London Borough of Enfield

GENERAL PURPOSE COMMITTEE

Meeting Date: 14th January 2021

Subject: Draft Treasury Management Strategy Statement for 2021/22

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: [ ]

Purpose of Report

1. This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2021/22 to 2030/31, and Annual Investment Strategy (AIS) for the year ended 31 March 2022, together with supporting information.

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 2021/22 and the following 3 years.

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

4. 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 2021/22 budget is progressed in January and February 2021.

5. 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.

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

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

8. The strategy assumes significant growth of external borrowing to support the Council's ambitious 10 Year Capital Programme. There is ongoing work on Programme and the figures in this report are subject to change with the revised and updated figures to be presented Cabinet on 3rd February for recommendation on to Council 24th February for approval.

9. The key points of the report are highlighted below:

		See Appendix:
Borrowing Outstanding at 31st December 2020 and 31st March 2021 & 31st March 2022 forecasts	Total borrowing outstanding as at 31st December 2020 was £914.4m with the forecast for 31st March 2021 at £1,116m and estimated budget for 31st March 2022 of £1,346m	**C & D**
Capital Financing Requirement (CFR) Forecast for 31st March 2021 and 31st March 2022	The audited borrowing CFR for 31st March 2020 was £1,109m. The forecast for 31st March 2021 stood at £1,236m and forecast for 31st March 2022 is £1,466m.	**D**
Minimum Revenue Provision (MRP)	MRP chargeable to the General Fund (GF) for 2021/22 is £13.24m.	**E**
Setting Treasury Management & Prudential Indicators	To ensure officers operate the Council's activities within a well-defined limit	**D**

Proposal

10. That the members of the General Purpose Committee review the Draft Treasury Management Strategy and consider the five areas below when formulating comments to Cabinet and Council when it approves the Strategy in February:

i) Agree the Treasury Management Strategy Statement for 2021/22;

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

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

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

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

Reason for Proposal

11. 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 MHCLG Guidance.

12. The Council has borrowed and invested 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. The successful identification,

monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks.

Relevance to the Council's Corporate Plan

13. Good homes in well-connected neighbourhoods.

14. Build our Economy to create a thriving place.

15. Sustain Strong and healthy Communities.

Background

16. On 31st March 2020, the Council had net borrowing of £893.6m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

17. 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.

18. The Council has borrowed and invested 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. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks.

19. 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.

20. 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.

21. 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 training needs of treasury management officers are also periodically reviewed.

The Strategy for 2020/21 and the Current Borrowing & Investment Position and Performance

22. The Strategy for 2020/21 was approved by the full Council in February 2020 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 £50.39m as at 31st December 2020 with £7.35m placed in a Call account with HSBC and the remaining £43m invested in two money markets funds (MMFs).

23. The Council's forecast to borrow £305.3m for 2020/21 for new capital expenditure, as at 31st December 2020 £16.2m was borrowed and over £77m borrowing matured during the period.

24. The below table show the position of the Council outstanding borrowing and investments for this financial year to 31 December 2020.

Instrument	Month End Balance	Interest Received / (Paid)
Cash Deposits	£50.39	£155k
Loans to Enfield Companies	£133.3m	£1.91m
Borrowings	£916m	£18.9m

25. As at 31st December 2020 the Council had £916m of borrowing in total. This is split between £897.6m in Long Term Loans (99%) and £8.4m (1%) held in Short Term Loans with nine different local authorities.

26. 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.

27. 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 FOR 2021/22

28. 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.

29. 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.

30. The Treasury Management Strategy Statement covers the three main areas:

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

   ii. **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.

   iii. **Managing cash balances:**
      - the current cash position and cash flow forecast;
      - prospects for investment returns
      - creditworthiness policy;
      - service/policy investments

Developing the Strategy for 2021/22

31. 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.

32. It is worth mentioning to the members that all the Council's Money Market Funds are Low Volatility Net Asset Value (LVNAV) funds, which used to be

called Constant Net Asset Value. Under the European reforms the Constant Net Asset Value (CNAV) Funds are preserved for 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, with greater sensitivity to market pricing, and extra controls built into the fund structure.

33. The money market funds (MMFs) the Council invested in have never exhibited any meaningful price volatility. Officers 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.

34. The Annual Investment Strategy (AIS) at Section 4 provides more detail on how the Council's surplus cash investments are to be managed in 2021/22.

Capital Programme and Prudential Borrowing

35. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio. With short term interest rates currently lower than long term rates, it is likely to be more cost effective in the short term to either use internal resources, or to borrow short term loans instead. However, this approach will need to be managed proactively to prevent exposure to re-financing risk, the risk of interest rates moving in the future that will result in refinancing short-term loans or internal borrowing more expensive than the present time.

36. The above strategy will allow the Council reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short term.

37. 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 investments counterparty risk is still an issue that needs to be considered.

38. On 31st March 2020, the Council had borrowing of £989m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR).

Table 1: Balance Sheet Summary and Forecast

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
General Fund CFR	882.3	965.0	1,152.4	1,212.9	1,225.5	1,228.4
HRA CFR	226.7	271.4	313.4	414.4	514.8	520.8
Total / Borrowing CFR	**1,109.0**	**1,236.4**	**1,465.8**	**1,627.3**	**1,740.3**	**1,749.2**
Less: Internal borrowing	(120.0)	(120.0)	(120.0)	(120.0)	(120.0)	(120.0)
External borrowing	**989.0**	**1,116.4**	**1,345.8**	**1,507.3**	**1,620.3**	**1,629.2**
Breakdown of external borrowing:						
Existing Borrowing Profile	989.0	904.9	881.5	858.0	835.6	812.6
New Borrowing to be raised	**0.0**	**211.5**	**464.3**	**649.3**	**784.7**	**816.6**

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

39. Shown in the table above, is the need to borrow up to £816.6m in total from 2021/2022 to 2024/25. For this financial year 2020/21, a total of over £77m of loans matured to date and a further £15m is expected to mature by 31st March 2021. The Council is still able to borrow some £211.5m to finance its capital programme. 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

40. The Council has an increasing CFR due to the requirements of the Council's Capital Programme and will therefore be required to borrow up to £1.2bn over the forecast 10-Year period (2021/22 to 2030/31). As detailed in Table 2 below, the Council's programme over the next 5 years is £1.7bn, of which £0.9bn is funded through borrowing.

41. 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.

Table 2: Capital Expenditure & Financing (not including Pipeline)

	2020/21* £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27-2030/31 £m	Total 10 Yr Capital Progr-amme £m
Meridian Water	68.3	218.8	63.5	26.7	25.8	28.9	127.0	490.8
Companies	23.2	55.0	11.9	1.5	0.0	0.0	0.0	68.3
Joyce & Snells (GF)	0.0	1.4	4.4	4.5	5.0	5.5	114.3	135.1
Other General Fund	60.0	140.2	75.4	47.1	35.7	41.1	116.4	455.9
HRA	75.2	200.0	206.6	178.2	104.4	191.7	243.5	1,124.4
Financed by:	**226.6**	**615.3**	**361.8**	**258.0**	**171.0**	**267.3**	**601.2**	**2,274.5**

External Grants & Contributions	(33.8)	(174.4)	(64.8)	(63.9)	(31.7)	(21.6)	(77.4)	(433.8)
S106 & CIL	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Contributions	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	(0.3)
Capital Receipts	(3.1)	(17.9)	(9.7)	0.0	(73.7)	(73.2)	(132.8)	(307.3)
Earmarked Reserves	(6.1)	(55.4)	(2.6)	0.0	(0.7)	0.0	0.0	(58.8)
Major Repairs Allowance (MRA)	(17.9)	(67.2)	(44.4)	(35.5)	(14.5)	(14.5)	(56.7)	(232.9)
Impact on Borrowing	**165.8**	**300.0**	**240.4**	**158.6**	**50.3**	**158.0**	**334.3**	**1,241.5**

42. The current long term borrowing rate from the Public Works Loan Board is 1.78% (maturity loans) for 25 years and 1.42% (Annuity loans) for 25 years. Were the Council to temporarily borrow the necessary resources from other local authority for 3 years or 5 years, it would save the equivalent of 1.23% or 1.03% respectively (for maturity loan type) of the amount borrowed. The affordability of the capital programme has been calculated based upon the assumption that internal borrowing would occur initially, follow by PWLB borrowing and Short Term Borrowing based on the current low interest rate environment.

Minimum Revenue Provision (MRP)

43. 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.

44. 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 that all schemes undertaken are viable (i.e. repay all their debt over an appropriate period) and so that the HRA maintains borrowing capacity for future years.

45. 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.

46. The MRP policy can be seen in Appendix E of Annex 1 of this report and this policy will take effect from 2021/22. 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 2021, the MRP for 2021/22 is estimated to be £13.24m.

47. Officers will commission a review of the Council MRP policy during 2021/22 financial year to ensure it is prudent enough in the current economic climate

and an update based on the review outcome will be made available in 2022/23 TMSS.

Borrowing Update

48. On 9 October 2019, HM Treasury increase the Public Works Loan Board (PWLB) rate by 100 basis points (1%), to a new margin 180 basis points (1.8%) above gilts for certainty rate loans, making it relatively expensive.

49. This sharp increase to the PWLB borrowing rate was due to the pace at which local authorities had been borrowing from the facility during 2019 summer for their capital projects, housing and regeneration schemes; £2.0bn was taken in August 2019 and £1.6bn in September 2019.

50. This policy change has far reaching consequences for 2019/20 and 2020/21 treasury management activities as the Council has a large funding requirement and could experience a significant increase in interest costs if borrowing had taken place at the new prescribed rates at the time.

51. Market alternatives are now widely available; however, the financial strength of individual local authorities will be scrutinised by investors and commercial lenders. The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB).

52. In the spring of 2020 HM Treasury started a consultation process on PWLB titled "Future Lending Terms" and this process closed 31st July 2020. The consultation allowed stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow 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. The consultation also proposed the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

53. The consultation closed on 31st July 2020. The Council responded to the consultation. Late November 2020 HM Treasury published its outcome of the July 2020 consultation process and with PWLB issuing the revised lending terms. The PWLB reduced its Standard Rate by 100 basis points, thus reversing the decision undertaken in October 2019. However, local authorities can now only access the PWLB to refinance existing borrowings or internal borrowing; and financing expenditure relating to service delivery; housing; regeneration; and preventative action.

54. Loans from the PWLB cannot be used to finance expenditure relating to commercial investments for yield generation. Failure to comply with the revised terms would result in suspension of access to the PWLB; repayment of loans (with penalties) and a wider Government review of local authorities borrowing framework.

55. Immediate access to these lower rates is granted, with borrowers simply having to confirm compliance with the rules and expenditure plans submitted via this year's "certainty rate" form.

56. Permitted uses of PWLB loans include the newly announced “treasury management” category, covering the refinancing of internal borrowing and external loans, regardless of activity on **PIAPFY** (purchasing an investment asset primarily for investment yield). This preserves a key plank of local authority’s liquidity management and therefore credit worthiness. “Preventative action” is another new category, covering urgent expenditure to prevent negative outcomes, where no obvious alternative is available. An example may be the purchase of property in a council’s town centre to stop urban decay, but note that HM treasury do not expect this to happen on a large scale

57. The Council will only borrow from the PWLB to finance expenditure relating to:

    i) Service delivery

    ii) Housing

    iii) Regeneration of the Borough

    iv) Preventative action

    v) Refinance existing loans (maturing or non-maturing)

    vi) Refinance internal borrowing

58. Local Authorities can now continue their budget setting process with more certainty and in most cases lower assumptions regarding new borrowing costs. Those that have purchased assets before 25th November 2020 announcement will not be disadvantaged, the rules are not retrospective.

59. The Council will continue to seek other funding opportunities such as borrowing from the marketplace. Furthermore, there is currently less than £10 billion PWLB capacity for local government financing, set against the context of known requirements for other organisations, such as the North London Waste Authority’s borrowing requirements in excess of £1billion. Consequently, Enfield may find itself unable to borrow large sums from the PWLB.

60. To borrow efficiently, the Council may need to have a credit rating in order to raise finance in the bond markets. Arlingclose believe that there will likely be a ‘stratification of funding costs between “strong” and “weak” authorities. Due to the ambition of the Council, it is unlikely to attract the lowest rates. This may affect the investment models for projects, if they involve greater levels of debt, regardless of the investment return.

61. 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.

62. **Municipal Bonds Agency (MBA):** The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor.

63. If the Council intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

Safeguarding Implications

64. 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

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

Equalities Impact of the Proposal

66. 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

67. 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

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

69. 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.

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

71. 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

72. 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.

Financial Implications

73. This report provides Treasury Management budget for 2021/22 and forecasts for 2022/23 to 2030/21 financial years. Also included is the 10 year capital expenditure for prudent and sustainability check.

74. The Council held outstanding investments of £50.39m as at 31st December 2020. This portfolio has receivable interest of £0.155k to date.

Legal Implications

75. The Council will be in breach of the CIPFA TM code if it does not approve the strategy before the start of the year.

76. 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.

77. 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.

78. 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.

79. 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.

80. 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.

81. 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.

82. 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).

Workforce Implications

83. 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.

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

Property Implications

85. None

Other Implications

86. None

Options Considered

87. 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.

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

Conclusions

89. The Council held outstanding investments of £50.39m as at 31st December 2020. This portfolio earned interest of £0.155m for the reporting period.

90. The borrowing CFR forecast for 2021/22 is £1,466m which is in excess of last year closing position of £1,109m by some £357m. The MRP charge for 2021/22 is estimated to be £13m based on estimated closing Gross CFR of 2020/21 of £1,278m, however for the borrowing CFR of £1,236m the MRP chargeable to GF is £11.6m. See Appendix E of Annex 1 for more details.

91. The Total Borrowing for 2019/20 stood at £989m, the forecast for 2020/21 has been increased slightly by £33m to £1,116m. The estimated closing total borrowing for 2021/22 is £1,346m. Indicating a borrowing need of some £357m more than the closing position of £989m for 2020/21 financial year. For more details, see section 3.3 of Annex 1.

92. The Council loans to its companies is forecast to be £149.9m as at 31st March 2021 and to be £204m by end 2021/22 financial year. Future provisions to the companies will include provision of working capital and injection of equities into the companies. For more details, see section 5.15 of the attached Annex 1.

93. Treasury management (TM) and the prudential indicators (PI) are set out in Appendix D of Annex 1 to enable all treasury management activities to be carried out in accordance with the approved limits.

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Date of report 22nd December 2020

Appendices
Annex 1 – Enfield Treasury Management Strategy Statement For 2021/22

Background Papers
The following documents have been relied on in the preparation of this report:
i) TM Strategy Statement 2020/21 (Approved by Council February 2020)
ii) Section 3 Local Government Act 2003
iii) Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
iv) MHCLG Guidance on Minimum Revenue Provision (fourth edition) February 2018
v) MHCLG Capital Finance Guidance on Local Government Investments Feb 2018

vi) CIPFA Prudential Code for Capital Finance in Local Authorities, 2017