Enfield Council Treasury Management Strategy - 2023/24

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Treasury Management Strategy Statement 2023/24

1. Introduction

1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. Borrowing arises from spending on the Council's Capital Programme; this report should be considered alongside the Ten Year Capital Programme. The Council has borrowed and/or invested substantial sums of money and is therefore exposed to potential financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

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

1.4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.5. CIPFA defines treasury management as:

"The management of the local Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.6. Investments held for service purposes or for cashflow purposes are considered in a different report, the Investment Strategy (**Section 4**).

2. External Context: Interest Rate Forecast

2.1. The Bank of England's Monetary Policy Committee (MPC) remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.

2.2. Following the exceptional 75bp rise in November, the Council's Treasury advisor, Arlingclose, believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.

2.3. The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC is expected to cut Bank Rate.

2.4. The Council's long term borrowing comes primarily from the Public Works Loan Board. Interest rates are set by applying a margin to gilt yields. Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.

2.5. Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.

2.6. For the purpose of setting the budget, it has been assumed that new long-term loans will be initially borrowed at an average rate of 4.25% during financial years 2022/23 to 2023/24; and 4% from 2024/25 onwards, and that any treasury investments will be receive an average return of 3.5%.

3. Local Context

3.1. 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 internal borrowing or investment. The Council's current strategy is to use internal borrowing to reduce the total interest costs by delaying the need for external borrowing.

3.2. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators. In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years.

3.3. On 31st December 2022, the Council held £1,102.5m of borrowing and £100.3m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

Table 1: Forecast Capital Financing Requirement and Borrowing [to be updated from Capital Programme paper]

	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.33 Forecast £m
General Fund CFR	1,063.9	1,146.4	1,205.7	1,223.8	1,246.0	1,229.0	1,143.7
HRA CFR	306.2	379.9	437.9	450.9	450.9	451.4	604.3
Total / Borrowing CFR	1,370.0	1,526.3	1,643.6	1,674.7	1,697.0	1,680.4	1,748.0
PFI Liability	26.3	22.1	17.7	13.8	10.7	7.5	(0.0)
Total Debt CFR	**1,396.4**	**1,548.4**	**1,661.3**	**1,688.5**	**1,707.7**	**1,687.9**	**1,748.0**
Less: Internal borrowing	(231.6)	(87.5)	(171.1)	(197.5)	(222.1)	(219.7)	(216.2)
Cumulative External borrowing	**1,164.7**	**1,460.9**	**1,490.1**	**1,491.0**	**1,485.6**	**1,468.2**	**1,531.9**
Existing Borrowing Profile	1,063.0	975.7	946.4	917.3	888.5	846.2	696.1
Cumulative new Borrowing to be raised from 1 Apr 2022 (inc refinancing maturing borrowing)	**101.6**	**485.2**	**543.8**	**573.7**	**597.1**	**622.1**	**835.7**

3.4. The Council is forecasted to hold £1,063.0 million of loans as at 31 March 2023, an increase of £47.9 million on the previous year, which was used to fund the investment in the respective capital programme. Table 1 above shows that the Council expects to have debt up to £1,460.9m in 2023/24. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,490 million.

3.5. The Council has an increasing CFR due to the requirements of the Council's capital programme and is forecasting to have total debt (internal and external) up to £1,748.0m over the 10-Year forecast period (2023/24 to 2032/33). As detailed in Table 2 below, The Council's 10 year programme is £1,915.4m of which

£869.9m is funded through borrowing and over the next 5 years the programme is £1,187.2m of which £514.9m is funded through borrowing.

3.6. Table 2 includes outline budgets for projects that will seek detailed approval as the business cases are further developed.

3.7. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than the amount of borrowing it needs to finance its programmes (i.e. its highest forecast CFR over the next three years).

4. Liability benchmark

4.1. The liability benchmark represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow

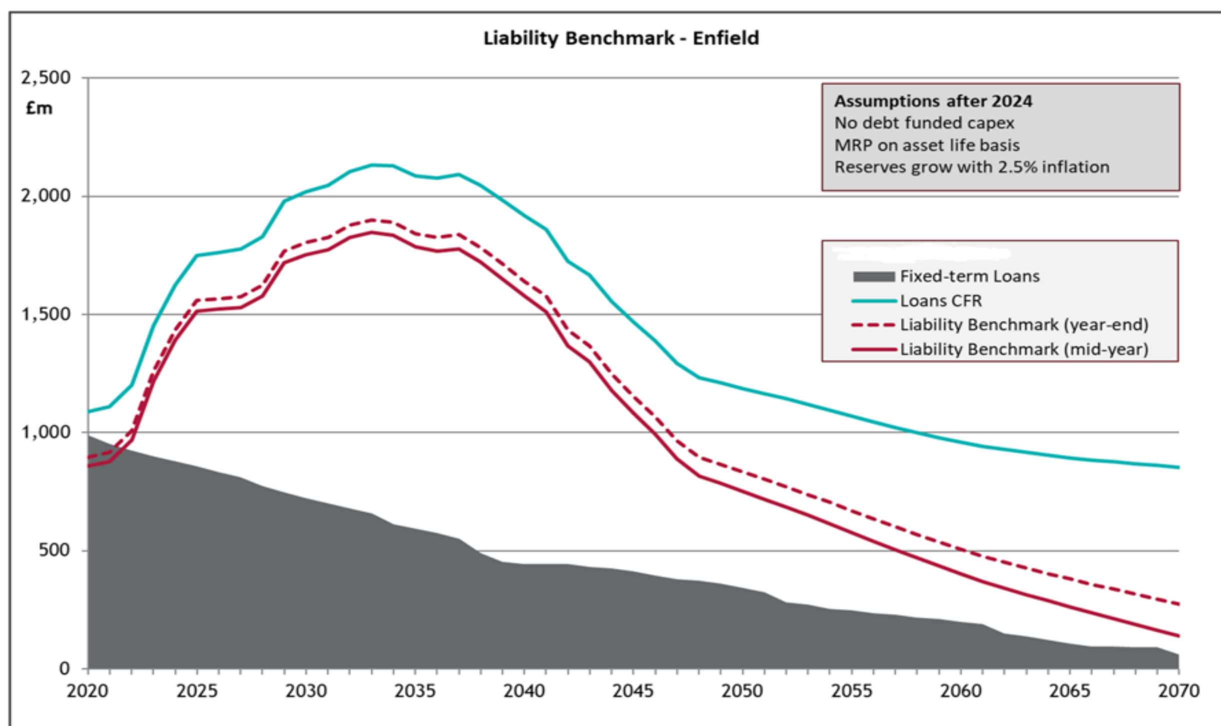
4.2. The chart overleaf shows the long term borrowing impact of the current ten year capital programme (i.e. for this technical purpose, it assumes that there is no further need to borrow after the expiry of the current ten year capital programme, which in reality would not be the case).

4.3. If debt (grey shaded area) exceeds the liability benchmark (red lines), the authority has a cash surplus and is holding on deposit. It is a measure of the Council's existing (and committed) loans portfolio compared with its forecast loan needs. This benchmark should enable the authority to understand and manage its exposure to treasury risks.

4.4. The chart shows that the Council currently has cash balances (as the grey area showing existing loans is higher than the red lines showing the liability benchmark). This has been as a result of a strategy of managing treasury risk by fixings some debt at lower rates in anticipation of it being required to fund capital projects in a relatively short timeframe.

4.5. Longer term, the debt the Council has committed to stays below the liability benchmark, meaning that further borrowing will be required in the future.

Chart 1: Liability Benchmark



5. Borrowing Strategy

5.1. The Council is forecasted to hold £1,063.0 million of loans as at 31 March 2023, an increase of £47.9 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £1,460.9m in 2023/24. The Authority may also borrow additional sums however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,490.0 million.

5.2. **Objectives:** 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.

5.3. **Strategy:** The Council's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio. Short term PWLB interest rates are currently broadly similar to long term rates.

5.4. During a period of interest rate volatility earlier in 2022, Enfield's borrowing strategy has been to borrow up to three months in advance of the cash being required in order to manage risk and refinance maturing debt at relatively lower interest rate where possible. Relatively strong investment income (around 3.3% as at 31 Dec, though lower earlier in the year) reduces the holding cost of debt until it is required.

5.5. Interest rates are forecast to be much more stable during 2023/24. But expenditure is less certain: capital projects are adapting to the new economic environment, so there is a higher degree of uncertainty about the cash flow to be required at any given time. In this environment, our borrowing strategy is going to be ‘little and often, minimising cash balances’ i.e.:

(i) Closer focus and engagement with project managers on cash flow forecasting (focusing on large payments and the month ahead)
(ii) Keeping £30m cash available in short-term investments as a buffer, for example, to meet payroll runs
(iii) When the balance goes below £30m and is forecast to stay below £30m, borrowing the forecast amount required for the following two weeks using short term borrowing, provided that the proportion of short term borrowing does not make up more than x% of the total debt
(iv) Borrowing long term to ‘fix’ short term borrowing when it is going to mature.

5.6. This strategy will reduce cash balances and give certainty about the quantum of long term borrowing required (as it will be matched to the maturity of short term borrowing). It also gives the Council flexibility to change plans without incurring the cost of holding debt that is not required.

5.7. This strategy will be tweaked and adapted as and when required. This approach will be actively managed to prevent exposure to re-financing risk. Re-financing risk is the risk of interest rates moving in the future that will result in refinancing short-term loans or internal borrowing being more expensive than the present time.

5.8. The above strategy will allow the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Arlingclose will assist the Council with this ‘cost of carry’ and breakeven analysis.

5.9. The Authority has previously raised the majority of its long-term borrowing from the PWLB and short term borrowing from other local authorities. Enfield will continue to horizon-scan and investigate potential alternative financing options, but PWLB is likely to remain the cheapest and lowest risk option for long term borrowing.

5.10. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

5.11. **Sources of borrowing:** The approved sources of long term and short-term borrowing are:

i. HM Treasury’s PWLB lending facility (formerly the Public Works Loan Board)
ii. any institution approved for investments (see below)
iii. any other bank or building society authorised to operate in the UK
iv. any other UK public sector body
v. UK public and private sector pension funds (except the London Borough of Enfield Pension Fund)

vi. capital market bond investors
vii. UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
viii. Mayor of London Energy Efficiency Fund (MEEF)
ix. Energy Efficiency Fund (LEEF)
x. European Investment Bank (EIB)
xi. Insurance Funds

5.12. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

i. Leasing and hire purchase
ii. Private Finance Initiative
iii. sale and leaseback

5.13. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

5.14. **LOBOs:** the authority does not hold any Lender's Option Borrower's Option loans.

5.15. **Short term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

5.16. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity. This results in the Council either paying a premium (additional cost) to prematurely repay the loan or receiving a discount (refund of cost by PWLB). Premiums and discounts are calculated according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. Currently, PWLB early redemption fees are high and it is unlikely that a saving can be made by early redemption. The Council will keep debt rescheduling opportunities under review and update Members as part of the treasury management reporting cycle throughout the financial year.

5.17. **Other Options**: The Council will continue to consider a wide range of financing options, as shown in the table below, such as leasing assets in an income strip arrangement for a shorter period than the asset life (30 years) in order to retain the asset for the Council, while reducing the debt.

Table 3: Borrowing Options

	PWLB	Short Term LA	Commer-cial Paper	LA Bills	Long Term LA	Bank Loans	Private Place-ment	MBA	Public Bonds	Income Strip
Size	Any	<£10m	£100m	<£10m	<£10m	>£5m	>25m	?	>£200m	>20m
Interest	V, F	V	V	V	V, F	V, F, I	V, F, I	F?	F, I	F,V, I
Maturity	<50yr	<1yr	<1yr	<1yr	?	<10yr	10 to 50yr	?	10yr +	10yr +
Repayment	M, A	M	M	M	M, A	M, A	M, A	M?	M, A	M, A
Tradeable	No	No	Yes	Maybe	Maybe	Maybe	Maybe	Yes	Yes	No
Credit Assessment	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Legal Documents	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Process	Easy	Easy	Inten-sive	Mod-erate	Mod-erate	Mod-erate	Mo-derate	Inten-sive	Inten-sive	Intens-ive
Margin	Highest	Low	Low	Low	Medium	Medium	Medium	Medium	Medium	Higher

6. Treasury Investment Strategy

6.1. At present the Council does not hold significant level of invested funds. Surplus cash is held in overnight Money Market Funds for ease of accessibility to meet short-term cashflow demands.

6.2. The Council plans to have a zero daily current bank closing balance every day ensuring all surplus cash is always appropriately invested.

6.3. The level of cash deposit will fluctuate during the course of the year. During 2022/23, the Council on average held £40m in investments. For 2023/24 we aim for lower average cash balances of £35m due to the adapted borrowing strategy as described in section 5.

6.4. **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority'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. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

6.5. **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

6.6. Currently, the Council invests all surplus cash overnight into Money Market Funds. This gives maximum liquidity. Given the recent rise in interest rates, the Council will dedicate more resources to a greater focus on cash flow management which was not cost effective in the previous low-interest rate environment. This may enable us to invest some cash longer term in confidence that it will not be required until then (eg for a number of months) in order to increase returns on that investment without jeopardising liquidity.

6.7. The Council is required to have a £10m minimum investments at all times to keep its professional status and access to Money Market Funds and the wider capital markets. This means that £10m can be invested longer term to increase returns while prioritising the security of that investment.

6.8. This strategy is likely to lead to a higher diversification in the sectors we invest any cash surpluses in, depending on the returns and conditions (eg we may lend to other local authorities).

6.9. The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

6.10. **ESG policy**: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

6.11. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

6.12. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types set out below, subject to the cash limits (per counterparty).

Table 4 - Approved Investment Counterparties and Limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£20m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£15m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10m

This table must be read in conjunction with the notes below

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below

6.13. * **Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

6.14. For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

6.15. **Government:** Loans to; bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

6.16. **Secured investments**: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

6.17. **Banks and building societies (unsecured)**: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

6.18. **Registered providers (unsecured)**: Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

6.19. **Money market funds**: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

6.20. **Strategic pooled funds**: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

6.21. **Real estate investment trusts**: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

6.22. **Other investments**: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank

companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

6.23. **Operational bank accounts**: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £800,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

6.24. **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

(i) no new investments will be made,
(ii) any existing investments that can be recalled or sold at no cost will be, and
(iii) full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

6.25. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

6.26. **Other information on the security of investments**: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

6.27. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the

Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested

6.28. Investments that are not for the purpose of treasury management activities (eg lending to wholly owned Council companies) are described in the separate Investment Strategy Report.

6.29. **Investment limits**: The Council will limit the risk of loss from a default from lending to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Table 5: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

6.30. **Liquidity management:** The Council uses its own in-house cash flow forecasting software model (Predictor) to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

6.31. The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

7. Treasury Management Prudential Indicators

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

7.2. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average 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.

Credit risk indicator	Target
Portfolio average credit score	6

7.3. **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.

Liquidity risk indicator	Target
Total cash available within 3 months	£35m

7.4. **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one year revenue impact of a 1% rise in interest rates	+£4.0m
Upper limit on one year revenue impact of a 1% fall in interest rates	-£4.0m

7.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The effect of an increase in interest rates will be mitigated through the Council's risk budget.

7.6. **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 borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	30%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	45%	0%
10 years and above	100%	0%

7.7. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

7.8. **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments (i.e investments with duration in excess of 1 year) will be:

Price risk indicator	2023/24	2024/25	2025/26	No fixed date

Limit on principal invested beyond year end	£25m	£25m	£25m	£0m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

8. Related Matters

8.1. The CIPFA Code requires the Authority to include the following in its treasury management strategy.

8.2. **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

8.3. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

8.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

8.5. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

8.6. **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. New long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred

between the General Fund and HRA at the Council’s average interest rate on investments, adjusted for credit risk. This is currently under review, as going forward keeping the historical HRA debt separate seems appropriate but it would be simpler and cheaper for both funds for the remaining debt to be split on a financing requirement basis, as it would prevent unnecessary borrowing.

8.7. **Markets in Financial Instruments Directive**: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council’s treasury management activities, the Director of Finance believes this to be the most appropriate status.

9. Financial Implications

9.1. For the General Fund:

The budget for investment income in 2023/24 is £1.0m, based on an average investment portfolio of £35m at an interest rate of 3%. The budget for debt interest paid in 2023/24 is £[X] million, based on an average debt portfolio of £[X] million at an average interest rate of [X]%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different and split between the General Fund and HRA.

9.2. For the HRA:

9.3. The budget for investment income in 2023/24 is £[X] million, based on an average investment portfolio of £[X] million at an interest rate of 3%. The budget for debt interest paid in 2023/24 is £[X] million, based on an average debt portfolio of £[X] million at an average interest rate of [X]%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

9.4. Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then these revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

10. Other Options Considered

10.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance (Capital) having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below:

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Existing Investment & Debt Portfolio Position

Table A1 – Outstanding Debt Portfolio Position as of 31st December 2022

Type of Loan	1st April 2022	Movement	31st December 2022
	£m	**£m**	**£m**
PWLB	**928.3**	34.8	**963.1**
Local Authority	**35.0**	54.0	**89.0**
European Investment Bank	**7.9**	0.0	**7.9**
GLA	**1.2**	0.0	**1.2**
HNIP	**21.6**	0.0	**21.6**
LEEF	**2.1**	(0.5)	**1.5**
MEEF	**15.0**	0.0	**15.0**
SALIX	**4.0**	(0.9)	**3.1**
Total	**1,015.1**	87.4	**1,102.5**

Table A2 – Outstanding Investments as of 31st December 2022

Type of Loan	1st April 2022	31st Dec 2022
	£m	**£m**
Money Market Funds (MMFs)	95.0	100.3
On-call accounts	0.6	0.0
	95.6	**100.3**

Appendix B

Prudential Indicators

This report covers the requirements of the 2017 CIPFA Prudential Code to set prudential indicators. This item should be approved by the full Council before the start of the new financial year which is a legislative requirement. The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

The 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, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Prudential Indicator: Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it/estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years.

Table B1 - Capital Expenditure

[to be updated for final capital programme]

	Estimate at P8	Planned	Planned	Planned	Planned	Planned	Planned	
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29-2032/33 £m	Total 10 Yr Capital Programme £m
Meridian Water	63.5	109.1	94.0	19.0	26.5	10.8	65.3	324.8
Companies	31.7	28.8	36.9	50.0	17.0	0.0	0.0	132.7
Joyce & Snells (GF)	0.0	0.0	0.0	0.0	0.0	0.0	52.4	52.4
Other General Fund	60.2	113.0	60.5	45.0	27.0	25.5	127.8	398.7
HRA	107.4	162.6	114.2	109.6	56.7	81.0	482.8	1,006.9
Total General Fund	**262.7**	**413.4**	**305.6**	**223.6**	**127.2**	**117.4**	**728.3**	**1,915.4**
Financed by:								
External Grants & Contributions	(56.2)	(143.2)	(88.2)	(79.3)	(30.9)	(12.3)	(206.4)	(560.3)
S106 & CIL	(1.9)	(2.0)	(1.9)	(1.9)	(0.7)	(0.7)	(3.3)	(10.4)
Revenue Contributions	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Receipts	(29.1)	(87.1)	(27.8)	(19.6)	(24.1)	(30.7)	(74.0)	(263.4)
Major Repairs Allowance (MRA)	(11.3)	(4.3)	(29.7)	(13.8)	(14.6)	(15.4)	(83.4)	(161.3)
Earmarked Reserves	(13.4)	(2.8)	(2.0)	(5.8)	0.0	(33.5)	(6.1)	(50.3)
Impact on Borrowing	**150.7**	**174.0**	**156.0**	**103.1**	**57.0**	**24.7**	**355.0**	**869.9**

Prudential Indicator: Capital Financing Requirement (CFR)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower

than its highest forecast CFR over the next four years. The tables and graph below show that the Council expects to comply with this recommendation during 2022/23.

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Table B2 - Gross Debt and the Capital Financing Requirement

[to be updated for final capital programme]

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital Financing Requirement	1,369.9	1,526.3	1,643.6	1,674.7	1,697.0	1,680.4	1,665.8	1,677.6	1,758.5	1,726.4	1,748.0
PFI & Finance Leases	26.3	22.1	17.7	13.8	10.7	7.5	4.0	1.3	(0.0)	(0.0)	(0.0)
Total Capital Debt Requirement	**1,396**	**1,548**	**1,661**	**1,689**	**1,708**	**1,688**	**1,670**	**1,679**	**1,759**	**1,726**	**1,748**
External Borrowing (NET)	1,164.7	1,460.9	1,490.1	1,491.0	1,485.6	1,468.2	1,452.9	1,463.9	1,544.0	1,511.0	1,531.9
Other Long-Term Liabilities	26.3	22.1	17.7	13.8	10.7	7.5	4.0	1.3	(0.0)	(0.0)	(0.0)
Gross Debt	**1,191.0**	**1,483.0**	**1,507.8**	**1,504.9**	**1,496.3**	**1,475.7**	**1,456.9**	**1,465.2**	**1,544.0**	**1,511.0**	**1,531.9**

Prudential Indicator: Operational Boundary

The operational boundary is based on the Council’s estimate of most likely, i.e. prudent, but not worst-case scenario for external debt. It links directly to the Council’s estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council’s debt.

Table B3 - Operational Boundary

[to be updated for final capital programme]

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m	2032/33 £m
Borrowing Required	1,164.7	1,460.9	1,490.1	1,491.0	1,485.6	1,468.2	1,452.9	1,463.9	1,544.0	1,511.0	1,531.9
Other Long-Term Liabilities	26.3	22.1	17.7	13.8	10.7	7.5	4.0	1.3	(0.0)	(0.0)	(0.0)
Total Operational Boundary	**1,191.0**	**1,483.0**	**1,507.8**	**1,504.9**	**1,496.3**	**1,475.7**	**1,456.9**	**1,465.2**	**1,544.0**	**1,511.0**	**1,531.9**

Prudential Indicator: Affordable Borrowing / Authorised Limit

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Table B4 - Affordable Borrowing / Authorised Limit

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m	2032/33 £m
Operational Boundary	1,191.0	1,483.0	1,507.8	1,504.9	1,496.3	1,475.7	1,456.9	1,465.2	1,544.0	1,511.0	1,531.9
Headroom	291.2	365.2	372.5	372.8	371.4	367.1	363.2	366.0	386.0	377.8	383.0
Total Authorised Limit	**1,482.2**	**1,848.3**	**1,880.3**	**1,877.6**	**1,867.7**	**1,842.8**	**1,820.1**	**1,831.2**	**1,930.0**	**1,888.7**	**1,914.8**

Prudential Indicator – Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream and the gross revenue budget for the General Fund and the Housing Revenue Account, respectively. It also exemplifies the element of housing rental that relates to financing costs, this calculation is notional and assumes all other things are equal.

Table B5 - Ratio of Financing Costs to Net Revenue Stream
[to be updated for final capital programme]

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Total GF Financing Costs (MRP & Interest) £m	19.2	33.2	37.6	44.6	48.5	50.0	48.4	47.4	45.5	47.8	46.8
Net Revenue Budget £m	260.3	260.5	273.6	286.6	300.4	304.1	307.8	311.5	315.2	318.9	322.7
General Fund Net Revenue Stream	**7.4%**	**12.7%**	**13.7%**	**15.6%**	**16.1%**	**16.4%**	**15.7%**	**15.2%**	**14.4%**	**15.0%**	**14.5%**
Total HRA Financing Costs (Interest) £m	12.2	15.5	18.2	18.7	18.7	18.8	19.2	19.2	23.2	23.8	25.5
Net HRA Revenue Budget £m	63	66	68	73	76	79	80	82	84	85	102
Housing Revenue Account Gross Revenue Budget	**19.3%**	**23.5%**	**26.7%**	**25.8%**	**24.8%**	**23.9%**	**23.8%**	**23.4%**	**27.6%**	**27.9%**	**24.9%**

Appendix C

Annual Minimum Revenue Provision Statement (With effect from 1 April 2023)

1) 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. The Local Government Act 2003 requires the Council to have regard to the Ministry for Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

2) The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

3) The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

4) The approaches are therefore as follows, with effect from 1 April 2023 will be:

   a) the principle that the determination of a prudent amount of MRP for any given year will take account of payments made in previous years, and an assessment of whether those payments exceed what the current policy would require in terms of prudence;

   b) For capital expenditure incurred before 1 April 2008, and for capital expenditure incurred from 1 April 2008 to 31 March 2011, and which is Supported Capital Expenditure (SCE), MRP will be calculated at 2% on a straight-line basis.

   c) For unsupported borrowing incurred from 1 April 2008 onwards, MRP is calculated based on amortising the amount borrowed over the estimated lives of the assets acquired (or the enhancement made) as a result of the related expenditure using the annuity repayment method in accordance with MHCLG Statutory guidance. A discount rate of 3.50% is used in the annuity calculation.

   d) MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

e) For assets acquired by leases or the Private Finance Initiative MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

f) Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

g) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

h) 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.

i) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

j) 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.

k) Assets acquired with the intention of onward sale, which will not be used in the delivery of services, will not attract MRP. Capital receipts generated by sale of the asset will be set aside to repay debt that was used to initially acquire the asset in full. Where the debt cannot be extinguished as a result of a shortfall in the capital receipt an MRP charge will be made in accordance with this policy.

l) Land that has been acquired and held for regeneration purposes, will not immediately be charged MRP where a prudent project business plan forecasts that borrowing will be repaid via future capital receipts or income. If the business plan forecasts that there is likely to be a shortfall, it is prudent to charge voluntary MRP on the forecast shortfall even prior to the asset becoming operational.

m) Where land is being used for non-regeneration purposes, for example leased out, MRP is chargeable annually.

n) Capital receipts from the sale of developed land will be used to repay the debt incurred to finance the associated capital expenditure. Where the timing of the capital receipt is unknown or delayed, an MRP charge will be made. A voluntary MRP charge may also be applied where there are opportunities to accelerate debt extinguishment.

o) Unless a specific justification for another MRP rate is given, the Council's hurdle rate for investment of 3.5% shall be used.

p) From 1 April 2022 onwards, asset lives for MRP charges will be charged on the following basis, except for schemes in which the asset is already in operation:

    i) ICT equipment - 5 years
    ii) Vehicles - 10 years
    iii) Highways & Transport Assets - 25 years
    iv) Parks & Landscape - 25 years
    v) Investment Assets - 40 years unless a business can be made that there is a residual value that means a longer asset life is possible
    vi) School buildings and community assets - 40 years unless a business case for a specific asset justifies a different lifespan
    vii) Housing Assets - 50 years
    viii) Land – 50 years
    ix) Leased Assets on the basis of the lease asset unless the above categories have a smaller asset life
    x) All capital expenditure schemes less than £50k will be charged immediately to revenue

q) Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later.

APPENDIX D

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GPC, the Section 151 officer, the Treasury Management Group, the Pensions & Treasury Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

Council

Under the Constitution, the Council is responsible for "decisions relating to the control of the Council's borrowing requirement." It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Cabinet

Under the Constitution, the Cabinet "will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution." It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

General Purposes Committee (GPC)

GPC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

Executive Director of Resources (Section 151 Officer) & Director of Finance (Capital & Commercial – Deputy Section 151)

Under S151 of the Local Government Act 1972 the Council "shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." At Enfield, this responsibility is exercised by the Director of Finance (Capital & Commercial).

The Director is responsible for implementing the policies agreed by the Council and Cabinet. Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.

The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

Treasury Management Group

Comprises Executive Director of Resources, Director of Finance (Capital & Commercial Deputy S151 Officer), Head of Capital & Projects, Pensions and Treasury Manager, Finance Officer and is responsible for:

- Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
- Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
- Approving changes to treasury management practices and procedures;
- Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Arlingclose);
- Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
- Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

Pensions and Treasury Manager

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Management Strategy Statement and CIPFA's "Standard of Professional Practice on Treasury Management"

Treasury Team

Headed by Pensions and Treasury Manager with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group