the 2019 triennial valuation improved results, this has reduced contribution income further. The impact of COVID on the Fund's cashflows has been and will continue to be closely monitored throughout 2021/22. In an environment where a significant proportion of investment income is directly reinvested, the levels of liquid resources held need to be adequate and needs effective management with daily cashflows and regular reporting being essential.
- 3.5 The Fund always ensures it has adequate cash resources to meet its commitments, the Fund has significant assets that can be realised within 7 days, further mitigating the liquidity risk.
- 3.6 The UK Bank Rate remains at 0.10% and it is expected to remain at this level throughout 2021/22, although further cuts to zero or even negative cannot be ruled out. Short-term money market rates and bank deposit rates are likely to remain at low levels for an extended period which will have an impact on investment income.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are no implications arising directly from this report.

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 treasury management policy statement is concerned mainly with the mitigation of risks.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

There is no relevance to equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environmental or climate implications arising from this report.

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APPENDICES

The Treasury Management Policy Statement 2021/22 is attached as appendix 1 to this report

BACKGROUND PAPERS

CIPFA Treasury Management Code of Practice and Guidance Notes.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	3 February 2020
	16 July 2019
	21 January 2019
	16 July 2018
	22 January 2018