London Borough of Enfield

Council

Meeting Date: 30 September 2020

Subject: ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2019/20

Cabinet Member: Cllr Maguire, Cabinet Member Finance and Procurement

Executive Director: Fay Hammond, Executive Director - Resources

Key Decision: 5152

Purpose of Report

1. To report the activities of the Council's Treasury Management function during the 2019/20 financial year. The key points of the report are highlighted below:

		See section:
Borrowing Outstanding at 31st March 2020	£986.9m - an increase of £142.1m Since 31st March 2019. £240m long-term PWLB borrowing was raised for the reporting financial year 2019/20.	**19 & 21**
Capital Financing Requirement (CFR) at 31 March 2020	The borrowing CFR stood at £1,047.1m, an increase of £94.9m Since 31st March 2019. HRA CFR increased by £43.6m and GF by £51.3m over the year.	**25**
Average interest on total debt outstanding and Interest paid on external borrowing	The average interest rate reduced to 2.69% over the year. This was due to some high coupon loans maturing during the year and very low coupon PWLB raised. Cost of borrowing for the year was £23.9m.	**21 & 28**
Investments & Net Borrowing	Interest earned on investments was £0.486m. Investments stood at £95.4m for the reporting period. Net Borrowing has increased by £84.4m to £891.5m.	**34 & 41**
Compliance with Treasury Management & Prudential Indicators	No breaches. The Director of Finance increased individual banks and MMFs money limits in March 2020 from £15m to £25m to ensure deposits could be placed with quality counterparties.	**44 - 55**
Debt Re-scheduling	None undertaken.	**42**
Minimum Revenue Provision (MRP)	MRP chargeable to the General Fund (GF) for 2019/20 is £8.0m	**56 & 57**

Proposal(s)

2. Council is recommended following agreement at Cabinet on 15 July 2020:
   a) To note the contents of the report;
   b) To approve the removal of 75% cap on total aggregate investments in money market funds (MMFs); and
   c) To approve new money limit of £25m for each eligible counter party (Bank and MMF) meeting the Council's current criteria for high quality institution.

Reason for Proposal(s)

3. To inform Counci of the Treasury Management performance for financial year 2019/20.

Relevance to the Council's Corporate Plan

4. Good homes in well-connected neighbourhoods

5. Build our Economy to create a thriving place

6. Sustain Strong and healthy Communities

Background

7. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management half yearly and annual reports.

8. The Council's Treasury Management Strategy for 2019/20 was approved at the Council's meeting on the 27th February 2019. The Council has invested and borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

Economic Background

9. The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK Government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

10. The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election

removed a lot of the uncertainty and looked set to provide a ‘bounce’ to confidence and activity.

11. The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England’s target of 2%. Labour market data remained positive. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

12. GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

13. **Financial markets** sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985.

14. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile.

15. The flight to quality caused gilts yields to fall substantially. The 5 year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10 year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period.

Treasury Management Position

16. The Council started the financial year 2019/20 with the closing position as at 31st March 2019 where the Council had net borrowing of £807.1m arising from its revenue and capital income and expenditure.

17. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The starting position for financial year 2019/20are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31 March 2019 Actual £m
General Fund CFR	835.0
HRA CFR	157.7
Total CFR	**992.7**
Less: *Other debt liabilities	40.5
Borrowing CFR	**952.2**
External borrowing	844.8
Internal borrowing	**108.0**
Less: Usable reserves	(147.8)

Less: Working capital	110.1
Net investments	**(37.7)**

*finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

18. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

19. The treasury management position at 31st March 2020 and the change during the year is shown in Table 2 below. The Council had no short term or long term investments but investments in money market funds categorised as cash equivalent for this financial year.

Table 2: Treasury Management Summary

	31.3.19 Balance £m	**Movement £m**	**31.3.20 Balance £m**	**31.3.20 Rate %**
Long-term borrowing	686.8	224.1	910.9	2.94
Short-term borrowing	158.0	(82.0)	76.0	0.96
Total borrowing	**844.8**	**142.1**	**986.9**	**2.69**
Total investments	**(37.7)**	**(57.7)**	**(95.4)**	**0.53**
Net borrowing	**807.1**	**84.4**	**891.5**	

Main Considerations for the Council

2019/20 Borrowing Update

20. The main objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

21. At 31st March 2020 the Council held £986.9m of loans, an increase of £142.1m to previous year closing balance and this is due to the Council's funding strategy for its capital programme. Outstanding loans on 31st March 2020 are summarised in Table 3 below and include loans that have been made to the LB Enfield's companies (further summarised in Table 6).

Table 3: Treasury Management Borrowing Summary

Type of Loan	**31.3.19 Balance £m**	**New Borrowing £m**	**Repaid Borrowing £m**	**31.3.20 Balance £m**	**Average Interest %**
PWLB	673.8	240.0	(16.5)	**897.3**	2.95
European Investment Bank	8.9	-	(0.3)	**8.6**	2.31
LEEF	4.0	-	(0.6)	**3.4**	1.71
Local Authority	158.0	89.0	(171.0)	**76.0**	0.96

SALIX	0.1	1.6	(0.1)	**1.6**	**-**
Total	**844.8**	**330.6**	**(188.5)**	**986.9**	**2.69**

22. In keeping with these objectives, new borrowing was kept to a minimum of £330.6m, while £188.5m of existing loans were allowed to mature without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

23. During the reported period the Council raised £240 million of new PWLB long term loans for capital expenditure of which £160 million was raised for the General Fund; and £80 million was raised for the HRA.

The Capital Financing Requirement (CFR)

24. The Council has an increasing CFR due to the capital programme and an increasing estimated borrowing requirement which takes into account usable reserves and working capital which are the underlying resources available for investment as shown in Table 4.

25. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This has been achieved in 2019/20 but with the Council's internal borrowing now exhausted we will move closer to the CFR limit in future years.

Table 4: Capital Financing Requirement (CFR)

Capital Financing Requirement (CFR)	31 March 2019 £m	31 March 2020 £m
General Fund	835.0	883.1
Housing Revenue Account	157.7	201.3
Total CFR	**992.7**	**1,084.4**
Less: *Other debt liabilities	40.5	37.3
Borrowing CFR	**952.2**	**1,047.1**
External Borrowing	844.8	986.9
Under Borrowing	148.8	60.2
Authorised Limit	**1,148.0**	**1,400.0**

*Total CFR includes finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

26. As PWLB funding margins have pitched quite substantially, there remains a strong argument for diversifying source of funding, particularly if lower rate borrowing can be achieved from alternative sources at rates below gilt yields plus 0.80%, for General Fund capital expenditure. The Council will evaluate and pursue these lower cost solutions and opportunities when available.

Other Debt Activity

27. After £3.2m repayment of prior years’ Private Finance Initiative/finance leases liabilities, total debt other than borrowing stood at £37.3m for this financial year end.

Cost of Borrowing

28. The average interest rate paid on total external debt in 2019/20 was 2.69% (3.05% in 2018/19). Table 6 shows the Council total cost of maintaining its debt portfolio, as well as how the debt cost has been recharged to the HRA and to LBE Companies. The overall cost to the General Fund was £4.69 million.

Table 5: Cost of Borrowing

29.

	2018/19	**2019/20**
	£m	**£m**
Public Works Loan Board	19.5	22.5
Commercial	1.9	-
Local Authority	0.3	0.1
EIB	0.2	0.2
LEEF	0.1	0.1
Salix	-	-
Total Interest on Long Term Debt	21.9	22.9
Short term Loans	0.9	1.1
Commission on loans	0.1	(0.1)
Total Interest Paid	**23.0**	**23.9**
Interest Income Receipts from:		
Housing Revenue Account	8.2	8.9
Capitalised Interest on Meridian Water	7.2	7.7
HGL	2.8	2.8
EIL	0.8	0.7
Energetik	0.4	0.5
Enfield Enterprise	0.0	0.0
General Fund	3.5	3.2
Total Cost of Debt	23.0	23.9

heir interest rate to meet the State Aid regulations set by the European Union.

Debt Maturity

30. The Council has 90 loans spread over 50 years with the average maturity being 27 years. The maturity profile allows the Council to spread the risk of high interest rates when debt matures in any one year.

31. Table 6 shows the maturity structure of the Council's debt portfolio as at 31 March 2020:

Table 6: Profile of Maturing Debt

	Loans Outstanding as at 31 March 19	Loans Outstanding as at 31 March 20
	£m	**£m**
Under 1 year	164.6	98.6
1-5	67.1	67.8
5-10	85.0	124.7
10-15	151.8	126.1
15-25	67.6	181.0
25-30	58.5	58.5
30-40	141.4	141.4
40+	108.8	188.8
	844.8	**986.9**

Treasury Investment Activity

32. Total cash balances over the year varied considerably, predominantly because of the significant peaks and troughs arising from payment profiles of business rate collections, capital expenditure, DWP payments and housing benefit payments.

33. During the year the Council's investment balance ranged between £5 million and £147 million due to timing differences between income and expenditure.

34. The investment position at the year end is shown in table 7 below.:

Table 7: Treasury Investments

Counterparties	31.3.19 Balance £m	Cumulativ e Sums Invested £m	Cumulativ e Sums Repaid £m	31.3.20 Balance £m
Money Market Funds				
Goldman Sachs	-	173.5	(164.9)	**8.5**
Deutsche	-	162.7	(150.7)	**12.0**
Aberdeen (Ignis)	-	73.5	(59.5)	**14.0**
Federated	10.0	48.4	(44.4)	**14.0**
CCLA	-	38.6	(27.6)	**11.0**

HSBC Liquidity	-	106.5	(106.5)	**0**
Invesco	-	45.5	(34.5)	**11.0**
Call Accounts				
Santander	-	30.4	(30.4)	**0**
HSBC	12.7	215.5	(203.3)	**24.9**
Handelsbanken	15.0	21.0	(36.0)	**0**
	37.7	**915.5**	**(857.8)**	**95.3**

35. The Council generated investment income of £0.486m on cash balances held in call accounts and money market funds during this financial year. On average the Council's cash investment portfolio had a risk weighting equivalent to AA+ credit rating.

Investment Benchmarking

36. Both the CIPFA Code and Government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

37. The progression of risk and return metrics are shown in the extracts from Arlingclose' s quarterly investment benchmarking in Table 8 below.

Table 8 – Treasury investments managed in-house

	Credit Score	**Credit Rating**	**Bail-in Exposure**	**Weighted Average Maturity (days)**	**Rate of Return %**
31.03.2019	3.76	AA-	100%	1	0.57%
31.03.2020	4.25	AA-	100%	1	0.30%
Similar LAs	**4.16**	**AA-**	**57%**	**89**	**0.59%**
All Las	**4.03**	**AA-**	**56%**	**20**	**0.64%**

Non-Treasury Investments

38. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return.

39. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

40. The Council held £131.1m of such investments. A list of the Council's non-treasury investments is shown in below table 9:

Table 9: Non-Treasury Investments

Loans made to LBE Companies	31.3.19 Balance £m	New Borrowing £m	Repaid Borrowing £m	31.3.20 Balance £m
HGL	**113.9**	5.5	(1.0)	**118.4**
Energetik	**6.3**	2.7	(0.1)	**8.9**
EIL	**12.2**	-	(8.6)	**3.6**
EEA	**0.8**	-	(0.8)	**0**
Total	**133.2**	**8.2**	**(11.4)**	**131.1**

41. It is worth noting that £2.5m of accounting impairment charges were applied to the Energetik investment as at 31 March 2019.

Net Debt

42. The Council's net borrowing increased from £807.1m to £929.1m in 2019/20 as demonstrated in Table 10. This recognises that future capital expenditure will need to be financed from external borrowing and will create pressure on the revenue budget, however this impact has been recognised in the Council's Medium Term financial plan.

Table 10: Net Debt

	Actual £m	Budget £m	Actual interest £m	Budget interest £m
Companies	133.9	131.1	4.1	4.1
Meridian Water	292.1	308.1	7.7	10.1
Other GF*	359.2	406.9	3.2	6.8
HRA	201.7	206.6	8.9	9.0
Total borrowing	**986.9**	**1,052.8**	**23.9**	**30.1**
PFI & Finance leases	*37.3*	*42.9*	3.6	4.1
Total debt	**1,024.2**	1,095.7	(27.5)	(34.2)
Total treasury investments	**(95.4)**	**(50.0)**	**(0.5)**	**(0.3)**
Net Debt	**928.9**	**1,045.7**	**-**	**-**

Debt Restructuring

43. Debt restructuring normally involves prematurely replacing existing debt (at a premium or discount) with new loans to secure net savings in interest payable or a smoother maturity profile. Restructuring can involve the conversion of fixed rate interest loans to variable rate loans and vice versa.

44. No rescheduling was done during the year as the new PWLB borrowing rates and premature repayment rates made rescheduling unviable. The Council will continue to actively seek opportunities to restructure debt, if viable.

Compliance with Treasury Management Indicators

45. 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 full council to approve any increase.

46. Throughout 2019/20 the total loan debt was kept within the limits approved by the Council against an authorised limit of £1,400 million. The authorised limit (as defined by the Prudential Code) was set as a precaution against the failure, to receive a source of income or a major unexpected expenditure. In the unlikely event of this happening, the Council would need to borrow on a temporary basis to cover the shortfall in cash receipts. Any significant breach must be reported to the Council.

47. Officers reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy or explain the areas of non-compliance. Compliance with specific investment limits is demonstrated in tables below.

48. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 11 below.

Table 11: Prudential Indicators

Debt Limits	**2019/20 Maximum £m**	**31.3.20 Actual £m**	**2019/20 Operation-al Boundary £m**	**2019/20 Authorised Limit £m**	**Complied?** Yes/No
Borrowing	995.6	986.9	1,200	1,300.0	Yes
PFI and Finance Leases	40.5	37.3	75.0	100.0	Yes
Total debt	**1,036.1**	**1,024.2**	**1,275.0**	**1,400.0**	Yes

49. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Although total debt was not above the operational boundary during this reporting financial year.

Treasury Management Indicators

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

51. Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 12: Credit Risk

	31.3.20 Actual	**2019/20 Target**	**Complied?**
Portfolio average credit rating	AA-	A-	Yes
Portfolio average credit score	4.25	4.75	Yes

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

Table 13: Liquidity Risk Indicator

	31.3.20 Actual	**2019/20 Target**	**Complied?**
Total cash available within 3 months	£95.35m	£25m	Yes

53. **Interest Rate Exposures**: This indicator is set to control the Council's exposure to interest rate risk. The Council held no variable interest rate debt during 2019/20. However, the Council's Treasury Management Strategy does permit variable interest rate loans.

Table 14: Interest Rate Risk Indicator

	31.3.20 Actual	**2019/20 Limit**	**Complied?**
Upper limit on one-year revenue impact of a 1% rise in interest rates	Nil	+£4m	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	Nil	+£4m	Yes

54. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

55. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Table 15: Maturity Structure

	31.3.20 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	10.55%	30%	0%	Yes
12 months & within 24 months	1.33%	35%	0%	Yes
24 months and within 5 years	5.50%	40%	0%	Yes
5 years and within 10 years	12.55%	45%	0%	Yes
10 years and above	70.07%	100%	0%	Yes

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

Table 16: Sum Invested Over One Year

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	Nil	Nil	Nil
Limit on principal invested beyond year end	£15m	£15m	£15m
Complied?	Yes	Yes	Yes

Minimum Revenue Provision

57. 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).

58. The MRP budget for 2019/20 has been adjusted to £8m. In the 2020/21 TMSS that was approved by the Council at its meeting in February 2020 had MRP budget for 2019/20 as £10.8m with chargeable value of £1m to the General Fund, due to £9.8m overprovision set aside in the MRP Reserve used to offset the full annual charge.

Change of Margin to PWLB Borrowing Rate

59. On 9th October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are available and new products will be developed; however, the financial strength of individual councils will be scrutinised by investors and commercial lenders.

60. The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields available from 12th March 2020 and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support

specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

61. The consultation titled “Future Lending Terms” represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in “debt for yield” activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

Safeguarding Implications

62. 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

Public Health Implications

63. The Council’s Treasury Management indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

64. 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

65. 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

66. Lack of robust governance inevitably involves a degree of risk. The successful identification, monitoring and control of risk are therefore central to the Council’s treasury management strategy.

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

67. 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.

68. Removing the 75% cap on MMFs and increasing the money limit of deposits from £15m to £25m for eligible counterparty will allow the officers the ability to place deposits with quality counterparty thereby reducing the risk of default of the council's investment portfolio.

Financial Implications

69. This is a noting report which fulfils the requirement to report annually the performance of the Council's treasury management activities. Financial implications are set out in the body of the report.

Legal Implications

70. This report sets out the lawful basis for the recommendation to approve the 2019/20 Treasury Outturn Report. The Council has duties within an existing legal and regulatory framework to produce an annual Treasury Management review of activities and the actual prudential and Treasury indicators for 2018/19.

Workforce Implications

71. 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 easily and could also make resources available for other corporate priorities.

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

Property Implications

73. None

Other Implications

74. None

Options Considered

75. 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.

76. This report is required to comply with the Council's Treasury Management Policy statement, agreed by Council.

Conclusions

77. The Council held outstanding investments of £95.4m as at 31st March 2020. This portfolio earned interest of £0.486m for the year.

78. During the year the HM Treasury increased PWLB rate by 100 basis points (1%) to 180 basis points (1.8%).

79. The actual borrowing CFR increased by £94.9m to £1,047.1m from last year closing position of £952.2m. Comparing the borrowing CFR forecast for 2019/20 of £1,096m with the actual borrowing CFR, this gives a variance of £48.9m for the year, which is due to some capital expenditure slippage.

80. The actual debt at year end stood at £1,024m, an increase of £142.1m over 2018/19 closing balance. The total debt forecast for 2019/20 was £1,095m and this is £60m more than the actual gross debt for the year.

81. In March 2020 £80m PWLB borrowing was raised with an average rate of 1.45%, with all loans maturing in 50 years. This borrowing was raised for HRA capital expenditure projects, taken advantage of the available ultra low PWLB rate for HRA projects.

82. The gross interest paid for financing external borrowing for the year were £23.9m and the proportion of interest charged to the General Fund for the year was £3.2m. Although gross interest forecast for 2019/20 was £30m with chargeable budget of £6.8m to the General Fund. The favourable variance is due to the ability of officers being able to obtain lower than expected long term borrowing rates facility to fund the Council's capital expenditures.

83. Over the reporting year all treasury management (TM) activities have been carried out in accordance with the approved limits and the prudential indicators (PI) set out in the Council's Treasury Management Strategy statement.

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Date of report 21 September 2020

Appendices
None

Background Papers
The following documents have been relied on in the preparation of this report:

I. Treasury Management Strategy Statement 2018/19 (Approved by Council February 2019)
II. Treasury Management Strategy Statement 2019/20 (Approved by Council February 2020)
III. Arlingclose – Treasury Outturn Template for 2019/20
IV. Arlingclose – Enfield Benchmarking-credit-scores for March 2020