

Wiltshire Council

Cabinet

30 November 2021

**Subject: Report on Treasury Management Strategy 2021/22
Half Year ended 30 September 2021**

**Cabinet member: Councillor Pauline Church - Cabinet Member for Finance,
Procurement, Commissioning, IT, Digital and
Commercialisation**

Key Decision: Non Key

Executive Summary

The Council adopted the Treasury Management Strategy and an Annual Investment Strategy for 2021/22 at its meeting on 23 February 2021.

In addition to an Annual Report, the Treasury Management Strategy requires a mid-year report reviewing the Treasury Management activities for the current year so far. This report covers the period from 1 April 2021 to 30 September 2021.

The Council has not taken out any new PWLB borrowing (loans) during 2021/22. However, it has drawn down further loan funding of £1.000m from Salix.

Against budget, there is a projected net underspend in respect of interest receivable/payable of £0.040m.

The Council has not breached any of its performance indicators for the half year 1 April 2021 to 30 September 2021.

During the year the Council breached the counterparty duration limit for an investment held with Leeds Building Society. The duration limit is 100 days, and the investment was made for 110 days (details can be found in paragraphs 49 - 52). Actions have been taken to mitigate the risk of reoccurrence of any such breach.

As a result of restructure and staff changes, there is a recommendation for Full Council to approve a revision to the HSBC Bank mandate.

Proposals

Cabinet is asked to note:

- a) that the contents of this report are in line with the Treasury Management Strategy 2021/22.
- b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2021/22.

Cabinet is asked to approve:

- c) a recommendation to Full Council to approve the revised HSBC Bank Mandate (paragraphs 53 – 56 and appendix 3)

Reasons for Proposals

To give members an opportunity to consider the performance of the Council in the period to 30 September 2021 against the parameters set out in the approved Treasury Management Strategy for 2021/22.

To bring the HSBC Bank Mandate in line with the current Council and Finance Management Structure.

Terence Herbert
Chief Executive

Andy Brown
Corporate Director of Resources & Deputy Chief Executive (s151 Officer)

Wiltshire Council

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Purpose of Report

1. The Council adopted a Treasury Management Strategy for 2021/22 at its meeting on 23 February 2021, incorporating Prudential Indicators, Treasury Management Indicators and an Annual Investment Strategy, in accordance with the Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
2. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly. This report, ensures Wiltshire Council is implementing best practice in accordance with the Code, and covers the following,
 - An economic update for the first half of the 2021/22 financial year
 - A review of the Treasury Management Strategy and Annual Investment Strategy
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators
 - A review of the Council's investment portfolio for 2021/22
 - A review of the Council's borrowing strategy for 2021/22
 - A review of compliance with treasury and prudential limits for 2021/22

Background

3. The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity, before considering optimising investment return.
4. The second main function of the treasury management team is the funding of the Council's capital plans. The capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cashflow surpluses.

Economic Background and Interest Rate Forecast

5. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. The Bank of England took emergency action in March 2020 to cut bank rate to 0.10%, and it has remained unchanged since.
6. The Council's treasury advisor, Link Group, has provided the following forecast. An increase in bank rate from 0.10% to 0.25% has been forecast for June 2022, and a further increase from 0.25% to 0.50% has been forecast for June 2023. A rise from 0.50% to 0.75% has been forecast at the end of the period, in March 2024.
7. The second and third rows of the table below are expected average earnings for cash investments by local authorities for three to six months. Rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

| | 2021/22 | | 2022/23 | | | | 2023/24 | | | |
|------------------------|---------|------|---------|------|------|------|---------|------|------|------|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Bank Rate | 0.10 | 0.10 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.75 |
| 3 Month Average | 0.10 | 0.10 | 0.20 | 0.20 | 0.30 | 0.40 | 0.50 | 0.50 | 0.60 | 0.70 |
| 6 Month Average | 0.20 | 0.20 | 0.30 | 0.30 | 0.40 | 0.50 | 0.60 | 0.60 | 0.70 | 0.80 |

8. It needs to be borne in mind that bank rate being cut to 0.10% was an emergency measure to deal with the Covid crisis. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.
9. Since the start of 2021, there has been a lot of volatility in gilt yields and hence PWLB rates. From a local authority borrowing perspective, the current PWLB certainty rate (the rate at which the Council can borrow) is 80 basis points (0.80%) over gilt yields.
10. Below is an interest forecast table for PWLB certainty rates, provided by Link Asset Services. This shows that there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US. However, there is still likely to be exceptional volatility and unpredictability.

| | 2021/22 | | 2022/23 | | | | 2023/24 | | | |
|-----------------------|---------|------|---------|------|------|------|---------|------|------|------|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 25yr PWLB Rate | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 | 2.60 |
| 50yr PWLB Rate | 2.00 | 2.00 | 2.10 | 2.20 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 |

11. One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by the Bank of England, to tolerate a higher level of inflation than in the previous two decades, when inflation was the prime target. There is now also a greater emphasis on other targets for monetary policy than just inflation.

12. The Bank of England has amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ and the European Central Bank (ECB) now has a similar policy. For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn.
13. The overall balance of risks to UK economic growth is now to the downside as this takes account of the residual risks from Covid and its variants – both domestically and the potential risks worldwide.

Treasury Management Strategy Statement and Annual Investment Strategy Update 2021/22

14. The Treasury Management Strategy Statement (TMSS) 2021/22, which includes the Annual Investment Strategy, was approved by Full Council on 23 February 2021.
15. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The Council’s Capital Position (Prudential Indicators)

16. This part of the report is structured to update
 - The Council’s capital expenditure plans
 - How these plans are being financed
 - The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow
 - Compliance with the limits in place for borrowing activity

Prudential Indicator for Capital Expenditure

17. The following table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Full Council on 23 February 2021.

| Capital Expenditure | 2021/22 Original Budget £m | 2021/22 Revised Budget £m | Current Position £m |
|---|---|--|------------------------------------|
| General Fund | 140.947 | 151.947 | 33.094 |
| Housing Revenue Account (HRA) | 31.577 | 22.029 | 7.071 |
| Commercial Activities/Non-financial investments * | 41.827 | 25.561 | 3.214 |
| Total | 214.351 | 199.537 | 43.379 |

* Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

Changes to the Financing of the Capital Programme

18. The following table draws together the main strategy elements of the capital plans (above) highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure.
19. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This borrowing need may also be supplemented by maturing debt and other treasury requirements.

| Capital Expenditure | 2021/22 Original Budget £m | 2021/22 Revised Budget £m |
|---|---|--|
| Total Capital Expenditure | 214.351 | 199.537 |
| Financed by: | | |
| Capital Receipts | 3.277 | 3.238 |
| Capital Grants | 57.212 | 72.212 |
| Contributions | 0.883 | 3.169 |
| HRA | 31.576 | 21.482 |
| Total Financing | 92.948 | 100.101 |
| Net Capital Expenditure to fund | 121.403 | 99.436 |
| Borrowing Funded by Revenue Saving in Service | 44.901 | 29.832 |
| External Borrowing | 76.502 | 69.604 |
| Total Borrowing Requirement | 121.403 | 99.436 |

Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

20. The following table shows the CFR, which is the underlying need to borrow for a capital purpose.

| Prudential Indicator – Capital Financing Requirement | 2021/22 Original Estimate £m | 2021/22 Revised Estimate £m |
|---|---|--|
| CFR – General Fund | 574.240 | 541.355 |
| CFR – HRA | 108.267 | 107.864 |
| Total CFR | 682.507 | 649.219 |

21. The following table shows the operational boundary; this is the limit beyond which the external debt is not normally expected to exceed. The operational boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cashflow purposes, which is consistent with other budget proposals. This was set in the TMSS 2021/22, which was approved by Full Council on 23 February 2021 and does not change throughout the year.

| Prudential Indicator - Operational Boundary for External Debt | 2021/22 Original Estimate £m |
|--|---|
| Borrowing | 705.619 |

| | |
|-----------------------------|----------------|
| Other Long Term Liabilities | 0.200 |
| Operational Boundary | 705.819 |

Limits to Borrowing Activity

22. The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowing less investments) will only be for a capital purpose.
23. Gross external borrowing should not, except in the short term exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the next two financial years. This allows some flexibility for limited early borrowing for future years.

| | 2021/22 Original Estimate £m | 2021/22 Current Position £m | 2021/22 Revised Estimate £m |
|-----------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Borrowing | 456.926 | 335.054 | 426.490 |
| Other Long Term Liabilities | 0.200 | 0.200 | 0.200 |
| Total Debt | 457.126 | 335.254 | 426.690 |
| | | | |
| CFR | 682.507 | 649.219 | 649.219 |

24. A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit, which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired could be afforded in the short term, is not sustainable in the long term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Authorised Limit was set in the TMSS 2021/22, which was approved by Full Council on 23 February 2021 and does not change throughout the year.

| Authorised Limit for External Debt | 2021/22 Original Estimate £m |
|------------------------------------|------------------------------------|
| Borrowing | 720.553 |
| Other Long Term Liabilities | 0.200 |
| Total Authorised Limit | 720.753 |

Borrowing

25. The Council's Capital Financing Requirement (CFR) for 2021/22 is £682.507m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is usually driven by market conditions.
26. The table in paragraph 24 shows the Council has borrowings of £335.054m and has currently utilised £314.165m of cash flow funds in lieu of borrowing. This figure

includes £64.502m PFI liability, which when accounted for, results in a net internal borrowing position of £249.663m. It is forecast that this under-borrowed position will decrease to £158.227m by 31 March 2022.

27. As the capital programme is kept under regular review, the borrowing strategy will therefore also be regularly reviewed and revised if necessary, in order to achieve optimum value and minimise risk exposure in the long-term.
28. To minimise investment risk, the Council has reduced the overall debt liability by not renewing £6.000m of external debt. However, this policy will require ongoing monitoring in the event that upside risks to gilt yields prevail.
29. Due to a lower revised estimate of external borrowing, the current forecast for interest expenditure for 2021/22 against the budget is an underspend of £0.120m.
30. A summary of the Council's borrowing position as at 30 September 2021 is detailed at Appendix 1.

Debt Rescheduling

31. Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted the PWLB borrowing rates since October 2010. Therefore, no debt rescheduling has been undertaken in the current financial year.

Compliance with Treasury and Prudential Limits

32. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2021, the Council has operated within the treasury and prudential indicators set out in the Council's TMSS 2021/22.
33. No future difficulties are envisaged for the current or future years in complying with these indicators.

Annual Investment Strategy

34. The Council will aim to achieve the optimum return on its investments commensurate with proper security and liquidity levels, consistent with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods of up to 12 months with high credit rated institutions.
35. Given this environment and the fact that bank rate may only rise marginally, or not at all, before mid-2023, investment returns are expected to remain low.

Creditworthiness

36. Significant levels of downgrades to short and long term credit ratings have not materialised since the start of the pandemic in March 2020. In the main, when they did change, any alterations were limited to 'outlooks'. However, as economies are

beginning to reopen, there have been some instances of previous lowering of outlooks being reversed.

Investment Counterparty Criteria

37. The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach, combining credit ratings, credit watches and credit outlooks in a weighted scoring system. This produces a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.
38. The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS Prices

39. Although Credit Default Swap (CDS) prices, that are market indicators of credit risk for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return.

Investment Portfolio 2021/22

40. As at 30/09/2021, the Council held £183.712m of cash investments. This compares to £142.452m as at 31/03/2021.
41. The average level of funds available for investment over the first six months of the year was £179.488m. The level of funds available was mainly dependant on the timing of payments, receipt of grants and progress on the capital programme.
42. A summary of the Council's investments as at 30 September 2021 are detailed at Appendix 2

Investment Performance 2021/22

43. The investment portfolio yield for the first six months of the year was 0.09% against a benchmark of negative 0.05% (three month LIBID (London Interbank Bid) rate). Therefore, the Council outperformed the benchmark by 14 bps (basis points).
44. The benchmark level is calculated using the traditional market method for calculating LIBID rates, which is LIBOR (London Interbank Offered Rate) minus 0.125%. Given the ultra low LIBOR rates this year, this produces a negative rate for some periods (including this one)
45. The current forecast for interest income for 2021/22 is £0.080m below the budget.
46. In respect of the total interest income and expenditure budget, there is a combined projected net underspend of £0.040m. This forecast has been included within the figures reported in the period 6 revenue budget monitoring report to Cabinet.

Breach of Counterparty Duration Limit – Leeds Building Society

47. During the year, an investment was made with Leeds Building Society for £10.000m. According to the counterparty list provided by Link Asset Services, the suggested duration for Leeds Building Society at this time was 100 days. The duration of this investment was 110 days.
48. The intention for this investment was for a much shorter duration (six weeks), however when the investment was due to be placed, Leeds Building Society reported that they had filled their cash requirement for this duration but would accept an investment with a longer maturity date.
49. This investment is due to mature on 4 January 2022, which means the remaining duration is six weeks.
50. The risk of the above situation reoccurring will be mitigated through further automation of the daily dealing sheet (the spreadsheet used to record the daily cashflow activity), whereby an automated duration calculation is compared to the Counterparty duration criteria.

HSBC – Bank Mandate Revision

51. Wiltshire Council has three main bank accounts held with HSBC.
 - County Fund – for all general income and expenditure relating to the operation of the Council
 - Salaries, Wages and Pensions – for all expenditure relating to the Council's payroll
 - Accounts Payable – for all expenditure relating to the payment of the Council's suppliers
52. In order to operate the above bank accounts, HSBC requires that the Council authorises a number of key staff, to sign the mandate. On the Council's instruction, authorised signatories are assigned a letter indicating the monetary limit and scope of their authorisation. Due to staff and structure changes these authorised signatories need to be revised.
53. HSBC necessitates that the above changes to the bank mandate require approval by Full Council.
54. Details of the proposed mandate revision are provided in Appendix 3

Overview & Scrutiny Engagement

55. Financial Planning Task Group will consider this report on 26 November 2020. Any comments from the Task Group will be reported verbally at the meeting of Cabinet.

Safeguarding Implications

56. None have been identified as arising directly from this report.

Public Health Implications

57. None have been identified as arising directly from this report.

Procurement Implications

58. None have been identified as arising directly from this report.

Equalities Impact of the Proposal

59. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

60. None have been identified as arising directly from this report.

Risks that may arise if the proposed decision and related work is not taken

61. The Council will not be able to make business critical changes to the HSBC bank mandate, which will affect day to day operations of the banking and treasury functions.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

62. Risks associated with the signatories on the bank mandate are mitigated through robust audit and governance procedures, including controls such as dual signatories at 'B' level

63. All investments have been at fixed rates during the period. The Council's current average interest rate on long term debt is 3.74%, which compares favourably with similar rates of other UK local authorities.

64. The primary management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of counterparties.

65. Investment counterparty risk is controlled by assessing and monitoring the credit risk of borrowers as authorised by the Annual Investment Strategy.

Financial Implications

66. These have been examined and are implicit throughout the report.

Legal Implications

67. None have been identified as arising directly from this report.

Workforce Implications

68. None have been identified as arising directly from this report.

Proposals

69. Cabinet is asked to note:

- a) that the contents of this report are in line with the Treasury Management Strategy 2021/22.
- b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2021/22.

70. Cabinet is asked to approve:

- c) a recommendation to Full Council to approve the changes to the HSBC Bank Mandate. (paragraphs 53 – 56 and appendix 3).

Andy Brown

Corporate Director of Resources & Deputy Chief Executive (s151 Officer)

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11 October 2021

Appendices

Appendix 1 Borrowing Portfolio

Appendix 2 Investment Portfolio

Appendix 3 Bank Mandate Revision

Borrowing Portfolio as at 30 September 2021

| Lender | Start Date | Maturity Date | Amount £m | Rate % | Annual Interest £m |
|---------------------------------------|------------|---------------|--------------|-----------|--------------------------|
| Public Works Loan Board (PWLB) | | | | | |
| PWLB | 28/03/2012 | 28/03/2022 | 8.000 | 2.40 | 0.192 |
| PWLB | 28/03/2012 | 28/03/2023 | 8.000 | 2.56 | 0.205 |
| PWLB | 15/02/2010 | 01/06/2023 | 2.000 | 4.45 | 0.089 |
| PWLB | 28/03/2012 | 28/03/2024 | 8.000 | 2.70 | 0.216 |
| PWLB | 15/02/2010 | 01/06/2024 | 2.000 | 4.49 | 0.090 |
| PWLB | 28/03/2012 | 28/03/2025 | 8.000 | 2.82 | 0.226 |
| PWLB | 14/08/2001 | 01/12/2025 | 0.123 | 4.875 | 0.006 |
| PWLB | 28/03/2012 | 28/03/2026 | 10.000 | 2.92 | 0.292 |
| PWLB | 15/02/2010 | 01/06/2026 | 2.000 | 4.54 | 0.091 |
| PWLB | 28/03/2012 | 28/03/2027 | 8.000 | 3.01 | 0.241 |
| PWLB | 21/08/2002 | 01/06/2027 | 4.000 | 4.75 | 0.190 |
| PWLB | 28/03/2012 | 28/03/2028 | 6.000 | 3.08 | 0.185 |
| PWLB | 29/07/1999 | 01/06/2028 | 1.000 | 4.75 | 0.048 |
| PWLB | 15/02/2010 | 01/06/2028 | 2.000 | 4.56 | 0.091 |
| PWLB | 28/03/2012 | 28/03/2029 | 7.000 | 3.15 | 0.221 |
| PWLB | 29/07/1999 | 01/06/2029 | 1.000 | 4.75 | 0.048 |
| PWLB | 28/03/2012 | 28/03/2030 | 8.000 | 3.21 | 0.257 |
| PWLB | 29/07/1999 | 01/06/2030 | 1.000 | 4.75 | 0.048 |
| PWLB | 20/05/2005 | 01/06/2030 | 2.000 | 4.45 | 0.089 |
| PWLB | 05/12/2005 | 18/03/2031 | 5.000 | 4.25 | 0.213 |
| PWLB | 28/03/2012 | 28/03/2031 | 2.000 | 3.26 | 0.065 |
| PWLB | 29/07/1999 | 01/06/2031 | 1.000 | 4.75 | 0.048 |
| PWLB | 20/05/2005 | 01/06/2031 | 2.000 | 4.45 | 0.089 |
| PWLB | 21/11/2005 | 18/09/2031 | 2.000 | 4.25 | 0.085 |
| PWLB | 28/03/2012 | 28/03/2032 | 5.000 | 3.30 | 0.165 |
| PWLB | 20/05/2005 | 01/06/2032 | 2.000 | 4.45 | 0.089 |
| PWLB | 04/11/1999 | 01/12/2032 | 1.500 | 4.625 | 0.069 |
| PWLB | 28/03/2012 | 28/03/2033 | 6.000 | 3.34 | 0.200 |
| PWLB | 20/05/2005 | 01/06/2033 | 2.000 | 4.45 | 0.089 |
| PWLB | 15/11/1999 | 19/09/2033 | 1.000 | 4.25 | 0.043 |
| PWLB | 28/03/2012 | 28/03/2034 | 7.000 | 3.37 | 0.236 |
| PWLB | 20/05/2005 | 01/06/2034 | 2.000 | 4.45 | 0.089 |
| PWLB | 15/11/1999 | 18/09/2034 | 1.000 | 4.25 | 0.043 |
| PWLB | 21/11/2005 | 18/09/2034 | 5.000 | 4.25 | 0.213 |
| PWLB | 28/03/2012 | 28/03/2035 | 2.000 | 3.40 | 0.068 |
| PWLB | 14/06/2005 | 14/06/2035 | 5.000 | 4.35 | 0.218 |
| PWLB | 15/11/1999 | 18/09/2035 | 1.000 | 4.25 | 0.042 |
| PWLB | 21/11/2005 | 18/09/2035 | 5.000 | 4.25 | 0.213 |
| PWLB | 15/11/1999 | 18/09/2036 | 0.500 | 4.25 | 0.021 |
| PWLB | 15/11/1999 | 18/09/2036 | 0.500 | 4.25 | 0.021 |

| | | | | | |
|-------------------------|------------|------------|----------------|-------|--------------|
| PWLB | 28/03/2012 | 28/03/2037 | 9.000 | 3.44 | 0.310 |
| PWLB | 11/01/2006 | 01/12/2037 | 4.000 | 4.00 | 0.160 |
| PWLB | 11/01/2006 | 01/12/2038 | 4.000 | 4.00 | 0.160 |
| PWLB | 15/02/2010 | 01/06/2041 | 2.000 | 4.57 | 0.091 |
| PWLB | 11/08/2006 | 01/12/2041 | 3.000 | 4.35 | 0.131 |
| PWLB | 15/02/2010 | 01/06/2042 | 2.000 | 4.57 | 0.091 |
| PWLB | 11/08/2006 | 01/12/2042 | 2.000 | 4.35 | 0.087 |
| PWLB | 11/08/2006 | 01/12/2043 | 2.000 | 4.35 | 0.087 |
| PWLB | 06/09/2006 | 01/12/2044 | 3.000 | 4.25 | 0.128 |
| PWLB | 06/09/2006 | 01/12/2045 | 3.000 | 4.25 | 0.128 |
| PWLB | 29/06/2006 | 18/09/2046 | 4.000 | 4.45 | 0.178 |
| PWLB | 30/08/2006 | 01/12/2046 | 2.000 | 4.25 | 0.085 |
| PWLB | 29/06/2006 | 18/09/2047 | 4.000 | 4.45 | 0.178 |
| PWLB | 30/08/2006 | 01/12/2047 | 2.000 | 4.25 | 0.085 |
| PWLB | 09/10/1998 | 18/09/2048 | 1.000 | 4.50 | 0.045 |
| PWLB | 29/06/2006 | 18/09/2048 | 3.500 | 4.45 | 0.156 |
| PWLB | 30/08/2006 | 01/12/2048 | 2.000 | 4.25 | 0.085 |
| PWLB | 09/10/1998 | 18/09/2049 | 1.000 | 4.50 | 0.045 |
| PWLB | 29/06/2006 | 18/09/2049 | 3.000 | 4.45 | 0.134 |
| PWLB | 30/08/2006 | 01/12/2049 | 2.000 | 4.25 | 0.085 |
| PWLB | 30/08/2006 | 01/06/2050 | 5.000 | 4.25 | 0.213 |
| PWLB | 17/09/1998 | 18/09/2050 | 1.000 | 5.125 | 0.051 |
| PWLB | 17/09/1998 | 18/09/2051 | 1.000 | 5.125 | 0.051 |
| PWLB | 07/03/2007 | 01/06/2052 | 2.000 | 4.25 | 0.085 |
| PWLB | 23/07/1998 | 03/06/2052 | 1.000 | 5.50 | 0.055 |
| PWLB | 07/03/2007 | 01/06/2053 | 2.000 | 4.25 | 0.085 |
| PWLB | 23/07/1998 | 02/06/2053 | 1.000 | 5.50 | 0.055 |
| PWLB | 19/06/1998 | 01/06/2054 | 1.000 | 5.375 | 0.054 |
| PWLB | 19/06/1998 | 01/06/2055 | 1.000 | 5.375 | 0.054 |
| PWLB | 21/06/2006 | 01/06/2055 | 2.000 | 4.30 | 0.086 |
| PWLB | 22/06/2006 | 18/09/2055 | 4.000 | 4.35 | 0.174 |
| PWLB | 19/06/1998 | 01/06/2056 | 1.500 | 5.375 | 0.081 |
| PWLB | 21/06/2006 | 01/06/2056 | 3.000 | 4.30 | 0.129 |
| PWLB | 22/06/2006 | 01/06/2056 | 6.000 | 4.35 | 0.261 |
| PWLB | 02/10/1997 | 25/09/2057 | 1.500 | 6.625 | 0.099 |
| PWLB | 13/03/2019 | 13/03/2063 | 10.000 | 2.36 | 0.236 |
| PWLB | 13/03/2019 | 13/03/2064 | 10.000 | 2.36 | 0.236 |
| PWLB | 13/03/2019 | 13/03/2065 | 10.000 | 2.36 | 0.236 |
| Total PWLB Loans | | | 268.123 | | 9.827 |

| Lender | Start Date | Maturity Date | Amount £m | Rate % | Annual Interest £m |
|----------------------------------|------------|---------------|----------------|--------|--------------------|
| Market Loans – Fixed Rate | | | | | |
| Barclays Bank | 03/12/2004 | 03/12/2054 | 10.000 | 4.45 | 0.445 |
| Barclays Bank | 31/08/2005 | 31/08/2055 | 5.000 | 3.99 | 0.199 |
| Barclays Bank | 31/07/2007 | 01/08/2067 | 6.000 | 4.21 | 0.253 |
| | | | 21.000 | | 0.897 |
| Market Loans - LOBOs | | | | | |
| FMS Wermanagement | 07/12/2004 | 08/12/2053 | 10.000 | 4.45 | 0.445 |
| PBB Deutsche Pfandbriefbank | 10/12/2004 | 10/12/2052 | 10.000 | 4.45 | 0.445 |
| Dexia Credit Local | 10/12/2004 | 11/12/2051 | 10.000 | 4.45 | 0.445 |
| Dexia Credit Local | 20/02/2006 | 18/02/2066 | 6.000 | 4.45 | 0.267 |
| Beyern LB | 05/03/2007 | 07/03/2067 | 4.000 | 4.20 | 0.168 |
| | | | 40.000 | | 1.770 |
| Total Market Loans | | | 61.000 | | 2.667 |
| Salix Loans | | | | | |
| Loan 1 | 01/11/2019 | 01/04/2025 | 0.827 | 0.00 | 0.000 |
| Loan 2 | 01/03/2020 | 01/04/2026 | 4.104 | 0.00 | 0.000 |
| Loan 3 | 01/07/2021 | 01/01/2027 | 1.000 | 0.00 | 0.000 |
| Total Salix Loans | | | 5.931 | | 0.000 |
| Total - All Loans | | | 335.054 | | 12.494 |

Appendix 2

Investment Portfolio as at 30 September 2021 (compared to the counterparty list)

| Borrower | Amount (£m) | Interest Rate (%) | Start Date | Maturity | Link Credit Rating (see next page for explanatory key) |
|---|----------------|-------------------|------------|------------|--|
| First Abu Dhabi Bank | 10.000 | 0.14 | 07/05/2021 | 08/11/2021 | Orange - 12 months |
| Close Brothers | 10.000 | 0.25 | 25/05/2021 | 25/11/2021 | Red – 6 months |
| ANZ Banking Group Ltd | 10.000 | 0.10 | 08/06/2021 | 08/10/2021 | Orange – 12 months |
| National Bank of Kuwait (International) | 10.000 | 0.18 | 16/06/2021 | 16/12/2021 | Orange - 12 months |
| Qatar National Bank | 10.000 | 0.405 | 20/07/2021 | 20/01/2022 | Red – 6 months |
| Landesbank Hessen-Thueringen | 10.000 | 0.09 | 20/07/2021 | 20/10/2021 | Red – 6 months |
| Goldman Sachs | 10.000 | 0.19 | 03/08/2021 | 03/02/2022 | Red – 6 months |
| Landesbank Baden-Wuerttemberg | 10.000 | 0.10 | 18/08/2021 | 18/11/2021 | Red – 6 months |
| Leeds Building Society | 10.000 | 0.03 | 16/09/2021 | 04/01/2022 | Green – 100 Days |
| DBS Bank Ltd. | 10.000 | 0.11 | 23/09/2021 | 23/03/2022 | Orange - 12 months |
| Handelsbanken (35 Day Notice Account) | 14.980 | 0.10 | * | * | Orange - 12 months |
| Black Rock Money Market Fund | 29.980 | 0.01 | * | * | AAA |
| BNP Money Market Fund | 27.010 | 0.01 | * | * | AAA |
| Federated Money Market Fund | 7.891 | 0.01 | * | * | AAA |
| Goldman Sachs Money Market Fund | 0.001 | 0.01 | * | * | AAA |
| Aberdeen Investments Money Market Fund | 3.850 | 0.02 | * | * | AAA |
| Total | 183.712 | | | | |

* Money Market Funds/HSBC Overnight Investment Account/Call Account – cash can be invested and withdrawn on a daily basis (subject to maximum investment limits) so there is no start date or maturity date for the purposes of this report.

Link Asset Services provide a creditworthiness service, which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- a) credit watches and credit outlooks from credit rating agencies;

- b) CDS spreads to give early warning of likely changes in credit ratings;
- c) sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- a) Yellow – 5 years (this category is for AAA rated Government debt or its equivalent, including an investment instrument – collateralised deposits, where the investment is secured only against local authority debt, namely LOBOs, making them effectively government exposure);
- b) Dark pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- c) Light pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- d) Purple – 2 years;
- e) Blue – 1 year (only applies to nationalised or semi nationalised UK Banks and their subsidiaries);
- f) Orange – 1 year;
- g) Red – 6 months;
- h) Green – 100 days; and
- i) No Colour – not to be used.

The advisor's creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

HSBC Bank Mandate Revision

1. A Full Council decision is required to ensure the HSBC Bank Account Mandate is changed in accordance with the requirements laid down by HSBC, and robust governance procedures in accordance with the Council's Financial Regulations.
2. On the Council's instruction, authorised signatories are assigned a letter indicating the monetary limit and scope of their authorisation.

| Rule | Details | Signatory Type |
|-----------------|--|--|
| Signing Cheques | Less than £25k | 1 x A signature or 2 x B signature |
| | Greater than £25k | 2 x A signature, or 2 x B signature or 1 x A signature and 1 x B signature |
| Bank Account | Changes to details, and opening/closing | 1 x A signature or 2 x B signature |

3. Due to staff changes within the Finance Team, there are no longer any staff currently working at the Council who are authorised as an 'A' signatory, meaning that no changes can be made to bank account and mandate.
4. HSBC have advised officers at the Council, that new and revised signatories can be provided for the mandate.
5. The following officers have been recommended by Andy Brown, Corporate Director of Resources and the Council's section 151 Officer, who has delegated authority for banking arrangements, as set out within the Council's Financial Regulations.

| Authority Level | Officer Name | Officer Job Title |
|------------------------|-----------------------------|--|
| A | Lizzie Watkin | Assistant Director of Finance |
| | Sally Self | Chief Accountant |
| | Lizzie Watkin – Lithograph* | Assistant Director of Finance |
| B | Leanne Sykes | Head of Finance – Growth, Investment and Place |
| | Marie Taylor | Head of Finance – Children's and Education |
| | Ian Brown | Head of Revenues and Benefits |
| B (Pensions Only) | Andy Cunningham | Head of Pensions - Administration and Relations |
| | Jennifer Devine | Head of Pension Fund investment |

*lithograph is the printed signature on the cheques

6. The Corporate Director of Resources and Chief Executive have not been included as signatories, as they are designated by HSBC to be 'Key Controlling Officers', who are authorised to supply the bank with lists of persons authorised to sign, and act on behalf of the Council.
7. The involvement of Full Council in the authorisation of bank signatories represents good practice and governance by the Council.

Proposal

8. Cabinet recommends to Full Council the approval of the officers outlined at paragraph 5 above, to be signatories on the HSBC Bank Mandate.

Reason for Proposal

9. To ensure that the HSBC Bank Mandate is properly authorised by the appropriate key Council officers.