

Crawley Borough Council

Report to Overview and Scrutiny Commission 04 July 2022

Report to Cabinet 06 July 2022

Treasury Management Outturn 2021-2022

Report of the Head of Corporate Finance – FIN/575

1. Purpose

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2021/22 the minimum reporting requirements were that the Full Council should receive the following reports:
 - an Annual Treasury Strategy in advance of the year (Council 24/02/2021, FIN/517)
 - a mid-year treasury update report (Council 15/12/2021, FIN/538)
 - an annual review following the end of the year describing the activity compared to the Strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Overview and Scrutiny Commission before they were reported to the Full Council.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet

The Cabinet is recommended to:

- a) To approve the actual 2021/22 Prudential and Treasury Indicators as set out in the report;
- b) To note the Annual Treasury Management Report for 2021/22.

3. Reasons for the Recommendations

- 3.1 The Council's financial regulations, in accordance with the CIPFA Code of Practice for Treasury Management, requires an annual review following the end of the year describing the activity compared to the Strategy. This report complies with these requirements.

4. The Council's Capital Expenditure and Financing

- 4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions, etc.), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 4.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund £'000	2020/21 Actual	2021/22 Budget	2021/22 Actual
Capital expenditure	19,514	44,989	31,416
Non-financial investments	0	0	0
Financed in year	19,514	28,989	31,416
Unfinanced capital expenditure	0	16,000	0

HRA £'000	2020/21 Actual	2021/22 Budget	2021/22 Actual
Capital expenditure	22,703	33,400	13,927
Financed in year	22,703	33,400	13,927
Unfinanced capital expenditure	0	0	0

5. The Council's Overall Borrowing Need

- 5.1 On 31st March 2022, the Council had net borrowing of £131.380m arising from its 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 factors are summarised in the table below.

£'000	31 March 2022 Actual
CFR General Fund	18,778
CFR HRA	240,625
Total CFR	259,403
External borrowing	260,325

£'000	31 March 2022 Actual
Over borrowing	(922)
Less: Usable reserves	75,549
Less: Working capital	53,396
Net borrowing	131,380

- 5.2 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.
- 5.3 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.
- 5.4 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

General Fund £'000	2021/22
Authorised limit	26,000
Maximum gross borrowing position during the year	5,000
Operational boundary	16,000
Average gross borrowing position	579
Financing costs as a proportion of net revenue stream	-0.63%

- 5.5 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

HRA £'000	2021/22
Authorised limit	270,325
Maximum gross borrowing position during the year	260,325
Operational boundary	260,325
Average gross borrowing position	260,325
Financing costs as a proportion of net revenue stream	17.52%

6. Treasury Position as at 31 March 2022

- 6.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

6.2 Security

The Council 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	Actual 31 March 2022	2021/22 Target	Complied?
Portfolio average credit rating	AA-	A	✓

6.3 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Actual 31 March 2022	2021/22 Target	Complied?
Total cash available within 3 months	£44.7m	£3m	✓

6.4 Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	Actual 31 March 2022	2021/22 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£0.208m	£1m	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£(0.208)m	£(1)m	✓

6.5 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 all borrowing were:

	31 March 2021 Actual £000	2021/22 Original Limits	31 March 2022 Actual £000	Complied?
Under 12 months	0	10%	11,000 (4%)	✓
12 months and within 24 months	11,000 (4%)	10%	12,000 (5%)	✓
24 months and within 5 years	38,000 (15%)	20%	41,000 (16%)	✓
5 years and within 10 years	86,000 (33%)	40%	92,000 (35%)	✓
10 years and within 20 years	125,325 (48%)	55%	104,325 (40%)	✓
20 years and within 30 years	0	10%	0	✓
30 years and within 40 years	0	10%	0	✓
40 years and within 50 years	0	10%	0	✓

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.

6.6 Principal sums invested for periods longer than a year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities greater than one year beyond the period end were:

	2021/22	2022/23	2023/24
Actual principal invested beyond year end	£10m	£0m	£0m
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied?	✓	✓	✓

6.7 The treasury management position at 31st March 2022 and the change during the year is shown in the table below.

Treasury Management Summary	31.3.21 Balance £000	Movement £000	31.3.22 Balance £000	31.3.22 Rate %
Long-term borrowing	260,325	(11,000)	249,325	3.2
Short-term borrowing	0	11,000	11,000	2.6
Total borrowing	260,325	0	260,325	3.2
Long-term investments	0	9,996	9,996	0.29
Short-term investments	92,000	6,893	98,893	0.24
Cash and cash equivalents	17,094	2,962	20,056	0.62
Total investments	109,094	19,851	128,945	0.30
Net borrowing	151,231	(19,851)	131,380	

7. Borrowing Update and Outturn for 2021/22

- 7.1 The Authority was not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.
- 7.2 At 31st March 2022 the Council held £260.325m of loans, no change from 31st March 2021, which was all for the HRA self-financing settlement.
- 7.3 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 7.4 In keeping with these objectives, no new borrowing was undertaken.

8. Investment strategy and control of interest rate risk

- 8.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 8.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £109.1 and £157.6 million due to timing differences between income and expenditure. The investment position is shown in the table below.

INVESTMENT PORTFOLIO	Actual 31 March 2021 £000	Net Movement £000	Actual 31 March 2022 £000	31 March 2022 Income Return %	31 March 2022 Weighted Average Maturity Days
Treasury investments					
UK Banks	494	62	556	0.65%	1
Government	0	17,189	17,189	0.30%	286
Local authorities	92,000	(300)	91,700	0.23%	196
Money Market Funds	16,600	(7,100)	9,500	0.56%	1
Cash plus funds	0	10,000	10,000	0.67%	5
TOTAL TREASURY INVESTMENTS	109,094	19,851	128,945	0.27%	192

- 8.3 Both the CIPFA Code and government guidance require the Council 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. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 8.4 Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31st March, the 1-day return on the Authority's MMFs ranged between 0.51% - 0.58% p.a.
- 8.5 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy, rates increased to between 0.55% and 0.85% depending on the deposit maturity. The average return on the Authority's DMADF deposits was 0.54%.
- 8.6 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

Investments managed in-house	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2021	4.56	A+	16%	143	0.40
31.03.2022	4.39	AA-	8%	192	0.27
Similar Las	4.37	AA-	61%	43	0.46
All LAs	4.39	AA-	60%	14	0.46

- 8.7 Externally Managed Pooled Funds: £10m of the Council's investments is invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.
- 8.8 In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term 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.

9. Non-Treasury Investments

- 9.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

- 9.2 The Council held £13.542m of commercial investments in directly owned properties.

A full list of the Council's commercial investments is in the table below:

	Purchase Cost £000	Fair Value as at	Income for year	Rate of return %
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		31/03/2022 £000	2021/22 £000	
Atlantic House	4,633	8,338	320	3.84
49-51 High Street	1,576	1,183	28	2.39
Ashdown House	7,915	4,021	627	15.59
TOTAL	14,124	13,542	975	7.20

Kingsgate car park was bought as an investment property for commercial purposes, but this transferred to an operational property after the lease was surrendered without notice on 11 October 2021. It therefore does not appear in the table above.

9.3 The Authority also held £57.699m of service investments in

- directly owned property £57.299m
- loan to The Hawth £0.4m

Service investments are not held primarily for financial return and support service objectives of the Council.

10. Investment Outturn for 2021/22

10.1 **Investment Policy** – the Council’s investment policy is governed by Government guidance, which was been implemented in the annual investment strategy approved by the Council on 24 February 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks and credit default swaps.

10.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

10.3 **Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows.

Balance Sheet Resources (£'000)	31 March 2021	31 March 2022
General Fund Balance	5,457	5,457
HRA Balance	3,198	3,198
Earmarked reserves (Appendix 3)	33,389	20,056
Major Repairs Reserve	23,095	27,007
Usable capital receipts	31,160	19,831
Working capital	12,795	53,396
Total	109,094	128,945

10.4 **Investments held by the Council** - the Council maintained an average balance of £130,669,451 of internally managed funds. The internally managed funds earned an average rate of return of 0.32%. See appendix 2 for a list of investments held at 31 March 2022. Revisions of the capital programme in the year (see 4.2) led to higher investment balances than budgeted. The lower rates of return are discussed in paragraph 5.2 and appendix 1.

11. Implications

- 11.1 The financial and legal implications are addressed throughout this report. The Council's investments were managed in compliance with the Treasury Management Code and the Prudential Code through the year.

12. Background Papers

[Treasury Management Strategy for 2021/2022 – Cabinet, 3 February 2021 \[FIN/517 refers\]](#)

[Treasury Management Mid-Year Review 2021/22 – Cabinet, 24 November 2021 \[FIN/538 refers\]](#)

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Economic background

The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was

stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

Financial markets

The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

Credit review

In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Authority's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Detailed holdings at 31 March 2022

APPENDIX 2

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
UK BANKS									
Lloyds Bank plc	20		01/04/2022	1	0.650%	0.556	0.556	10.000	A+
CENTRAL GOVERNMENT									
DMADF Cash Account	2712	15/03/2022	05/04/2022	5	0.530%	5.000			
	2715	28/03/2022	08/04/2022	8	0.550%	2.200	7.200	Unlimited	AA-
United Kingdom Gilts	2672	18/06/2021	31/01/2024	671	0.173%	4.886			
	2684	01/10/2021	31/01/2023	306	0.245%	4.959	10.000	15.000	AA-
LOCAL AUTHORITIES									
Birmingham City Council	2667	30/11/2021	29/11/2022	243	0.100%	5.000	5.000	15.000	AA-
Blackburn with Darwen BC	2643	13/09/2021	12/09/2022	165	0.200%	5.000	5.000	15.000	AA-
Cherwell District Council	2654	16/08/2021	16/08/2022	138	0.100%	5.000	5.000	15.000	AA-
Cheshire West and Chester Council	2671	04/01/2022	03/01/2023	278	0.100%	5.000	5.000	15.000	AA-
Derbyshire County Council	2653	28/10/2021	28/10/2022	211	0.100%	5.000	5.000	15.000	AA-
Gloucester City Council	2655	25/10/2021	24/10/2022	207	0.100%	3.700	3.700	15.000	AA-
Guildford Borough Council	2695	01/11/2021	01/11/2022	215	0.100%	5.000	5.000	15.000	AA-
London Borough Of Hillingdon	2661	20/12/2021	19/12/2022	263	0.100%	5.000	5.000	15.000	AA-
Lancashire CC	2690	01/11/2021	01/11/2022	215	0.200%	2.000	2.000	15.000	AA-
London Borough of Islington	2652	07/05/2021	06/05/2022	36	0.100%	5.000	5.000	15.000	AA-
City of Liverpool	2651	21/06/2021	20/06/2022	81	0.150%	5.000	5.000	15.000	AA-
Middlesborough Borough Council	2716	31/03/2022	30/09/2022	183	0.900%	5.000	5.000	15.000	AA-
Monmouthshire County Council	2697	27/01/2022	26/01/2023	301	0.180%	3.000	3.000	15.000	AA-
North Lincolnshire Council	63	01/04/2021	01/04/2022	1	1.750%	3.000	3.000	15.000	AA-
Royal Borough of Windsor & Maidenhe	2688	18/10/2021	19/04/2022	19	0.020%	5.000	5.000	15.000	AA-
Rotherham Metropolitan Borough Coun	2645	18/06/2021	16/06/2023	442	0.450%	5.000	5.000	15.000	AA-
Slough Borough Council	2657	29/10/2021	28/10/2022	211	0.100%	2.000			
	2659	19/11/2021	21/11/2022	235	0.100%	3.000	5.000	15.000	AA-
South Cambridgeshire District Counc	2658	15/12/2021	14/12/2022	258	0.100%	5.000	5.000	15.000	AA-
Uttlesford District Council	2641	14/09/2021	13/09/2022	166	0.200%	5.000	5.000	15.000	AA-
Warrington Borough Council	2668	30/11/2021	29/11/2022	243	0.110%	5.000	5.000	15.000	AA-
MONEY MARKET FUNDS									
Aberdeen Liquidity Fund	5		01/04/2022	1	0.507%	2.500	2.500	6.000	AAA
The Public Sector Deposit Fund	6		01/04/2022	1	0.579%	7.000	7.000	15.000	AAA
STRATEGIC FUNDS									
Royal London	2714		05/04/2022	5	0.670%	10.000	10.000	10.000	A+

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
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INVESTMENT PROPERTIES

Ashdown House							8.338		
49-51 High Street							1.183		
Atlantic House							4.021		
							----- 13.542 -----		
							----- 142.487 -----		

Earmarked Reserves

	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
General Fund:				
Capital Programme	2,242	(152)	203	2,293
Restructuring Impact Reserve	400	-	-	400
Vehicles and Plant	1,015	(68)	685	1,632
Insurance Fund	378	-	-	378
ICT Replacement	170	(10)	100	260
Specialist Equipment at K2 Crawley and Hawth	166	-	100	266
Risk Management	175	-	90	265
Heritage Strategy	18	-	-	18
Pathfinder	24	-	-	24
Local Development Framework	443	(147)	127	423
Health & Wellbeing Grant	170	(6)	59	223
Connecting Communities	48	-	-	48
Homeless grant	141	-	-	141
Town Centre and Regeneration Reserve	124	(31)	161	254
Waste Collection	226	-	-	226
Worth Park HLF	33	-	-	33
Vol. Sector Transition Funding	24	-	34	58
Welfare Reform	430	(33)	-	397
Transparency	9	(16)	8	1
Shore gap fund	7	-	-	7
Parks Investment Reserve	-	(76)	344	268
Museum	60	(1)	-	59
Town Centre 75 th Entertainment	-	-	5	5
EU Exit Funding	338	(247)	-	91
Park Improvement Fund	87	-	-	87
Business Rates Pool Cycling	115	(13)	-	102
Homeless Accommodation Acquisition	1,529	-	-	1,529
Queen Square	381	-	-	381
Supported Accommodation	120	-	-	120
Town Funds	134	(1,144)	1,055	45

	Balance at 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
Covid-19 Expenses Reserve	645	-	172	817
HMO Licenses	21	-	25	46
Transformation and Project Deliver	-	-	500	500
Woodland Trust Forestry Work	-	-	27	27
Climate Emergency	-	-	7	7
DEFRA Environment Health	-	-	17	17
Biodiversity Net Gain Grant	-	-	10	10
Garage maintenance	-	-	169	169
Learning and Development	-	-	55	55
Town Hall Equalisation	-	-	150	150
Licensing New Burdens	-	-	14	14
CBC Earmarked Reserves	9,673	(1,944)	4,117	11,846
Business Rates Equalisation*	21,821	(13,859)	-	7,962
Covid Grants*	1,813	(1,813)	167	167
Council Tax Income Guarantee*	81	-	-	81
Total Earmarked Reserves	33,388	(17,616)	4,284	20,056

Other Information

Revised CIPFA codes, Updated PWLB Lending Facility Guidance: In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. 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. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Council has opted to defer until 2023/24.

To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. The Council will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 financial year.

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard has an optional delay until 2024/25. The Council have opted to adopt IFRS 16 from 1st April 2022.