London Borough of Enfield

Report Title	**Treasury Management Strategy Statement for 2024/25**
Report to:	Cabinet
Date of Meeting:	21st February 2024
Cabinet Member:	Cllr Leaver
Directors:	Fay Hammond
Report Authors:	Olu Ayodele / Milan Joshi
Ward(s) affected:	All
Key Decision Number	5668
Implementation date, if not called in:	1st April 2024
Classification:	Part 1
Reason for exemption	Not applicable

Purpose of Report

1. This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2024/25 to 2033/34.

Recommendations:

2. Cabinet is requested to :

    a. Review and note the Treasury Management Strategy 2024/25 (Appendix 1) and

    b. Recommend the Council to approve the Treasury Management Strategy 2024/25

    c. Recommend to Council that Quarterly Treasury monitoring, from 2024/25, of the Council's Treasury position including Prudential Indicators is delegated to Cabinet as part of the quarterly monitoring cycle with the exception of the Mid-year update and Outturn positions which will be submitted to Council.

Executive Summary

3. General Fund capital financing budgets are forecast to be within the 10%-12% of Net Revenue Budget which Cabinet approved as the key measure the affordability in November 2024.

4. As part of the Medium-Term Financial Strategy, the General Fund Capital Financing budgets have increased by £2.4m from 2023/24 to 2024/25, a reduction to the original forecast growth of £6.2m, reported in September.

5. The Council continually reviews the debt position and plans for repayment of debt to ensure that we remain prudent, and the debt is affordable. The key new prudent measures taken within this strategy are:

   a. Moving any interest income benefit relating to Energetik loans to an Energetik reserve, for example to provide working capital loans to Energetik

   b. Over the next three years, moving to a position of funding interest related to Meridian Water assets in development in-year rather than via borrowing. This is more resilient and prudent for a long-term project.

   c. Formalising the debt repayment provision within the Housing Revenue Account.

6. The figures for future interest and borrowing are based on optimising Meridian Water capital receipts. Further detail is provided in the Meridian Water Optimisation Business Case appearing elsewhere on the agenda.

7. The 10 year Capital Programme, appearing elsewhere on the agenda, seeks approval for a delegation of the approval of up to £30m capital expenditure for temporary accommodation solutions as part of the pipeline. As with other pipeline projects, the impact of this is not included in the figures in the remainder of this paper. Each proposal will only be approved if it is affordable and has a positive net impact on Council budgets taking into account repayment of debt and interest costs. Capital may be either General Fund or HRA, depending on the particulars of the project

8. As with any long term forecast of complex projects, these plans are subject to risks and uncertainty such as interest rates, the housing development market, inflation and achievement of assumed capital receipts.

9. The Council's borrowing requirement (Capital Financing Requirement) is expected to peak at £1.6bn in 2028/29. The actual debt is expected to be below that due to 'internal borrowing' to minimise interest costs.

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years are only 20% to 22% of total debt in the first few years, and then only expected to increase beyond 25% in later years.

External debt - repayments profile £m	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2033/34**
Due within one year	56.30	39.50	39.60	53.80	61.10
Due 1 to 5 years	236.96	236.33	235.71	220.38	235.20
Amounts due after 5 years	1,067.12	1,103.07	1,116.60	1,117.17	792.87
Total	**1,360.38**	**1,378.90**	**1,391.91**	**1,391.35**	**1,089.17**

Due within one year	4%	3%	3%	4%	6%
Due 1 to 5 years	17%	17%	17%	16%	22%
Due within five years	**22%**	**20%**	**20%**	**20%**	**27%**
Amounts due after 5 years	**78%**	**80%**	**80%**	**80%**	**73%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Background:

11. The Treasury Management Strategy Statement sets out the Council's strategy for ensuring that:

- its capital investment plans are prudent, affordable and sustainable.
- the financing of the Council's capital programme and ensuring that cash flow is properly planned.
- cash balances are appropriately invested to generate optimum returns having regard to security and liquidity of capital.

12. The strategy reflects the Ten-Year Capital programme appearing elsewhere on the agenda and both reports will then go onto to Council 22nd February 2024 for approval. consult

13. The CIPFA Code of Practice for Treasury Management in Public Services (the "TM Code") requires the Council to determine its Treasury Management Policy and Strategy for 2024/25 and the following 3 years.

14. The Local Government Act 2003 also requires Local Authorities to adopt Prudential Indicators and Minimum Revenue Provision Statements.

15. The Council's cashflow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM Strategy, Appendix 1)

16. The treasury investment strategy will continue to give priority to security and liquidity of investment capital over return. It will also be prudent and transparent.

17. The Council has a duty to promote effective financial management relating its borrowing and investment powers contained in the Local Government Act 2003, and supporting regulations and guidance detailed below:

- the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended),
- CIPFA Prudential Code and Treasury Management Code of Practice 2021
- DLUHC (Previously MHCLG) Investment and MRP Guidance 2018

18. The successful identification, monitoring and control of risk are central to the Council's Treasury Management Strategy.

19. The TMSS maintains the 10-year capital programme horizon reflecting the Council's priority to ensure that revenue budgets are sustainable in the longer term.

Relevance to the Council Plans and Strategies

20. The reports have an impact on all five Council priorities:
    - Clean and green places
    - Strong, healthy and safe communities
    - Thriving children and young people
    - More and better homes
    - An economy that works for everyone.

21. The Treasury Management Strategy Statement also forms part of the Council's overall financial strategy from 2024/25 onwards.

Context

22. The Council is required to receive and approve, as a minimum, three main reports related to treasury management each year, which incorporate a variety of policies, estimates and actuals:
    i. A **treasury management strategy statement** (Annex 1 to this report) – it covers:
        - the treasury management strategy (how the investments and borrowings are to be organised), including treasury indicators; and
        - in addition, Council will approve
            a. capital spending plans (including prudential indicators).
            b. a minimum revenue provision (MRP) policy, (how borrowing will be paid for via revenue over time).
            c. an investment strategy report (detailing the Council's service investments and the parameters on how investments are to be managed).

    ii. A **mid-year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

iii. A **treasury outturn report** – This provides details of annual actual prudential and treasury indicators and annual actual treasury operations compared to the annual estimates within the strategy.

23. In addition to the three main treasury management reports, the Capital Strategy was approved by Council 22nd November 2023 which set out the framework for the development of the capital programme and introduced a key indicator of affordability. This indicator is the proportion of the General Fund's Net Revenue Budget which is taken up by the costs of net interest payable and MRP. The Capital Strategy has set the range to be 10% to 12% in the first five years.

24. **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Council, with the role currently being undertaken by the General Purposes Committee (GPC). The Council has complied with the CIPFA Treasury Management Code of Practice – this Treasury Management Strategy has been scrutinised by GPC prior to consideration by Cabinet/Council.

25. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer.

26. The Council uses Arlingclose Limited as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and officers will ensure that undue reliance is not placed upon the external service providers.

The Strategy for 2023/24 and the Current Borrowing & Investment Position and Performance

27. The Strategy for 2023/24 was approved by the full Council 23rd February 2023 and set the following objectives: -

i. The minimum Fitch credit ratings for the Council's investment policy:

- Short Term: 'F1'
- Long Term: 'A-'

ii. Investments stood at £26.5m as of 31st December 2023 invested as follows:

- Aviva Investors £11.5m
- Invesco £15.0m

iii. Average investments outstanding for the period (to 31st December 2023) was £74.1m with average returns estimated at 4.9% for 2023/24.

28. The Council's original gross debt forecast for 2023/24 was £1,423.2m but has been revised down to £1,278.0m due to decisions taken by Cabinet in November and the spend profile of the capital programme. As at 31st December 2023, borrowing stood at £1,166.1m.

29. As at 31st December 2023 the Council has £1,166.1m of borrowing in total. This is split between £1,149.1m in Long Term Loans (99%) and £17.0m (1%) held as Short-Term Loans.

30. The Council did not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

31. The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Treasury Management Strategy 2024/25

32. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash revenue expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

33. The Council will also achieve optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to lend on and make a return is unlawful and the Council will not engage in such activity.

34. The Treasury Management Strategy Statement covers the three main areas:
    - (i) External and local context
    - (ii) Borrowing Strategy
    - (iii) Treasury Investment Strategy

35. These Treasury Management elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance. This Annual Treasury Management Strategy covers only those investments arising from the Council's cash flows and debt management activity. The power to invest is set out in Section 12 of the Local Government Act 2003. In accordance with the Treasury Management Code, Investment Guidance and recognised best practice guidelines, the security and liquidity of funds are placed ahead of investment return/yield.

36. It is not considered necessary to produce a separate treasury management strategy for the Housing Revenue Account (HRA) which is managed using the same principles as outlined in this report. Where appropriate, details of allocations of balances and interest to HRA are contained in this report.

Interest Forecast

37. The Council's treasury management adviser Arlingclose forecasts that the Bank of England's Base Rate has peaked at 5.25% and rate cuts are expected in the medium term to stimulate the UK economy. Rate cuts are expected in the latter half of 2024 with low of around 3% in early to mid-2026.

38. For the purpose of setting the budget, and taking into account the stubbornness of UK inflation, it has been assumed that new long-term loans will be borrowed at an average rate of 5.00% from financial years 2024/25 and treasury investments will be receiving an average return of 4%. Project financial viability is assessed separately using a higher discount rate depending on the proximity and duration of the project.

Capital Expenditure, Capital Programme and Prudential Borrowing

39. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

40. The figures and tables in this report and the Treasury Management Strategy Statement (appendix 1) are based on the Capital Programme. Although the Programme and assumptions are substantially complete there may be some changes prior to final submission to Council for approval on 22nd February 2024.

41. Although the Council's borrowing requirement (Capitial Financing Requirement CFR) is expected to increase to a peak of £1,590.45 in 2028/29, it is expected to reduce to £1,320.08 at the end of the 10-year forecast period in 2033/34 due mainly to capital receipts from asset disposals.

Capital Financing estimates

42. The estimated charge for capital financing to General Fund is £31.37m in 2024/25 resulting in a budget growth requirement of £2.4m, which is a reduction to the original forecast growth of £6.2m, reported in September. The reduction has been possible due to the decisions taken as part of the 2024/25 Capital strategy. This equates to 10% of the estimated General Fund Net Revenue Budget.

43. The charge is made up of a gross interest charge of £42.66m off set by charges to the HRA and Meridian Water (capital) of £15.23m and £9.93m respectively together with investment income and other recharges to Companies and other services, resulting in a net interest charge of £13.65m.

44. MRP charges of £17.72, in addition to the net interest charge generates an overall capital financing charge of to General Fund for 2024/25 of £31.37m requiring growth of £2.4m against the existing budget of £28.97m.

45. Table 1 provides details for the four years together with the estimated position at the end of the 10-year forecast period together with the voluntary MRP charge for the HRA.

Table 1 : Capital Financing Estimates

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2033/34 £m
Gross interest	42.66	45.46	47.35	49.08	50.79
Total Recharges and Income	-29.01	-28.94	-27.35	-24.68	-26.64
Total interest charge – General Fund	**13.65**	**16.52**	**20.00**	**24.40**	**24.15**
MRP	17.72	18.85	19.37	18.65	16.40
Total Capital Financing cost – General Fund	**31.37**	**35.37**	**39.37**	**43.05**	**40.55**
Budget b/fwd.	**28.97**	**31.37**	**35.37**	**39.37**	**43.05**
Variation vs budget b/fwd.	**2.40**	**4.00**	**4.00**	**3.68**	**-2.50**
Budget c/fwd.	**31.37**	**35.37**	**39.37**	**43.05**	**40.55**
Net Revenue Budget (NRB) – General Fund	**315.09**	**319.25**	**345.28**	**368.10**	**442.84**
Capital Financing as proportion of NRB	**10.0%**	**11.1%**	**11.4%**	**11.7%**	**9.2%**
HRA voluntary MRP	**1.39**	**1.45**	**1.57**	**1.62**	**1.99**

The Council's borrowing requirement (Capital Financing Requirement)

46. The second prudential indicator is the Council's Capital Financing Requirement (CFR). CFR measures the underlying need to borrow for capital purposes, while usable reserves and working capital are the underlying resources available for investment.

47. The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

48. The CFR includes any other long-term liabilities (e.g., PFI or finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a funding facility and so the Council is not required to borrow separately for them. The Council currently has £22.6m of such schemes within the CFR. This is not expected to significantly increase as a result of the implementation of IFRS 16 from April 2024 which requires almost all operating leases to be recognised on balance sheet as finance leases.

49. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

50. The affordability of the capital programme has been calculated based upon the assumption that internal borrowing would occur initially, followed by PWLB borrowing.

51. On 31st December 2023, the Council had total debt of £1,166.1m arising from its revenue and capital income and expenditure.

Table 2: Forecast Capital Financing Requirement and Borrowing

	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2033/34 Forecast £m
General Fund CFR	1,075.40	1,092.66	1,096.53	1,063.90	668.34
HRA CFR	406.19	422.24	449.67	491.35	651.74
CFR - Loans	**1,481.59**	**1,514.90**	**1,546.20**	**1,555.25**	**1,320.08**
PFI Liability	17.56	15.03	12.51	9.98	0
CFR – Total	**1,499.15**	**1,529.93**	**1,558.71**	**1,565.23**	**1,320.08**
Gross external borrowing requirement	**1,360.38**	**1,378.90**	**1,391.91**	**1,391.35**	**1,089.17**

52. It can be seen from the above table 2; the Council is currently maintaining an under-borrowed position. This means the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash from the Council's reserves, balances and cash flow has been used as a temporary measure, this tactic is termed ***internal borrowing***. This reduces interest costs as it delays the need to borrow externally. Provision for repaying internal borrowing is made via Minimum Revenue Provision in the same way as for external borrowing.

53. In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years.

Minimum Revenue Provision (MRP)

54. When the Council 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), although there has been no statutory minimum since 2008.

55. While no MRP is required to be charged in respect of assets held within the Housing Revenue Account, the Council may provide for a voluntary MRP charge, so all schemes undertaken are viable (i.e., repay all their debt over an appropriate period) and so the HRA maintains borrowing capacity for future years.

56. Capital expenditure financed from borrowing incurred during one financial year will not be subject to an MRP charge until the asset moves into operation, except where the Section 151 officer deems it appropriate to charge it an earlier date.

57. Government Guidance requires that an annual statement on the Council's policy for its MRP should be submitted to Council for approval before the start of the financial year to which the provision will relate. Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31st March 2024, the MRP for 2024/25 is estimated to be £19.11m which includes provision voluntary debt repayment in HRA of £1.39m

58. MRP Overpayments - A change introduced by the revised 2018 MRP Guidance was the allowance that any charges made over the statutory MRP required, referred to as an overpayment and itemised as a voluntary revenue provision (VRP) can, if needed, be reclaimed in later years if deemed necessary or prudent.

59. The Government is currently consulting on changes to statutory Minimum Revenue Provision guidance. This is part of a wider theme of tightening rules around debt.

60. The draft statutory guidance clarifies that MRP is to be made on all capital expenditure financed by debt with the exception of:

- On an asset not available for use at the at the start of the financial year
- Loans made for capital expenditure not for investment or commercial purposes and for which no expected credit losses have been made in the financial year

Draft Statutory Guidance Implication	**Enfield Action**
The guidance clarifies that prudent provision for repaying debt already covers the Housing Revenue Account	The HRA Business Plan has formalised provision for repaying debt over the useful economic life of assets

Company loans: expected credit losses on loans will now have to reflected in the MRP charge unless adequate provision has been made in prior years	Any interest benefit related to Energetik is being transferred to an Energetik reserve which can be used to cover such accounting charges (as well as contributing to the working capital facility for the company). The capital financing budgets include a provision for expected credit losses based on latest monitoring which will be kept under review as part of the 2024/25 monitoring cycle.
The risk that, where an asset is complete but not yet sold, we may have to provide for repaying a proportion of MRP	The move towards Financing Meridian Water interest in-year is likely to be accounted for as 'voluntary MRP'. This provides resilience and options for responding to risks such as this in the future.

Capital Flexibilities

61. The Government also launched on a consultation on 21st December 2023 on options to encourage invest to save activities using capital resources and borrowing. These proposals may permit Councils to capitalise general cost pressures so they can be funded by capital receipts together with extending flexibilities to use capital receipts for expenditure supporting invest to save projects. The consultation for these proposals closed 31st January 2024.

Core funds and expected investment balances

62. The application of resources (grants, capital receipts etc.) to finance capital expenditure or budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

63. Interest rates are forecast to remain stable during 2024/25. The Capital Strategy (KD 5666), approved by Council 22nd November 2023, established the key indicator of affordability as the cost of debt financing as a proportion of the General Fund Net Revenue Budget. This is to be no higher than 12% for the first five years. Under these conditions the Council's borrowing strategy will remain 'little and often, minimising cash balances'. For example:

    a. Closer focus and engagement with project managers on cash flow forecasting (focusing on large payments and the month ahead)

    b. Keeping £35m cash available in short-term investments as a buffer, e.g., for example, to meet payroll runs

    c. When the balance goes below £35m and is forecast to stay below £35m, borrowing the forecast amount required for the following two weeks

    d. Borrowing long term at the most favourable rates with due regard to avoiding over-concentration of debt repayments in future years

Treasury Management Practices (TMPs)

64. The Council has reviewed and revised its Treasury Management Practices (TMPs) Principles and Schedules to be in line with the Treasury Management (TM) Code 2021 and the DLUHC's Investment Guidance 2022.

National Context

IFRS 9 statutory override

65. The statutory override limits full implementation of IFRS 9 on authorities by recognising the impacts of fair value movements of pooled investment funds in unusable reserves thereby addressing concerns expressed by the sector on useable reserves. No other changes have been made and the Government now expects authorities to consider the volatility and risk associated with current and future investments and the potential impact on service delivery after 2025.

Environmental, social and governance (ESG) Policy

66. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

67. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Safeguarding Implications

68. No safeguarding implications arising from this report.

Public Health Implications

69. The Council's Treasury Management indirectly contributes to the delivery of Public Health priorities in the Borough.

Equalities Impact of the Proposal

70. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole Borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

71. There are no environmental and climate change considerations arising from this report.

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

72. There is inevitably a degree of risk inherent in all treasury activity.

73. Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.

74. The Council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the Council has obtained independent advice from Arlingclose who specialise in Local Authority treasury issues.

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

75. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Council's treasury activities.

76. Estimates for borrowing and therefore interest costs are significantly impacted by estimates for capital receipts. The estimates will be kept under review as part of the 2024/25 monitoring cycle to ensure estimates can be adjusted as required to take account of changed assumptions and the macro-economic environment.

Financial Implications

77. This report provides Treasury Management budgets for 2024/25 and forecasts for 2025/26 to 2033/34 financial years.

78. The Council held outstanding investments of £26.5m as of 31st December 2023. This portfolio has receivable interest of £2.7m to 31st December.

79. Appendix 1 to this report, the Treasury Management Strategy Statement provides details information around expected debt, investments and revenue positions of the Council, including the HRA, over the 10 years forecast period 2024/25 to 2033/34.

Legal Implications

80. The Local Government Act 2003 ('the 2003 Act') provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.

81. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code

of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the 2003 Act. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.

82. It is a key principle of the Treasury Management Code that an authority should put in place "comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities". Treasury management activities cover the management of the Council's investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks. It is consistent with the key principles expressed in the Treasury Management Code for the Council to adopt the strategies and policies proposed in the report.

83. The report proposes that the Treasury Management Strategy will incorporate prudential indicators. The 2003 Regulations also requires the Council to have regard to the CIPFA publication "Prudential Code for Capital Finance in Local Authorities" ("the Prudential Code") when carrying out its duty under the Act to determine an affordable borrowing limit.

84. The Prudential Code specifies a minimum level of prudential indicators required to ensure affordability, sustainability and prudence. The report properly brings forward these matters for determination by the Council. If after having regard to the Prudential Code the Council wished not to follow it, there would need to be some good reason for such deviation.

85. The Local Government Act 2000 and regulations made under the Act provide that adoption of a plan or strategy for control of a local authority's borrowing, investments or capital expenditure, or for determining the authority's minimum revenue provision, is a matter that should not be the sole responsibility of the authority's executive and, accordingly, it is appropriate for the Cabinet to agree these matters and for them to then be considered by Council.

86. The report sets out the recommendations of the Executive Director of Resources in relation to the Council's minimum revenue provision, treasury management strategy and its annual investment strategy. The Executive Director of Resources has responsibility for overseeing the proper administration of the Council's financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.

87. Due to financial impacts of the Covid-19 pandemic, the Government made regulations in November 2020 permitting local authorities to balance their budgets over three years (2021-2024) rather than one. The 'collection fund' is the account in which a local authority places its council tax and business rates income. The regulations apply only to budget shortfalls accumulated in 2020-2021. Where authorities have such a deficit, the regulations state that they must spread it across the three years in question. The Government has published guidance and a 'deficit spreading tool' to assist local authorities to calculate whether they are eligible for these provisions.

88. When considering its approach to the treasury management matters set out in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty).

Equalities Implications

89. An Equalities Impact Assessment appears as an appendix to this report

HR and Workforce Implications

90. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance and having a significant reduction in cost of borrowing will allow the Council to meet this obligation more easily and could also make resources available for other corporate priorities.

91. This report helps in addressing value for money through benchmarking the Council's performance against other Local Authority and London boroughs.

Options Considered

92. The CIPFA TM code require that the Council establishes arrangements for monitoring its investments and borrowing activities hence the performance and activities of the Council's treasury operations is being reported to this Committee on a regular basis.

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Appendices
Annex 1 – Treasury Management Strategy Statement For 2024/25
Annex 2 – Equalities Impact Assessment

Background Papers
The following documents have been consulted in the preparation of this report:
i) CIPFA Treasury Management Code 2021
ii) Treasury Management Strategy Statement 2023/24 KD 5504 approved by Council 23rd February 2023

iii) Section 3 Local Government Act 2003
iv) Changes to the Capital framework: Minimum Revenue Provision, published 30 Nov 2021, consultation closed 8th February 2022, under review by HM Government
v) Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
vi) MHCLG Guidance on Minimum Revenue Provision (fourth edition) February 2018
vii) MHCLG Capital Finance Guidance on Local Government Investments Feb 2018
viii) CIPFA Prudential Code for Capital Finance in Local Authorities, 2017