MUNICIPAL YEAR 2019/2020 - REPORT NO. 192A

MEETING TITLE AND DATE:
Council - 26th February 2020

REPORT OF:
Executive Director of Resources (Acting)

Contact officer and telephone no:
Matt Bowmer, Director of Finance (Interim)
Matt.Bowmer@enfield.gov.uk
02083795580
Gareth Robinson - Head of Corporate Finance
Gareth.robinson@enfield.gov.uk
02081321621

Agenda – Part: 1	**Item: 10**

Subject:
TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

Key Decision:

Wards: All

Cabinet Member consulted:
Cllr Maguire

1. EXECUTIVE SUMMARY

1.1. This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2020/21 to 2022/23, and Annual Investment Strategy (AIS) for the year ended 31 March 2021, together with supporting information.

1.2. 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 2020/21 and the following 3 years.

1.3. This year, the TMSS has been extended, beyond the required minimum, to ten years. This reflects the Council's priority to ensure that revenue budgets are sustainable in the longer term. Due diligence has been carried out on the ten year capital programme projects but to it must be recognised that these are provisional estimates, undertaken to inform and support the development of a robust, affordable and sustainable Treasury Strategy.

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

1.5. The TMSS and AIS form part of the Council's overall budget setting and financial framework and will be finalised and updated as work on the Council's 2020/21 budget is progressed in January and February 2020.

1.6. The Annual 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.

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

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

2. RECOMMENDATIONS

2.1 That Council:

a) Agree the attached Treasury Management Strategy Statement for 2020/21;

b) Note the Economic context & Interest rate forecast (Appendices A and B);

c) Agree the Prudential Indicators set out in Appendix D;

d) Agree the Minimum Revenue Provision Statement (Appendix E); and

e) Agree Counterparty List and Limits set out in Appendix F.

f) Note the plans to develop options for financing the ten year capital programme and report to Cabinet in December 2020, as per section 4 Next Steps. In the interim the Cabinet Member for Finance and Procurement we will regularly update and progress will be reported in the formal treasury reports (outturn and mid-year).

3. BACKGROUND

3.1 The Council has adopted the CIPFA Treasury Management in Public Services Code of Practice (Treasury Management Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year.

3.2 The Council will continue to have regard for the MHCLG's guidance on Local Government Investments and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes.

3.3 In addition, the Department for Communities and Local Government (DCLG) issued revised Guidance on Local Council Investments in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year.

3.4 The Treasury Management Strategy fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the Treasury Management Code and the DCLG Guidance.

3.5 The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks. In addition, professional expert advice is provided from the Council Treasury Advisers (3.7).

3.6 The Council is currently required to receive and approve, as a minimum, three main reports each year. which incorporate a variety of policies, estimates and actuals.

I. A treasury management strategy statement (this report) – it covers:

- the capital spending plans (including prudential indicators);
- the treasury management strategy (how the investments and borrowings are to be organised, the parameters on how investments are to be managed) including treasury indicators; and

- an investment strategy report (detailing the Council's service investments and commercial investments).

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.

3.7 In prior years, the Council prepared a capital budget spanning three years unfortunately that did not make the revenue impact and borrowing requirements sufficiently clear to be support effective long term decision making of the authority. During 2019/20, a ten year capital programme was developed to reflect the ambitions of the council capital investment programme in affordable housing, ICT programme, road maintenance and projects to make savings, especially income generation.

3.8 This detailed set of proposals are necessary for the development of robust, sustainable treasury planning. This analysis is reflected in the attached TMSS, however, that is only the first stage in this process. A key part of the development of the TMSS will include a review of the Council's current property portfolio and potential opportunities for capital receipts, ongoing lobbying for grant funding and alternative options for financing as set out in the TMSS.

Treasury Management Consultants

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

Training

3.10 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members' responsible for scrutiny. Training will be arranged as required. The Audit and Risk management Committee received training from the Council's treasury adviser on 16th January 2019. The training needs of treasury management officers are periodically reviewed.

The Strategy for 2019/20 and the Current Borrowing & Investment Position and Performance

3.11 The Strategy for 2019/20 was approved by the full Council in February 2019 and set the following objectives: -

a) The minimum Fitch credit ratings for the Council's investment policy:

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

b) Investments stood at £39.05m as at 31st December 2019 with £21.75m placed in two different Call accounts, one with HSBC and the other with Handelsbanken and the remaining £17.5m invested in three money markets funds (MMFs).

3.12 The Council's forecast to borrow £246.5m for 2019/20 for new capital expenditure, as at 31st December 2019, £208m was borrowed but £141.8m borrowing matured during the period.

3.13 Out of the new borrowing of £208m, the Council borrowed £140m from PWLB at an average rate of 1.43% for 20 years term for its planned capital expenditure.

3.14 The below table show the position of the Council outstanding borrowing and investments for this financial year to 31 December 2019.

Instrument	Average Rate	Month End Balance	Interest Received / (Paid)
Cash Deposits	0.65%	£39.050m	£0.414m
Loans to Enfield Companies		£141m	(£3.973m)
Borrowings	3.16%	£911m	(£15.597m)

3.15 As at 31st December 2019 the Council had £911m of borrowing in total. This is split between £838m in Long Term Loans (92%) and £73m (8%) held in Short Term Loans with nine different local authorities.

3.16 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 the 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.

TREASURY MANAGEMENT STRATEGY FOR 2020/21

3.17 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash 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.

3.18 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.

3.19 The Treasury Management Strategy Statement covers the three main areas:

a) Capital spending plans

- the capital expenditure and capital finance requirement (CFR);
- the prudential indicators (PI); and
- the minimum revenue provision (MRP) policy.

b) Treasury management considerations:

- economic and interest rates forecast;
- the current treasury position;

- treasury indicators which limit the treasury risk and activities of the Council;
- the borrowing strategy;
- maturing structure of borrowing;
- policy on borrowing in advance of need; and
- debt rescheduling.

c) Managing cash balances:

- the current cash position and cash flow forecast;
- Prospects for investment returns
- creditworthiness policy;
- service/policy investments

Developing the Strategy for 2020/21

3.20 The Council, in conjunction with its treasury management advisor, Arlingclose, will use Fitch, Moodys and Standard and Poor's ratings to derive its credit criteria. The Council's treasury adviser alerted officers to changes in ratings of all agencies.

3.21 **The Annual Investment Strategy (AIS)** is set out in Section 4 of the TMSS for approval of the full Council. This provides more detail on how the Council's surplus cash investments are to be managed in 2020/21.

3.22 The Council's Treasury team is responsible for managing **the Pension Fund working capital cash** and this is being invested in line with this Treasury Management Strategy. The Pension Policy & Investment Committee is updated of the cash balance position and investment performance on a quarterly basis. As at 31st December 2019, the in-house pension fund cash balance was £32.75m.

3.23 During the financial crisis, a number of **Money Market Funds (MMFs)** faced difficulty hence the European Commission proposed new rules to safeguard investors and restrict the Constant Net Asset Value (CNAV) Funds for the government funds only, and a new type of fund was introduced, named Low Volatility NAV (LVNAV) fund. LVNAV is intended to replicate some of the utility of CNAV funds, but with greater sensitivity to market pricing, however extra controls were built into the fund structure to maintain stable price/NAV to avoid price volatility.

3.24 Note, the Council's investments in Money Market Funds are in LVNAV funds, although these funds used to be called Constant Net Asset Value (CNAV) Funds. The money market funds (MMFs) the Council invested in have never exhibited any meaningful price volatility. We have been assured by the MMF managers and the Council's treasury advisor that stable price/NAV would still be maintained to avoid price volatility going forward.

Capital Programme and Prudential Borrowing

3.25 The Council is currently maintaining an under-borrowed position. This means that 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 strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

3.26 The table below summarises the Council's capital expenditure plans, both in terms of those agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current capital financing expectations.

3.27 Comparing 2019/20 forecast to the 2018/19 TMSS, capital spend has slipped back in 2019/20 revised budget and there remains an element of further slippage in future years. The risks and benefit are that:

- continued slippage in new starts will push borrowing requirements to later years and this could be an advantage as interest rates are forecast to be lower than currently but with inherent risk of uncertainty;
- slippage in the programme of capital receipts may increase the need to borrow in the medium term.

Capital Expenditure	**2018/19 Actual**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 to 2029/30**	**10-Year Capital Programme**
	£m	£m	£m	£m	£m	£m	£m	**£m**	**£m**
General Fund (Ex. Meridian & Companies)	58.398	65.393	114.064	73.735	75.302	47.116	37.761	129.361	477.339
Companies	64.001	8.56	71.126	13.250	0.000	0.000	0.000	0.000	84.376
Meridian		44.453	125.959	149.467	63.534	26.672	25.826	128.493	519.951
HRA	71.152	97.066	144.564	127.362	194.154	173.093	97.160	436.651	1,172.984
Total	**193.551**	**215.472**	**455.713**	**363.814**	**332.990**	**246.881**	**160.747**	**694.505**	**2,254.650**
Financed by:									
External Grants & Contributions	(43.200)	(32.640)	(62.863)	(56.905)	(133.490)	(79.047)	(23.240)	(129.404)	(484.949)
Revenue Contributions	0.000	(11.282)	(30.120)	(7.454)	(6.385)	(5.570)	(8.872)	(14.705)	(73.106)
Capital Receipts	(19.100)	(31.535)	(55.545)	(44.118)	(44.910)	(67.751)	(73.512)	(186.486)	(472.322)
Earmarked Reserves	(58.300)	(14.296)	(1.860)	0.000	0.000	0.000	0.000	0.000	(1.860)
Impact on Borrowing	**72.951**	**125.719**	**305.325**	**255.337**	**148.205**	**94.513**	**55.123**	**363.910**	**1,222.413**

3.28 As shown in the table above, there is a need to borrow £1.2bn in total from 2019/2020 to 2023/24. For this financial year 2019/20, £140m has been borrowed for financing our capital expenditure and replacing matured loans as included in the 2019/20 capital programme, TMSS and the current prudential indicators. If the Council is to borrow, the affordability of the capital programme has been included in assessing the cost of borrowing along with the loss of investment income from the use of capital resources held in cash.

3.29 Nonetheless, the Council recognises the challenges of borrowing greater sums of money and it believes that borrowing beyond £2 billion may limit the available funding options, following advice from its Treasury Advisors, Arlingclose. Therefore, alongside the development of the Property Strategy, it will be examining financing options as noted in Section 4.

Prudential Indicators for Treasury Management

3.30 The Council is required by regulation to give due regard to the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Further, the Code requires that Treasury Management decisions are taken in accordance with good professional practice. To demonstrate that local authorities have fulfilled these objectives, the Prudential Code of Practice and CIPFA Treasury Management Code of Practice set out the indicators that must be used, and the factors that must be taken into account.

3.31 Within the prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. For example, the operational borrowing limit set by the Council, determines the external debt levels which are not normally expected to be exceeded, whereas the authorised borrowing limit represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs Council to approve any increase.

3.32 The Council has adopted the Treasury Management Code of Practice as part of its Financial Standing Orders. Prudential Indicators are set each year and approved by Council. Prudential Indicators for Treasury Management relate to:

- Limits for external debt;
- Interest rate exposures;
- Maturity structure of borrowings; and
- Investment for periods of longer than one year.

3.33 The Prudential Code requires that these indicators are monitored and if appropriate revised to reflect changes to forecast positions. Capital and borrowing indicators for 2019/20 has been revised to reflect the year end forecast position and the 2020/21 to 2022/23 forecasts. The Treasury Prudential Indicators are shown at Appendix D for approval.

Minimum Revenue Provision

3.34 In accordance with the Local Government Act 2003, the Council is required to pay off an element of the accumulated General Fund capital expenditure which was funded from borrowing, through an annual revenue charge known as the Minimum Revenue Provision (MRP).

3.35 When preparing the MRP Policy Statement, the Council is required to have regard to the statutory guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG) in February 2018. This guidance provides commentary and options for the provision of MRP. The MRP Policy Statement for 2020/21 has been prepared regarding this guidance and is attached as Appendix E for the full Council approval.

3.36 Based on the Council’s latest estimate of its capital financing requirement, the budget for MRP for 2019/20 is £1m based on 2018/19 CFR of £997m and the budgeted MRP for 2020/21 is £10.8m based on estimated CFR for 2019/20 of £1,160m. But only £1m will be charged to General Fund, this is because £9.8m from the overprovision set aside in the MRP Reserve will be used to offset this annual charge as detailed in Appendix E of the attached TMSS.

3.37 To date all treasury activities have been undertaken within the approved treasury limits and Prudential Indicators, in accordance with the requirements of the Council’s Treasury Management Strategy.

3.38 Officers also introduced a 10 year capital programme with great detail for greater transparency, to further assist risk management of the Council's determined projects to ensure prudent decisions are being made.

3.39 The Council's Treasury Management Strategy continues to provide a sound basis for undertaking treasury activities. Borrowing requirements will be monitored closely and financing arranged in accordance with the borrowing strategy. Investments will be managed having regard to the Council's investment strategy and creditworthiness criteria. The Council's treasury activities remain within the limits of the Prudential Indicators as set by Council.

Change to PWLB Borrowing Rate

3.40 The current long term borrowing rate from the Public Works Loan Board is 3.28% (maturity loans) for 25 years and 2.98% (Annuity loans) for 25 years.

3.41 On 9 October 2019, HM Treasury increase the Public Works Loan Board (PWLB) rate by 100 basis points (1%), the new margin above gilts is now 180 basis points (1.8%) for certainty rate loans. This sharp increase to the PWLB borrowing rate was due to concerns around the pace at which councils had been borrowing from the facility. The LGA is currently lobbying for an exception around regeneration and housing and such an approach has previously been well received. Nonetheless, with only £10bn remaining available for local government, the amount may need to be rationed in the future.

3.42 Alternative sources of financing may represent better value and they form part of the overall strategy under development. The increase in PWLB rate has opened up opportunities for banks, other financial institutions and quite possibly alternative financing arrangements. None of them are currently as cheap as the 1.23% for 20 years that the Council previously obtained. However, over the next year, there are no concerns as there are plenty of short term borrowing options. Moreover, the Council's prudent position that business cases are based on 3.5% interest rates ensures that this potential risk is already built into our decision-making processes.

NEXT STEPS

4.1 The draft strategy is based on the indicative ten-year capital programme, therefore, the figures contained within the report have potential for further amendment, even if the overall position remains broadly the same. The Housing Revenue Account will need to borrow to ensure its estate is well maintained, even before major estate regeneration schemes are considered and therefore, all options to deliver and retain assets have not been discounted at this point in time.

4.2 The overall indicative borrowing levels set out in the Treasury Management Strategy demonstrate that the options for financing the capital projects need to be fully considered. There are potential limiting factors to the borrowing capacity of the Council. The Prudential Code and local government regulation requires us to be judicious in our financial assumptions to ensure the affordability of the capital expenditure.

4.3 Over the next six to nine months, the Council will be reviewing the financing arrangements of the Capital Programme as it seeks to maximise the leveraging of its balance sheet, while minimising the risk it undertakes. There is a clear intent for this review to be reported to Council with the mid-year Treasury Management report. Financing options are considered in greater detail within the Treasury Management Strategy Statement, however, it is important to note that the Council may consider obtaining a credit rating.

4.4 It is important to recognise that, of the £2bn borrowing estimated in ten years:

- £0.41bn is for Meridian Water which already has a well-developed business plan;
- £0.24bn is for companies that repay the debt with interest;
- £0.67bn is HRA, which has a 30 year HRA business plan in place with parameters for financing which have been subject to expert advice, and
- £0.77bn is for investment in general fund projects which include roads maintenance, ICT programme, investments in projects that both generate income and make revenue savings.

This overview of the big picture, alongside the review of our property strategy and financing options will support the development of a robust TMSS that is both affordable and sustainable.

4.5 Due to the change in accounting regulations in relation to leases, the Council will be producing an updated Capital Financing Requirement (CFR) that includes leasing numbers. This is likely to significantly increase the CFR. It will not increase the borrowing figures in and of itself, however, the Council will refresh all its capital financing projections in the Mid-year Report.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 The Council is bound by legislation to have regard to the CIPFA requirements for treasury management. If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that the Council's capital investment plans are affordable, sustainable and prudent.

5.2 The strategies and policy statement put forward in the report are considered the best methods of achieving the CIPFA requirements. Whilst it may be possible to adopt variations of the strategies and policy statement, this would risk failing to achieve the goals of affordability, sustainability and prudence.

6 REASONS FOR RECOMMENDATIONS

6.1 It is consistent with the requirements of treasury management specified by CIPFA, to which the Council is required to have regard under the Local Government Act 2003 and regulations made under that Act, for the Council to produce three strategy statements to support the Prudential Indicators which ensure that the Council's capital investment plans are affordable, sustainable and prudent. The three documents that the Council should produce are:

- High level Capital Strategy
- Treasury Management Strategy, including prudential indicators
- Investment Strategy

7 COMMENTS OF AND OTHER DEPARTMENTS

7.1 Financial Implications

a) This report provides Treasury Management budget and forecasts for the next 10 years. Also included is the 10 year capital expenditure plan for prudent and sustainability check.

b) The Council held outstanding investments of £39.05m as at 31st December 2019. This portfolio has receivable interest of £0.45m to date.

c) The Council notes that its capital programme would entail borrowing sums of approximately £1.2bn taking it to approximately £2 billion within the next 5 years and it will be reviewing all financing options in light of this information.

d) The impact of the TMSS is reflected in the five year MTFP report as follows: £23m growth in revenue budgets from 2019/20 to 2024/25(MRP/Interest split to follow). The table below demonstrates the impact on revenue and how the financing reserves act to protect the General Fund budget. Detailed breakdowns of the interest budgets including the Housing Revenue Account charges can be reviewed in the Treasury Management Strategy Statement in Table 4.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Interest Charged to General Fund	6,814	8,992	10,839	12,452	14,011	15,092	18,111	21,878	20,001	18,567	17,132
MRP	4,473	10,097	17,478	18,113	19,626	20,262	21,128	21,264	19,708	19,211	19,640
Total Financing Cost Charged to General Fund	**11,287**	**19,089**	**28,317**	**30,565**	**33,637**	**35,354**	**39,239**	**43,142**	**39,709**	**37,778**	**36,772**
Budget	**16,453**	**19,856**	**24,565**	**30,085**	**34,728**	**39,528**	**39,528**	**39,528**	**39,528**	**39,528**	**39,528**
Variance	**(5,166)**	**(767)**	**3,752**	**480**	**(1,091)**	**(4,174)**	**(289)**	**3,614**	**181**	**(1,750)**	**(2,756)**
Reserves	**28,220**	**28,987**	**25,235**	**24,755**	**25,846**	**30,020**	**30,309**	**26,695**	**26,514**	**28,264**	**31,020**

7.2 Legal Implications

a) 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.

b) 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.

c) 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.

d) 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. 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.

e) 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.

f) 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.

g) 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).

7.3 Property Implications

Not applicable.

8 KEY RISKS

8.1 There is inevitably a degree of risk inherent in all treasury activity. The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.

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

8.3 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.

8.4 The primary risks are:

- Interest Rate Changes. Currently, a 1% interest rate rise would cost approximately £12m at its peak. However, the Council budgets at 3.5% and borrows at least than 2.5% for 20 years. Nonetheless, the Council will consider locking in borrowing rates during its review over the Summer.
- Brexit means that it is challenging to predict future rates, however, our Treasury Advisors, Arlingclose, do not currently believe that rates will change over the next 3 years significantly.
- As the Council borrowing grows, options for borrowing at competitive rates reduce. The Council is reviewing its financing and development options over the Summer to ensure that it can deliver on the aspirations of the Capital Programme.

9 IMPACT ON COUNCIL PRIORITIES

- Good homes in well-connected neighbourhoods
- Build our Economy to create a thriving place
- Sustain Strong and healthy Communities

9.1 The Treasury Strategy indirectly contributes to the Council's ability to address the values set out within the Council's priorities

10 PERFORMANCE MANAGEMENT IMPLICATIONS

10.1 The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

11 EQUALITIES IMPACT IMPLICATION

11.1 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.

Background Papers

1. Treasury Management Strategy Statement 2019/20 (Approved by Council February 2019)
2. Section 3 Local Government Act 2003
3. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended
4. MHCLG Guidance on Minimum Revenue Provision (fourth edition) February 2018

5. MHCLG Capital Finance Guidance on Local Government Investments February 2018
6. CIPFA Prudential Code for Capital Finance in Local Authorities, 2017

Annexes

Annex 1 – Treasury Management Strategy Statement for 2020/21