Public Document Pack

SUPPLEMENTARY DOCUMENTS FOR
CABINET
Thursday 2 December 2021 at 7.30 pm
Council Chamber, Civic Centre

The attached documents are due to be considered at the meeting listed above and were unavailable for circulation when the agenda for the meeting was published. The agenda items to which the documents relate are noted below.

AGENDA

3. Minutes (Pages 2 - 13)

   To approve the minutes of the meeting held on 4 November 2021.

17. Communications from Committees/Working Groups/Parties and Panels

    b) Referral from Cabinet Policy Development Working Group - Local Council Tax Support Scheme Proposals (Pages 14 - 38)

    c) Referral from Cabinet Policy Development Working Group - Treasury Management Strategy Statement 2021/22: Mid-Year Review (Pages 39 - 101)

MINUTES OF THE CABINET
HELD ON

4 November 2021 7.30 - 9.55 pm

PRESENT

Committee Members
Councillor Russell Perrin, Leader of the Council
Councillor Joel Charles, Deputy Leader and Portfolio Holder Community Resilience
Councillor Simon Carter, Portfolio Holder for Housing
Councillor Alastair Gunn, Portfolio Holder for Environment
Councillor Michael Hardware, Portfolio Holder for Strategic Growth
Councillor Dan Swords, Portfolio Holder for Regeneration

Additional Attendees
Councillor James Leppard
Councillor Nicky Purse
Councillor Matthew Saggers

Other Councillors
Councillor David Carter
Councillor Bob Davis
Councillor Tony Durcan
Councillor Tony Edwards
Councillor Michael Garnett
Councillor Eugenie Harvey
Councillor Chris Vince

Officers
Hannah Criddle, Governance Support Officer
Niel Churchill, Communications Manager
Simon Freeman, Deputy to the Chief Executive and Director of Finance
Jane Greer, Director of Communities and Environment
Simon Hill, Director of Governance and Corporate Support
Andrew Murray, Director of Housing

69. **APOLOGIES FOR ABSENCE**

None.

70. **DECLARATIONS OF INTEREST**

Councillor Tony Durcan declared a pecuniary interest as a non-executive Director of HTS (Housing and Regeneration) Ltd.

71. **MINUTES**

RESOLVED that the minutes of the meeting held on 14 October 2021 are agreed as a correct record and signed by the Leader.

72. **MATTERS ARISING**

None.

73. **<u>WRITTEN QUESTIONS FROM THE PUBLIC</u>**

The questions, together with the answers, are appended to the minutes.

74. **<u>WRITTEN QUESTIONS FROM COUNCILLORS</u>**

The questions, together with the answers, are appended to the minutes.

75. **<u>PETITIONS</u>**

None.

76. **<u>FORWARD PLAN</u>**

RESOLVED that the Forward Plan is noted.

77. **<u>ROLLING INFRASTRUCTURE FUND MEMORANDUM OF UNDERSTANDING</u>**

Cabinet received a report on the Rolling Infrastructure Fund Memorandum of Understanding.

Councillor Michael Hardware proposed that the following additional recommendation be included:

"Delegated authority is provided to the Director of Strategic Growth and Regeneration in consultation with the Portfolio Holder for Strategic Growth to agree any minor amendments to the Memorandum of Understanding that arise from the decision making structures of the other four HGGT partners."

The additional recommendation was agreed.

Proposed by Councillor Michael Hardware (seconded by Councillor Dan Swords) it was:

RESOLVED that Cabinet agreed:

A The Memorandum of Understanding relating to The Harlow & Gilston Garden Town Rolling Infrastructure Fund (attached as Appendix A to the report) and agrees its submission to Homes England by the end of November 2021 as required of the Harlow and Gilston Garden Town Authority partners and specifically Hertfordshire County Council (as accountable body for the Housing Investment Grant funding to which the Memorandum of Understanding relates).

B To set up and operate the Rolling Infrastructure Fund 'in principle' subject to more detailed work and approval of the appropriate governance and operational arrangements for its management.

C To govern the Rolling Infrastructure Fund initially in accordance with the approved Memorandum of Understanding as required by Homes England as a condition of the Housing Investment Grant funding and subsequently in accordance with any further governance arrangements that may be effected.

D Delegated authority is provided to the Director of Strategic Growth and Regeneration in consultation with the Portfolio Holder for Strategic Growth to agree any minor amendments to the Memorandum of Understanding that arise from the decision making structures of the other four HGGT partners."

78. **ENVIRONMENTAL ENFORCEMENT DELIVERY**

Cabinet received a report on the delivery of environmental enforcement.

Proposed by Councillor Alastair Gunn (seconded by Councillor Michael Hardware) it was:

RESOLVED that:

A The Council tender for environmental enforcement services as set out under Proposals in the report with a service specification to be determined by the Director of Strategic Growth and Regeneration, in consultation with Portfolio Holder for Environment.

B The current pilot operation continue with NES as the Council's contractor until 31 March 2022 to provide service continuity through the procurement process recommended at A above.

C The Council engage in communications measures to enhance the effect of enforcement as set out under Proposals in the report.

79. **TREE PLANTING AND BIO-DIVERSITY MANAGEMENT**

Cabinet received a report on the management of tree planting and bio-diversity.

Proposed by Councillor Alastair Gunn (seconded by Councillor Dan Swords) it was:

RESOLVED that:

A The tree planting programme for winter 2021/22 as set out in Appendix A to the report is approved with a commitment to develop a medium term (3 – 5 years) tree planting strategy by March 2022 which is then reviewed on an annual basis.

B The approach to woodland management as set out in Appendix B to the report is agreed.

C The approach to grassland management as set out in Appendix C to the report is agreed including the increase in wildflower planting from four strips in 2021 to a minimum of eight in 2022 with the final locations to be agreed by the Portfolio Holder for Environment.

D Cabinet agree to end the use of single use plastics in all of its tree planting and bio-diversity work with effect from the 2022/23 winter programme.

80. <u>HARLOW AND GILSTON GARDEN TOWN TRANSPORT STRATEGY</u>

Cabinet received a report on the Harlow and Gilston Garden Town Transport Strategy.

Proposed by Councillor Michael Hardware (seconded by Councillor Dan Swords) it was:

RESOLVED that:

A Cabinet consider the Harlow and Gilston Garden Town Transport Strategy, October 2021 (as set out in Appendix A to the report), together with the accompanying appendices including the high level programme (as set out in Appendix B to the report), consultation report (as set out in Appendix C to the report) and equality impact assessment (as set out in Appendix D to the report).

B Cabinet approves the Transport Strategy as a material consideration in the planning process for the preparation of masterplans, pre-application advice, assessing planning applications and any other development management purpose for all sites within the Garden Town area, including Harlow District in its entirety.

C Cabinet delegate to the Director of Strategic Growth and Regeneration in consultation with the Portfolio Holder for Strategic Growth and the Director of the Harlow and Gilston Garden Town to make any minor text or design amendments to the Transport Strategy prior to publication should there be necessity for clarification or changes proposed by the respective decision makers of East Herts, Harlow and Epping Forest Districts and Essex and Hertfordshire Counties in order to ensure a consistent document.

D Cabinet endorses the future transport network plan (on pages 34-35 of the Transport Strategy) in so far that it identifies, illustratively, the proposed Sustainable Transport Corridors extending from the Town Centre to the north, east, south and west and confirm support in principle for the delivery of new infrastructure that supports safe and attractive travel by walking, cycling and public transport that will benefit existing neighbourhoods of Harlow and sustainably integrate any proposed new allocations with the town.

E Cabinet acknowledge that the ambition, mode share objective and principles in the Transport Strategy should help shape existing and future work programmes of the Highway Authorities across the Garden Town, and can provide supporting justification for funding submissions and spending commitments in relation to transport. Content will also be relevant to development, regeneration and other initiatives undertaken by Harlow Council.

F Although recognising that endorsing the Transport Strategy is not a legally binding act, Cabinet agrees that it will not introduce a congestion charging scheme for Harlow and will continue to work to improve residential parking amenity for existing Harlow residents.

81. **HEALTH AND WELLBEING STRATEGY - POSITIONING STATEMENT**

Cabinet received a report on the Health and Wellbeing Strategy.

Proposed by Councillor Joel Charles (seconded by Councillor Russell Perrin) it was:

RESOLVED that the Cabinet:

A Approves the Harlow Health and Wellbeing Partnership Board Strategy Positioning Statement (attached at Appendix A to the report) to ensure residents are fully aware of the Council's current position and intentions until such time that relevant data is available to inform development and publication of a new robust, relevant and aspirational Health and Wellbeing Partnership Board Strategy for Harlow.

B Acknowledge the need to develop a new Health and Wellbeing Partnership Board Strategy for 2022 – 2025 that is driven by the most recent and reliable local health and wellbeing data available.

82. **COMMUNICATIONS FROM COMMITTEES/WORKING GROUPS/PARTIES AND PANELS**

a) Local Plan - Statement of Community Involvement

Cabinet received a report on the consultation of the Statement of Community Involvement.

Proposed by Councillor Michael Hardware (seconded by Councillor Russell Perrin) it was:

RESOLVED that the Cabinet:

A Approves the Draft Statement of Community Involvement (attached as Appendix A to the report), to enable it to be published for the purposes of consultation.

B Delegates authority to the Director of Strategic Growth and Regeneration, in consultation with the Portfolio Holder for Strategic Growth, to make and approve any minor or inconsequential amendments to the Draft Statement of Community Involvement arising from the statutory consultation.

83. MINUTES OF PANELS/WORKING GROUPS

None.

84. MATTERS OF URGENT BUSINESS

None.

LEADER OF THE COUNCIL

Cabinet – 4 November 2021
Questions from the Public

1 Jake Shepherd to Councillor Dan Swords (Portfolio Holder for Regeneration):

Given the role of Carridon Property in presiding over Terminus House and Templefields House, two (of the twelve) Permitted Development Rights (PDR) conversions which have been described by one Carridon resident as "an open prison", why has this Council welcomed Carridon as the official 2021 partner sponsor?

Reply from Councillor Dan Swords (Portfolio Holder for Regeneration):

As I have made clear many times, it was because of the previous administration's failure to act in introducing an Article 4 directive when they should have done so that allowed for office-to-residential conversions to take place in this town. I never heard that administration or anyone in it to apologise for their failure to act, nor did they purchase Terminus House when it was offered to the Council for the grand total of £1. For both of those reasons the issues that are faced are because of the previous administration's failure to act.

We are acting and we have applied to massively strengthen the Article 4 directive so that never again can this be allowed to happen in such a way. I look forward to updating councillors and residents on our progress in tackling the issues left by the previous administration in this area.

Specifically on the Harlow Town Centre Awards I am sure Mr Shepherd would agree that they were a roaring success with over 120 people attending and celebrating all that is great about our town centre.

Not only was it a roaring success, but it came at no expense to the taxpayer as 12 very generous sponsors paid for the fantastic event.

Sponsorship was open to all and Caridon were one of 12 sponsors. Sponsorship is not an endorsement by any of the partnership.

I believe we must deal with the world as it is, and not as we may wish it to be. That's why it is important to actively engage with all building, landowners and businesses to ensure that we deliver and do not hit the road block of no communication. This approach is the best way to deliver one the primary ambitions for the town centre to be a hub for the community that everyone can share a renewed sense of pride in.

Supplementary Question from Jake Shepherd to Councillor Dan Swords (Portfolio Holder for Regeneration):

Can Councillor Swords see why many will be mystified as to why this Administration would have chosen Caridon as a corporate sponsor for this years Harlow Town Centre Awards?

Supplementary Reply from Councillor Dan Swords (Portfolio Holder for Regeneration):

I think perhaps anyone that was mystified after listening to my answer a few moment ago may no longer be mystified.

2 Jake Shepherd to Councillor Michael Hardware (Portfolio Holder for Strategic Growth):

As the sole Youth Representative of HGGT's Village 1 Master Planning Working Group, I quote the terms of reference for the group: "In the event of a member organisation failing to attend two consecutive meetings the group can agree to inviting a different organisation or individual".

Cllr Michael Hardware, the named single representative on behalf of Harlow District Council, has failed (without offering any apologies to the Chair or via any other members) to attend two consecutive meetings. Will this administration take action to represent Harlow District Council within the collaborative design process, which directly seeks to represent and respond to the views and concerns of local residents?

Reply from Councillor Michael Hardware (Portfolio Holder for Strategic Growth):

Yes, I was invited in May this year by Places for People, the Gilston developer, to join several groups to participate in the delivery of its engagement strategy to support the various planning applications it is progressing.

The master planning processes for all the developments around Harlow are important, especially so the seven villages at Gilston as this is where the majority of the growth for Harlow is going to come. Given the physical proximity of Gilston to Harlow and our shared vision for the Garden Town, they need to reflect our aspirations and be designed to be integrated with Harlow ensuring new residents feel part of this community, and that existing Harlow residents view them as an integral part of the town.

I have been unable to attend the first two meetings I was invited to: one in July and the other in September. I had prior engagements for each. I had no deputy to send in my stead and an officer representative was not allowed. Harlow Council is currently in discussion with East Hertfordshire District Council about ensuring appropriate representation.

Hopefully we will be able to resolve this with the future meetings to ensure Harlow can participate fully.

Supplementary Question from Jake Shepherd to Councillor Michael Hardware (Portfolio Holder for Strategic Growth):

Can Councillor Hardware understand why it is perhaps embarrassing as the sole representative from Harlow to be the only person from Harlow in attendance at two meetings in this very important process?

Supplementary Reply from Councillor Michael Hardware (Portfolio Holder for Strategic Growth):

Yes I can and there were emails exchanged with the organiser of the meetings because I couldn't attend. Apologies were submitted but there was no way we could get around this rule of not being able to send a deputy or not being able to send an officer. Hopefully we will resolve that in the near future.

Cabinet – 4 November 2021
Questions from Councillors

1 Councillor Chris Vince to Councillor Russell Perrin (Leader of the Council):

Can the administration explain why Harlow's bid for the levelling up fund was unsuccessful and what re-assurances can they give that when the second wave of funding becomes available in Spring of next year Harlow will be successful?

Reply from Councillor Russell Perrin (Leader of the Council):

Harlow Council's bid for Playhouse Quarter and Stone Cross Square was submitted in the first round of the government competition for the Levelling Up Fund.

In June, we secured £23.7 million from the Government to kick start key regeneration projects. We submitted a bid as part of the Levelling Up Fund for further investment to support our regeneration plans.

Our bid was scored very highly by Government officials and we have been invited into the second round of funding expected in the Spring of next year. The Council strongly welcomes this as it gives our new administration more time to ensure our bid fits into our wider regeneration plans.

Supplementary question from Councillor Chris Vince to Councillor Russell Perrin (Leader of the Council):

When was the bid of £23.7 million submitted?

Supplementary reply from Councillor Russell Perrin (Leader of the Council):

I will get an officer to send a reply in writing.

2 Councillor Tony Edwards to Councillor Joel Charles (Deputy Leader and Portfolio Holder for Community Resilience):

Noting the next meeting of the Covid Recovery Working Group has now been scheduled for the 9th of November. Could the Community Resilience Portfolio Holder explain what he understands to be the terms of reference of the Working Group and why the Group has only had one meeting (28th June) since the Conservative administration took office in May of this year.

Reply from Councillor Joel Charles (Deputy Leader and Portfolio Holder for Community Resilience):

At Annual Full Council, the working group meeting dates for the municipal year were agreed formally. It was agreed by Annual Full Council that meetings would only be held on a quarterly basis. The September meeting was postponed because it clashed with another meeting. At the point where we were planning for that meeting to be moved, infection rates in the town had dropped and the governance cycle meant that a meeting was not able to be arranged. It was agreed that the Covid Recovery Working Group would meet early this month. I can confirm that the working group will be on the 9th of November. Members of the working group should receive the agenda shortly.

The Council continues to monitor Covid-19 infection levels in the town carefully and stands ready to work closely with all community leaders to do everything possible to safeguard public health if circumstances change.

The terms of the working group are:-

(i) To advise the Portfolio Holder on the proposals contained within the developing pandemic action plan including short, medium and long term objectives and measures taking into account the changing landscape.

(ii) To provide a forum for consultation on measures and strategy within the pandemic action plan.

(iii) To advise and comment on work with regional health officials to prepare for and mitigate any further outbreak or second wave of infection in Harlow;

(iv) To identify Council-related impacts that may require additional resources or service delivery methods; and

(v) To provide a focus for:

Developing greater community resilience

- community action, cohesion, and greater resilience.
- supporting the recovery of BAME communities, clinically vulnerable and other marginalised groups
- engagement with the voluntary sector and faith-based communities

Educating the public about health risks and working to mitigate future outbreaks

- preparation and planning to ensure, with other public sector agencies, that in the face of future outbreaks or emergencies, all residents are

given the best possible health protection and outcomes, particularly those at risk of health inequalities.
- community education on the on-going public health risk and to mitigate future Outbreaks

Advancing the post-COVID local economy

- proposals for new ways of working
- business engagement
- innovative ways of growing the local economy

(v) To harness data and monitor recovery performance to ensure that services delivered post COVID, meet the changing needs of residents and businesses.

Supplementary question from Councillor Tony Edwards to Councillor Joel Charles (Deputy Leader and Portfolio Holder for Community Resilience):

Noting that between 22 July 2020 and 22 March 2021 there were 10 meetings, the importance given to it at that time, and I hear now that it has now been reduced to quarterly meetings and noting that the Covid pandemic is not over yet by a long way, will there be a facility to revisit with the members of that group the frequency of meetings and given the enormity of the agenda that we are going to have to tackle will we have the opportunity of meeting on a more frequent basis to address the issues that are likely to come forward?

Supplementary reply from Councillor Joel Charles (Deputy Leader and Portfolio Holder for Community Resilience):

I am happy to discuss at the next Covid Recovery Working Group on 9 November the frequency of meetings. We obviously need to keep the situation particularly around Covid infections under constant review and the Council does do this. There are two keys things I will just add on the back of what Councillor Edwards has said. The Council has already commenced activity around community resilience with its strategy and consultation going forward and you will see on the agenda for later this evening that we have set out our position statement around our Health and Wellbeing Strategy and considerations that we want to take forward. I am very keen and look forward to the thoughts of all Members on that cross party working group. My commitment to that working group is that we will keep the situation under review and will look at the frequency of our engagement to determine what actions need to be taken going forward. I look forward to that discussion coming up early next week.

REPORT TO:	**CABINET**
DATE:	**2 DECEMBER 2021**
TITLE:	**REFERRAL FROM CABINET POLICY DEVELOPMENT WORKING GROUP – ANNUAL REVIEW OF LOCAL COUNCIL TAX SUPPORT SCHEME (LCTSS)**
PORTFOLIO HOLDER:	**COUNCILLOR JAMES LEPPARD, PORTFOLIO HOLDER FOR FINANCE**
LEAD OFFICER:	**SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE (01279) 446228**
CONTRIBUTING OFFICER:	**DONNA BEECHENER, REVENUES AND BENEFITS MANAGER (01279) 446245**

This is a Key Decision
It is on the Forward Plan as Decision Number I012618
The decision is not subject to Call-in Procedures for the following reason:
The decision stands as a recommendation to Full Council
This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council that**:**

A The current Local Council Tax Support Scheme (LCTSS) remains unchanged for the 2022/23 financial year.

REASON FOR DECISION

A The Working Group considered a report on the LCTSS and made a recommendation to Cabinet for consideration.

BACKGROUND

1. At its meeting on 25 November, the Working Group considered a report on the LCTSS for 2022/23.

ISSUES/PROPOSALS

2. Having considered the report, the Working Group has recommended to Cabinet that the Scheme remains unchanged for 2022/23

IMPLICATIONS

Implications are set out in the original report attached as Appendix A to the report.

Appendices

Appendix A – Report to Cabinet Policy Development Working Group on 25 November 2021

Background Papers

None.

Glossary of terms/abbreviations used

LCTSS – Local Council Tax Support Scheme

Appendix A

REPORT TO:	**CABINET POLICY DEVELOPMENT WORKING GROUP**
DATE:	**25 NOVEMBER 2021**
TITLE:	**ANNUAL REVIEW OF LOCAL COUNCIL TAX SUPPORT SCHEME (LCTSS)**
LEAD OFFICER:	**SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE (01279) 446228**
CONTRIBUTING OFFICER:	**DONNA BEECHENER, REVENUES & BENEFITS MANAGER (01279) 446245**

RECOMMENDED that the Policy Development Working Group:

A Acknowledges the current position regarding the 2021/22 Local Council Tax Support Scheme and endorses continuing stability within the scheme for 2022/23.

B Recommends to Cabinet that the current Local Council Tax Support Scheme remains unchanged for the 2022/23 financial year.

BACKGROUND

1. In accordance with the Welfare Reform Act 2012, and the Local Government Finance Act 2012, councils are required to implement a Local Council Tax Support Scheme (LCTS) annually, and by 11 March each year at the latest for the forthcoming financial year.

2. The Pan Essex working group, originally established to consider a County wide approach to the localisation of council tax support, has continued to work very effectively. Having focussed on the development of the local schemes, the group has looked at those exemptions and discounts awarded to council tax payers. As a result the group implemented a range of measures targeted at ensuring that each authority across Essex undertakes work on a consistent basis to help protect the tax base in each district. Work will continue to be undertaken in 2021/22 to ensure compliance and to check and challenge council tax reductions awarded for which entitlement may have subsequently changed or be no longer appropriate.

Local Council Tax Support (LCTS)

3. The national Council Tax Benefit (CTB) scheme, which was wholly funded by Central Government and administered locally by billing authorities, was abolished with effect from 1 April 2013. Each local authority was charged with designing and implementing its own local scheme for the 2013/14 financial

year against a backdrop of a 10% reduction in national funding when compared with CTB. The scheme must be reviewed annually and the Council approved its local scheme for the 2021/22 financial year at its meeting held on 10 December 2021**.**

4. Prior to the introduction of LCTS there had been no cap on CTB expenditure under the national scheme. However under LCTS Government funding was restricted through the introduction of a cash limit in the form of a fixed grant. In addition the grant was set at a level which was 10% less than the previous council tax benefit expenditure estimated from 2012/13. For Harlow this represents a reduction in funding of around £1.3 million per annum from April 2013.

5. The grant for LCTS was originally identified specifically within the Council's overall Revenue Support Grant and retained Business Rates income for 2013/14. The level of funding for 2014/15 and future years has not been identified in the same way and has been included in the Council's overall Formula Funding. As a result of this there is no protection for the LCTS funding and it is subject to the wider Government cuts to local government funding. Since the introduction of the scheme the Councils overall funding has reduced by over 55% but there has been no reduction in the Councils support of its LCTS scheme.

6. In order to ensure that Pensionable Age customers should be no worse off under the local scheme, national rules remain in place for this group of claimants. As protection remains in place for those of Pensionable Age, the impact of the reduction in funding has fallen upon Working Age claimants as reported during the implementation of the annual schemes since 2013/14.

7. Harlow Council is part of a Pan Essex Project Group, with a remit to design an Essex Framework for LCTS. The principles of the framework were reported to Cabinet on 12 July 2012. On 22 November 2012 Harlow Council adopted a LCTS scheme following public consultation during the summer of 2012 based on these principles, which are detailed below:

    - The scheme will be cost neutral.
    - Council tax support will continue to be assessed on a means tested basis.
    - Council tax support will not be paid above Council tax band H.
    - Council tax support is capped at 76% of council tax liability.
    - The first £25 of weekly earnings is disregarded in the calculation of support.
    - There is no entitlement to support where the applicant has capital of over £6,000
    - Second adult rebate and underlying entitlement were abolished to remove the administrative burden of these.

    For comparison purposes, the LCTS schemes for the other Essex District and Unitary Councils are attached at Appendix A.

8. Harlow has ensured that in the development of its local scheme the eligibility criteria for LCTS remains aligned with the previous national council tax benefit scheme, with specific protection for families and persons with disabilities. In addition and despite the reductions in overall Government grant received by the Council the scheme has been supported and maintained without variation to the above principles.

9. The 2013/14 scheme was designed to deliver savings of £1,361,235 to ensure that expenditure on LCTS did not exceed the total Government funding allocated for the scheme. At the time of writing this report the LCTS scheme costs for the current and previous financial years are detailed below. In the current financial year and previous financial year there has been an increase in working age claimants linked to increased claims to Universal Credit following the Covid 19 pandemic.

LCTS Award	**Pensionable Age**		**Working Age**		**Total LCTS Award**
Date	Live Case load	LCTS Spend	Live Case load	LCTS Spend	
1 April 2013	3,819	£3,535,031	5,302	£3,810,068	**£7,345,099**
31 March 2014	3,673	£3,483,230	5,189	£3,741,202	**£7,117,494**
31 March 2015	3,547	£3,240,964	4,890	£3,363,313	**£6,604,277**
31 March 2016	3,291	£2,941,981	4.469	£3,184,219	**£6,126,200**
31 March 2017	3,099	£2,936,255	4,510	£3,068,939	**£6,005,195**
30 September 2017	3,027	£2,895,860	4,147	£3,144,517	**£6,040,377**
30 September 2018	2843	£,2859,265	4,427	£3,378,867	**£6,238,132**
30 September 2019	2706	£2,850,114	4,307	£3,434,117	**£6,284,231**
30 September 2020	2486	£2,753,754	4,690	£3,883,891	**£6,637,645**
30 September 2021	2397	£2,697,949	4,808	£4,008,503	**£6,706,452**

10. In response to Covid 19 the government announced in 2020 its intention to award a “hardship” payment of up to £150 to council tax payers in England in receipt of

LCTS. Harlow Council and made payments totalling £837,780 to 6,602 households, with £96,011 to support households going forward.

11. The Government sets a Formula Funding Settlement for monies it will pay across to local authorities to support their services and legal obligations. In recent years the funding provided by Central Government has fallen substantially with consistent annual reductions on previous years' funding. So, whilst the cost to Harlow Council for LCTS has reduced by just over £638,000 between 2013/14 and 2021/22 the Council received a reduction in mainstream central government funding of £3.5 million over the same period.

12. It was estimated that the in-year council tax collection rate for 2013/14 in Harlow would be affected by the introduction of LCTS and could fall by over 3% compared to the collection rate in 2012/13. The collection rate at the end of the second quarter in 2021/22 is 53.83% and this is attributable to the impact of Covid 19 and suspension of recovery action. Formal recovery action has recommenced in this financial year, but many taxpayers will have arrears of council tax to pay in addition to the current year's liability and this is impacting the current in year collection rate.

Date	Council Tax Collection Rate
30 September 2012	56.83%
30 September 2013	56.60%
30 September 2014	56.28%
30 September 2015	56.71%
30 September 2016	56.75%
30 September 2017	56.48%
30 September 2018	56.07%
30 September 2019	56.30%
30 September 2020	53.83%
30 September 2021	53.58%

At the time of writing this report –

- Council tax collection rate is impacted due to the Covid 19 pandemic. The introduction of a 12 month instalment scheme by the Government in 2014 will also impact on the collection statistics when compared with prior years with income having been collected predominantly over 10 months.

- The additional funding provided within the agreement with the precepting bodies has enabled employment of extra staff dedicated to working with LCTS claimants.

- There is continuing good engagement with LCTS claimants meaning that it has been possible to agree payment arrangements with residents at an early stage, and reducing or avoiding the need for further recovery action.

13. Formal recovery action for council tax was suspended during the 2020/21 financial year as a result of the Covid 19 pandemic. Officers undertook "soft" recovery action where payment of instalments had not been made, and those in receipt of LCTS received specialist advice from the LCTS officers where

appropriate. As formal recovery action was not undertaken in 2020/21, those in receipt of LCTS were not issued with a Final Notice or Summons in year, and action has been taken in this financial year. The table below provides details of action taken in previous and current financial years at the end of quarter two in respect of those with open or closed LCTS claims.

Date	Percentage of all working age LCTS claimants receiving a Final Notice in the financial year	Percentage of all working age LCTS claimants receiving a Summons In the financial year
30 October 2013	26.7%	16.6%
30 October 2014	29.8%	18.4%
30 October 2015	25.6%	23.1%
30 September 2016	23.36%	15.34%
30 September 2017	22.24%	16.51%
30September 2018	23.67%	16.0%
30 September 2019	24.7%	17.8%
30 September 2020	0.0%	0.0%
30 October 2021 2020/21 financial year	32.82%	15.91%
30 October 2021 2021/22 financial year	9.45%	0%

14. Whilst the collection position is currently lower than expected due to the impact of Covid 19 and the level of support being awarded has increased, recovery of amounts falling due can take several years to collect and it is currently too early to be able to forecast what the impact of Covid 19 will have on the overall final collection position for each year.

LCTS 2022/23 Proposals

15. Officers are keeping the performance of the LCTS scheme under review and as the Council plans for 2022/23 the scheme is in its eighth year of operation. Given the complexities of the scheme, the large claimant base and other national factors outside of the Council’s control this is still seen as a relatively short period on which to base judgements and future estimates. There are ongoing significant impacts of Covid 19, the longer term impacts of which are difficult to analyse and quantify at this time.

16. Universal Credit Full service was introduced in Harlow in September 2017. Where claimants of Universal Credit (UC) are in work, UC is calculated using real time information Pay As You Earn (PAYE) information. This can result in varying UC entitlement levels from month to month. Where the claimant is in receipt of LCTS, this variation in UC entitlement may result in a change in the level of LCTS each month, which increases or reduces the balance of council tax payable. This interaction with the council tax statutory instalment scheme can result in customers receiving multiple bills over the financial year, with

revised monthly instalments becoming due. This can lead to confusion, non-payment, and potentially a hampering of the collection and recovery process.

17. During the pandemic it became apparent to officers that the increasing LCTS caseload and interaction with UC was creating an ever increasing workload of monthly UC changes, which often results in very small increases or decreases in the overall level of LCTS, and results in the issue of revised bills, instalments and notifications to customers. These monthly changes cause considerable confusion and dissatisfaction for customers and generate unnecessary repeat contact for the customer and service.

18. Officers have explored alternative options to smooth out the interaction with UC for the benefit of the customer utilising a change to the scheme approved by Cabinet on 7 December 2017. This change affords the Revenues & Benefits service discretion in regards to Department of Works & Pensions notifications for working age CTS claims, and enables the service to implement a regular review process, as opposed to monthly updates to claims. The Revenues and Benefits service will continue to receive the DWP UC notifications, but will use these when the claim is reviewed, along with other DWP data that is available to the service. The review process will ensure those claims that have fluctuating earnings will be reviewed more regularly. Any changes which affect the level of LCTS will be reflected in the ongoing award and will only be implemented retrospectively where the change is significant, e.g. a change in the household make up, a change in the level of capital / savings. All LCTS claimants in receipt of UC will be reminded of their responsibility to report significant changes. It is envisaged this change in procedure will deliver an improved service to customers, and will also aid council tax collection.

19. Overall, monitoring of the local scheme indicates that it is still operating well and whilst collection of the amounts billed to claimants and residents overall has reduced this is not attributable to the scheme itself. Engagement with residents impacted by the changes has also been extremely good. In order to maintain certainty for both claimants and the Council, in these challenging times, the proposals for the scheme in 2022/23 are to maintain the restriction on the entitlement to support at 24% for a ninth year and that the reductions to the Council’s core Formula Funding will not be passed on to claimants despite the current uncertainty around funding for local government in 2022/23.

20. A full equalities impact assessment was carried out on the current scheme. This has been reviewed and is attached to this report at Appendix B.

Conclusions

21. The LCTS scheme operated by the Council has performed well in its eight years of operation. Claimants have been very well supported by the dedicated officers appointed utilising the resources provided through the funding agreement with the key precepting bodies.

22. It is again proposed to retain the scheme largely unchanged for the reasons set out in the report.

IMPLICATIONS

Environment and Planning (Includes Sustainability)
No implications specifically arise from the Council Tax Benefit reforms. Welfare Reform more widely will have a range of different impacts on delivery of service objectives.
Author: **Andrew Bramidge, Director of Strategic Growth & Regeneration**

Finance (Includes ICT, and Property and Facilities)
Financial impacts of the LCTS scheme are being considered as part of the wider budget process and development of the Medium Term Financial Strategy.
Author: **Simon Freeman, Deputy to the Chief Executive and Director of Finance**

Housing
None Specific
Author: **Andrew Murray, Director of Housing**

Community Wellbeing
Contained within the report at this stage. The implications of the final scheme will be assessed for impact on vulnerable groups, as outlined in the report
Author: **Jane Greer, Director of Communities & Environment**

Governance (includes HR)
None specific
Author: **Simon Hill, Director of Governance & Corporate Services**

Appendices

Appendix A – Essex LCTS Schemes
Appendix B- Equality Impact Assessment

Background Papers

LCTS Scheme Policy
https://www.harlow.gov.uk/benefits/council-tax-support/council-tax-support-scheme

Glossary of terms/abbreviations used

CTB – Council Tax Benefit
LCTS – Local Council Tax Support
DWP – Department of Work & Pensions
UC – Universal Credit

APPENDIX A
Essex Schemes

	Basildon	Braintree	Brentwood	Castle Point	Chelmsford	Colchester	Epping Forest	Harlow	Maldon	Rochford	Southend-on-Sea	Tendring	Thurrock	Uttlesford
Minimum council tax payment?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
% Minimum council tax payment level 2020/21	**25**	**24**	**25**	**30**	**23**	**20**	**25**	**24**	**20**	**25**	**25**	**20**	**25**	**12.5**
Savings limit	6000	16000	6,000	6000	6000	6000	6000	6000	6000	6000	6000	16000	6000	16000
Other benefits counted as income?	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No	No
Second adult rebate reduced or abolished?	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

	Basildon	Braintree	Brentwood	Castle Point	Chelmsford	Colchester	Epping Forest	Harlow	Maldon	Rochford	Southend-on-Sea	Tendring	Thurrock	Uttlesford
Changes made to non-dependent deductions	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	No	No
Support restricted to a particular council tax band?	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No	No	No
Council Tax band support is restricted to	n/a	D	n/a	D	D	D	D	n/a	D	n/a	D	-	-	_
Introduce minimum council tax support payment?	Yes	No	Yes		No	Yes	Yes	No	No	Yes	No	No	No	Yes
Minimum weekly council tax support payment	-	-	-	50p -£2	-	- £2	£0.50	-	-	25%	-	-	-	£2.00
Taper rate	N/A - Banded	24%	N/A - Banded	20%	20%	20%	20%	20%	20%	n/a Banded	20%	20%	20%	20%

	Basildon	Braintree	Brentwood	Castle Point	Chelmsford	Colchester	Epping Forest	Harlow	Maldon	Rochford	Southend-on-Sea	Tendring	Thurrock	Uttlesford
Changes made to conditions around starting work?	No	£40 per week disregard for all claimants	No	Yes	Yes	No	No	Yes	No	£20 per week Earnings disregard	No	No	Yes	Yes
Hardship fund	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes
Mirror all changes in Housing Benefit	No	Yes	No	Yes	No	No	Yes	Yes	yes	No	Yes	No	No	yes
Remove Family Premium	Yes	yes	Yes	Yes	No	Yes	Yes	No	yes	yes	Yes		No	yes
Changes to Minimum Income Floor	No	Yes	No	No	Yes	No	yes	yes	yes	No	Yes	yes	No	yes
Dependents reduced to two	Yes	No	Yes	Yes	No	No	Yes	No	yes	Yes	yes		Yes	No

	Basildon	Braintree	Brentwoo d	Castle Point	Chelmsford	Colchester	Epping Forest	Harlow	Maldon	Rochford	Southend-on-Sea	Tendring	Thurrock	Uttlesford
Changes made to backdating rules to one month	No restriction	yes	No Restriction	Yes	No, unlimited backdating as long as claim received within a month of first notification of liability and delay notifying liability isn't the claimant's fault	No	No, 3 months	Yes	Yes	No Restriction	yes	No	Yes	yes
Change Temporary Absence rules	No	No	No	Yes	No	No	Yes	Yes	yes	No	yes		yes	yes
Disregard the new Bereavement Support payments for working age applicants	Yes	n/a	Yes	n/a	Yes	Yes	Yes	Yes	consulting	No			No	N/A

	Basildon	Braintree	Brentwood	Castle Point	Chelmsford	Colchester	Epping Forest	Harlow	Maldon	Rochford	on-Sea	Tendring	Thurrock	Uttlesford
Introduce discretion in regards to DWP notifications for working age CTS claims.	N/A				Yes	No	Yes	Yes	consulting	No			No	No
Accept documentation from the DWP as an intention to claim Council Tax Support	No		No		Yes	No	Yes	Yes	Consulting	No	Yes		Yes	Yes

APPENDIX B

Harlow District Council

Equality Impact Assessment – Local council tax support scheme

Name of service, function or policy being assessed	Localised Council Tax Support Scheme 2022/23 This Equality Impact Assessment has been developed considering the following national Equality Impact Assessments: • Local Government Finance Bill: Localising support for council tax • Local Government Finance Bill: Technical reforms to council tax • Local Government Finance Bill: Summary impact assessment
Service/Department	Finance / Revenues and Benefits
Names and roles of officers completing the assessment (indicate Lead officer)	Donna Beechener, Revenues and Benefits Manager (Lead Officer)
Contact telephone number of Lead officer	01279 446245
Date assessment completed	10 November 2021

1. Aims of the policy/service/function and how implemented

	Key Questions	Notes
1.1	Is this a new policy/service/function or a review of an existing one?	This is a review of an existing policy and function
1.2	Briefly state the main purpose of the policy/service/function?	To help people with low incomes to afford their Council Tax liability, in line with the Local Government Finance Act 2012.
1.3	Briefly state the main activities of the policy/service/function?	Payment of Council Tax Discounting of Council Tax
1.4	Who are the main beneficiaries? Whose need's is it designed to meet?	Those liable for Council Tax within Harlow. Adults on a low income with low savings Any authority that can levy a Council Tax
1.5	Which staff carry out the policy/service/function?	Revenues nd Benefits staff

2. Information Gathering and Data Collection

	Key Questions	Notes	If further data collection is needed – state by whom, when and how is it going to be done?
2.1	What **quantitative** (numerical) data do you already have (e.g. national and local demographic data, equality monitoring data, employee data, customer profile data etc) about those who use or will use the policy or service? What gaps are there in the data? What else do you need? **NB. Attach copies of the relevant data that you are using for this assessment**	The scheme was originally modelled based on existing costs, taking account of a potential council tax increase, demand for the scheme and the reduction in Revenue Support Grant. The scheme was originally modelled to be cost neutral, but current estimates are that the scheme costs more that the current level of grant received.	It is not possible to identify the actual grant received to support the scheme as this has been subsumed into overall formula funding.
2.2	What **qualitative** data do you already have (e.g. results of customer satisfaction surveys, results of previous consultations, staff surveys, analysis of customer complaints/comments, feedback from community groups or individuals etc) about those who use or will use the policy or service? What gaps are there in the data? What else do you need?	The proposed scheme for 2021/22 for working age claimants does not vary from the current scheme. Consultation is legally required where there are proposed changes to the scheme.	

3. Consultation

Please state below what formal or informal consultation has taken place or that you are planning to hold with appropriate stakeholders in relation to this policy/function			
	Key Questions	**Notes**	**If further consultations are needed/ planned – state with whom, by whom, when and how is this going to be done?**
3.1	What consultations have been held and with whom did you consult? What were the main issues raised?	Public consultations have been carried out annually, prior to the introduction of the policy and when changes have been considered. Consultations were conducted by way of an online questionnaire. The consultation was publicly announced.	The scheme will be reviewed annually, and if changes are proposed, then further public consultation will be conducted.
3.2	What consultations were held specifically with the equality target groups? What were the main issues raised?	In introducing a local council tax support scheme in 2013, representatives of equality target groups were identified and contacted electronically alerting them to the consultation and asking them to participate. Locally and nationally concerns were raised about the new liabilities created for those unable to work due to disability. We have addressed these by confirming that the current system of applicable amounts which protect these groups will remain in place.	As 3.1

	Key Questions	Notes	If further consultations are needed/ planned – state with whom, by whom, when and how is this going to be done?
3.3	Is the Council working in Partnership with other organisations to implement this policy/function? Should this be taken into consideration? (E.g. Agreeing the equalities monitoring categories) Should the partnership arrangements have an EIA?	All major precepting authorities in Essex, which work together to devise the support scheme. HDC – Corporate Housing; Resource Management Department for Work and Pensions Ministry Of HousingCommunities and Local Government . Each LA participating in the Essex project will conduct their own EQIA. DWP & DCLG have undertaken EQIA's which are publicly available.	As 3.1

Note

- It is a legal requirement that consultation takes place with appropriate stakeholders as part of the EIA process.
- You must ensure that you record all the main areas of concern raised by equality and customer groups during consultations and how you aim to address these concerns.

4. Assessment of Impact

Based on the data you have analysed and provided, and the results of the consultation or research you have undertaken, list below how the policy or function will or does work for each of the following equalities groups. Identify any differential impact and consider whether the policy/function meets any particular needs identified for each of the six equalities groups. **NB:If you do identify any adverse impact you must:** **a) Seek appropriate advice as to whether it is highlighting unlawful discrimination or is potentially discriminatory, and** **b) Identify steps to mitigate any adverse impact** **Include any examples of how the policy or function helps to promote race, disability, age and/or gender equality.**		
		State evidence of impact or potential impact/How helps to promote equality
4.1	**Gender –** identify the impact/potential impact of the policy/function on women, men and transgender people And/or Proposed measures to mitigate any adverse impacts	None identified
		State evidence of impact or potential impact/How helps to promote equality

4.2	**Disability –** identify the impact/potential impact of the policy on disabled people (ensure consideration of a range of impairments including visual and hearing impairments, mobility impairments, learning disability etc) And/or Proposed measures to mitigate any adverse impacts	All Disability Living Allowance Benefits will continue to be disregarded thereby protecting those with specific long term conditions who fall within this group. People with disabilities will continue to receive additional premiums as part of the calculation. The above helps to "advance equality of opportunity between people who share a protected characteristic and those who do not."
4.3	**Age –** identify the impact/potential impact of the policy/function on different age groups And/or Proposed measures to mitigate any adverse impacts	Older people (Pensionable Age); This group is specifically protected under Government Regulations. Younger people (17-25); 17 year olds may be disadvantaged indirectly if their parents have to pay more as a result of this policy. People over 18 of working age liable to pay council tax will be required to pay more than that afforded under CTB. The Council has agreed an exceptional hardship fund to assist those in extreme hardship.
4.4	**Race –** identify the impact/potential impact of the policy/function on different black and minority ethnic groups, including Gypsy and Traveller communities And/or Proposed measures to mitigate any adverse impacts	None identified
		State evidence of impact or potential impact/How helps to promote equality

4.5	**Sexual orientation –** identify the impact/potential impact of the policy on lesbians, gay men, bisexual and heterosexual people And/or Proposed measures to mitigate any adverse impacts	None identified
4.6	**Religion/belief –** identify the impact/potential impact of the policy on people of different religious/faith groups and also upon those with no faith And/or Proposed measures to mitigate any adverse impacts	None identified
4.7	**Socio-economic disadvantage –** identify any impact on those who have a low income, or whose family circumstances/history may affect their ability to access services eg. carers and the cared for; pensioners; single-parents; long-term unemployed; history of abuse/domestic violence; benefits claimants; housebound; chronically ill;	The impact of the proposed scheme will be felt most by those of working age who are not disabled, some of the affects will be mitigated by more generous incentives to work. The Council has agreed an exceptional hardship fund to assist those in extreme need.

4.8	**Any other groups, if appropriate** e.g. children leaving care; pregnant or breast-feeding mothers; carers etc	Parents will continue to receive a child allowance. Working parents receive a higher disregard of their earnings reflecting their childcare costs. The Council has agreed an exceptional hardship fund to assist those in extreme hardship. The above helps to “advance equality of opportunity between people who share a protected characteristic and those who do not.”
		Notes
4.9	Are there any additional measures that could be adopted to further equality of opportunity in the context of this policy/service/function and to meet the particular needs of equalities groups that you have identified?	None identified.

5. Summary Overview of EIA

As a summary overview of information and findings provided in the earlier sections of this Equality Impact Assessment, please tick the relevant boxes as appropriate to denote the OUTCOME of this process for each of the Equality Characteristics.

Equalities category	**No adverse impact AND promotes equality and diversity** ***Please tick ✓ if appropriate***	**No adverse impact BUT equality and diversity NOT promoted** ***Please tick ✓ if appropriate***	**Evidence of adverse impact** ***Please tick ✓ if appropriate***
Gender and transgender	**x**		
Race	**x**		
Disability	**x**		
Age			**x**
Sexual orientation	**x**		
Religion and belief	**x**		
Socio-economic disadvantage			**x**

NB: Tick relevant box as appropriate and based on information provided in section

Signed Project Manager	…………………………………………..	Countersigned Head of Service	…………………………………………………
Print Name	…………………………………………..	Print Name	…………………………………………………
Date	…………………………………………..	Date	…………………………………………………

Under the Freedom of Information Act, this completed EIA form will be placed on the Harloweb and be available on request to the general public.

REPORT TO:	**CABINET**
DATE:	**2 DECEMBER 2021**
TITLE:	**REFERRAL FROM CABINET POLICY DEVELOPMENT WORKING GROUP – TREASURY MANAGEMENT REVIEW**
PORTFOLIO HOLDER:	**COUNCILLOR JAMES LEPPARD, PORTFOLIO HOLDER FOR FINANCE**
LEAD OFFICER:	**SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE (01279) 446228**

This is not a Key Decision
It is on the Forward Plan as Decision Number I012613
Call-in Procedures may apply
This decision will affect no ward specifically.

RECOMMENDED that:

A The report attached as (Appendix A to this report) is noted.

REASON FOR DECISION

A The Working Group considered a report on the Treasury Management Review and made a recommendation to Cabinet for consideration.

BACKGROUND

1. At its meeting on 25 November, the Working Group considered a report on the Treasury Management Review.

ISSUES/PROPOSALS

2. Having considered the report, the Working Group has recommended to Cabinet that the review is noted.

IMPLICATIONS

Implications are set out in the original report attached as Appendix A to the report.

Appendices

Appendix A – Report to Cabinet Policy Development Working Group on 25 November 2021

Background Papers

None.

Glossary of terms/abbreviations used

None.

Appendix A

REPORT TO:	**CABINET POLICY DEVELOPMENT WORKING GROUP**
DATE:	**25 NOVEMBER 2021**
TITLE:	**TREASURY MANAGEMENT REVIEW**
LEAD OFFICER:	**SIMON FREEMAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF FINANCE (01279) 446228**

RECOMMENDED that:

A The Working Group considers the report and the underpinning principles that support the Council's Treasury Management Strategy.

B That the Working Group refers any specific issues identified as a result of the review to Cabinet for consideration.

BACKGROUND

1. The Council operates within the framework of CIPFA's 'Prudential Code for Capital Finance in Local Authorities', the 'Treasury Management Code of Practice' (the Code) and, the Ministry of Housing Communities and Local Government (MHCLG) Investment Guidance. Under the Code the minimum reporting requirements are that Full Council receives the following reports:

    - An annual treasury strategy in advance of the year.
    - A mid-year treasury update report.
    - An annual review following the end of the year describing the activity compared to the strategy.

2. The 2022/23 Treasury Management Strategy Statement (TMSS) will be approved in January 2022 at the same time as the MTFS, General Fund Budget, HRA estimates and rent levels and the Capital Programme. The Strategy supports the financial activities by setting out the investment and borrowing policy and it ensures that the Councils cash holdings are safeguarded as far as possible from loss in the current economic climate.

3. The strategy also contains the Prudential indicators required under the Prudential Code which set limits and boundaries for the capital expenditure of the Council. The Capital programme and borrowing activity must be constrained within the limits set by the indicators. It is intended that these limits ensure the Council operates within financial boundaries which it can afford in the context of its wider financial strategies. The current 2021/22

strategy is attached to the report at Appendix 1

4. The 2021/22 mid-year treasury management update report will be presented to Cabinet at its December meeting and is currently being prepared for that agenda.

5. The annual report for 2020/21 has been produced in compliance with the Code and was reported to Cabinet in September 2021. The full report is attached as Appendix 2 to this report. The regulatory environment governing treasury management places onus on Councillors for the review and scrutiny of treasury management policies and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the policies approved by the Council.

ISSUES/PROPOSALS

2020/21

6. As reported to Council in September, the Council complied with its Treasury Management Strategy Statement during 2020/21

7. The Council held significant levels of invested funds, representing income received in advance of expenditure plus balances and reserves. During 2020/21 the Council's investment balances ranged between £11.16m and £41.99m. The return received by the Council on its investment portfolio ranged between 0.05% and 4.2%

8. Security of capital remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2020/21.

9. During the financial year the Council continued to hold investments within the CCLA Property Fund and the Royal London Cash Plus Fund as a means of diversifying the portfolio and as a measure to move away from other investment tools.

10. The Annual report shows that this diversification continues to move away from the unsecured investments held with banks and building societies and has focus on replacing these investments with transactions with other local authorities wherever possible. This is a trend that has also continued in to the 2021/22 financial year although with most local authorities experiencing uncertainty and reduced capital expenditure the availability of local authority deposits has all but disappeared at the current time.

11. Counterparty credit quality was assessed and monitored with reference to

credit ratings (the Council's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

12. During 2020/21 the Council complied with the Prudential Indicators as set within the Council's Treasury Management Strategy Statement approved in February 2020. The indicators themselves are included as part of the Annual report attached.

2021/22

13. The Council remains compliant with its Prudential Indicators for 2021/22, set in February 2021 as part of the Council's Treasury Management Strategy Statement and has continued to move investments in to products that remove or limit the exposure to unsecured investments. This has increasingly included the use of short term deposits with the Debt Management Office (DMO) where short term rates on deposits have currently been negative. The council's investments have so far been for investment periods which avoid those negative rates.

14. Current uncertainties which have been heightened buy the ongoing national Covid pandemic, the exit from Europe and the ongoing low Bank of England base rate reduction since March 2020 continue to create difficult treasury dealing conditions. The market experts remain uncertain of the outcomes for long-term interest rates, exchange rates, budget cuts and bank defaults at the current time.

15. In response to this situation the Council has continued to proceed in its treasury activity with great caution and continues to maintain particular emphasis on its key priority of investment security. The Council has operated within the remit of the approved Treasury Management Strategy Statement (TMSS) and is utilising the lending list of approved institutions provided by the Council's treasury advisors, Arlingclose. This lending list is regularly updated (at least weekly) and amended by Arlingclose in response to changes in the status and ratings of institutions and in response to forecasts and events occurring within the markets. As a result the lending list has continued to experience a reduction in the options available for investing the Council's cashflow balances, as well as shortening of investment periods and investment limits.

16. The Council's overriding response to the current market conditions is to continue to ensure the security of investments above liquidity and yield. Officers aim to ensure that investments are made in the most cost efficient and effective manner. The current investments held by the Council as at 31 October 2021 are shown below –

Investment held with -	Value £' millions
Money Market Funds	17.000
Banks (Councils own bank)	3.055
CCLA Property	2.000
Royal London Cash Plus Fund	2.000
Total	**24.055**

17. Against this backdrop the approach has continued to follow an approach which utilises the Councils cash balances for the temporary cashflow of capital expenditure (Enterprise Zone projects, Housing schemes and financial loans to HTS Group) In adopting this approach the levels of cash investment are naturally reduced and help to manage the difficult day to day management of the Council's cash investments.

18. In order to further protect the Council's investment options, it may also be necessary to review some of the investment parameters within the TMSS (for example investment limits) if there are indications that future market events may constrict the lending list beyond what is manageable within the Council's treasury operations. This will feature as part of the 2022/23 Treasury Management Strategy Statement report to Cabinet later in the year.

19. Further information regarding the current TMSS assumptions are contained within the report at Appendix 1 and verbal updates on current activity and how it may influence the 2022/23 TMSS will be provided at the meeting.

IMPLICATIONS

Environment and Planning (includes Sustainability)
None Specific
Author:**Andrew Bramidge, Director of Strategic Growth and Regeneration**

Finance (Includes ICT and Property and Facilities)
As contained within the body of the report and appendices.
Author: **Simon Freeman, Deputy to the Chief Executive and Director of Finance**

Housing
None Specific.
Author: **Andrew Murray, Director of Housing**

Community Wellbeing

None Specific.
Author: **Jane Greer, Director of Communities and Environment**

Governance (includes HR)
None Specific.
Author: **Simon Hill, Director of Governance and Corporate Support**

Appendices

Appendix 1 – Capital and Treasury Report 2021
Appendix 2 – Annual Treasury Management Report 2020/21

Background Papers

None.

Appendix 1

REPORT TO:	**CABINET**
DATE:	**21 JANUARY 2021**
TITLE:	**CAPITAL AND TREASURY REPORT 2021- 22**
PORTFOLIO HOLDER:	**COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES**
LEAD OFFICERS:	**SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND HEAD OF FINANCE AND PROPERTY SERVICES (01279) 446228** **SENIOR MANAGEMENT BOARD (01279) 446004**
CONTRIBUTING OFFICERS:	**REBECCA KEENE, PRINCIPAL FINANCE MANAGER (01279) 446448** **DAVID WORTHINGTON, HRA ACCOUNTANT (01279) 446211**

This is a Key Decision
It is on the Forward Plan as Decision Number I011383
The decision is not subject to Call-in Procedures for the following reasons:
The decision stands as a recommendation to Full Council
This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council that:

A The following Capital and Treasury Reports be approved:

i) The Capital Strategy Report (attached as Appendix A to the report).

ii) The Capital Programme Strategy Statement 2021/22 (attached as Appendix B to the report).

iii) The Investment Strategy Report 2021/22 (attached as Appendix D to the report).

iv) The Minimum Revenue Provision Statement 2021/22 (attached as Appendix E to the report).

B The proposed revised Treasury Management Strategy Statement 2021/22 (attached as Appendix C to the report) be approved for implementation with effect from 1 April 2021.

REASON FOR DECISION

A The Capital Strategy Report 2021/22 (attached as Appendix A to the report) covers the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017, including the prudential indicators. The report should be approved by Full Council before the start of the new financial year.

B The Capital Programme Strategy Statement 2021/22 (attached as Appendix B to the report) is provided within this report to provide context for capital investment explained elsewhere. Specifically, for 2021/21, it sets out the Council's programme for building council homes.

C The Treasury Management Strategy Statement 2021/22 (attached as Appendix C to the report) covers the requirements of the CIPFA Treasury Management Code of Practice 2017, including the treasury management indicators. .

D The Investment Strategy Report 2021/22 (attached as Appendix D to the report) covers the requirements of the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance 2018, including the investment indicators.

E The Minimum Revenue Provision Statement 2021/22 (attached as Appendix E to the report) covers the requirements of the MHCLG Guidance on Minimum Revenue Provision.

BACKGROUND

1. This report brings together a number of documents in order to comply with new Government (MHCLG) and accountancy professional (CIPFA) guidance.

2. One of the new requirements is the submission of an overarching document, a Capital Strategy Statement, which sets out the Council's longer term plan for capital expenditure, and the way in which it is to be funded. The approval of the Strategy (as set out in Appendix A to the report) is a requirement of Council.

3. To provide further context a medium term strategy for the Capital Programme 2019/20 – 2024/25 is given (as set out in Appendix B to the report) allowing a separate report to this meeting to concentrate on approval of the current and immediate forthcoming year: 'Capital Programmes 2019/20-2020/21'.

4. At the heart of this document are statements governing treasury management, now split into three separate documents (as set out in appendices C, D and E).

5. Treasury management is defined as "the management of the Council's 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."

6. The primary requirements of the current guidance are as follows:

   a) Creation and maintenance of a Treasury Management Policy Statement

   b) Creation and maintenance of Treasury Management Practices (TMP)

   c) Receipt of an annual Treasury Management Strategy Statement (TMSS)

   d) Presentation of a mid-year review of the TMSS and an annual report (stewardship report) to Full Council

   e) Delegation by the Council for responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions

   f) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For the Council the current TMSS specifies the responsibility for the delegated scrutiny role is delegated to the Cabinet Overview Working Group, as well as to the Audit and Standards Committee as may be required

   g) Submission of an Investment Strategy (as set out in Appendix D to the report)

   h) Submission of a Minimum Revenue Provision Statement (as set out in Appendix E to the report).

ISSUES/PROPOSALS

7. All reports have been prepared in compliance with respective guidance.

8. Members are invited to refer/approve these documents as appropriate.

IMPLICATIONS

Environment & Planning (Includes Sustainability)
None specific.
Author: Andrew Bramidge, Head of Environment & Planning

Finance & Property (Includes ICT)
Any specific implications are set out within the report and supporting appendices. The strategies are key documents underpinning key aspects of financial management across the Council which enable sound financial management to be applied and for resources and assets to be protected.
Author: Simon Freeman, Deputy to the Chief Executive and Head of Finance and Property Services

Housing
None specific.
Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)
None specific.
Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)
None specific.
Author: Simon Hill, Head of Governance

Appendices

Appendix A – Capital Strategy Report
Appendix B – Capital Programme Strategy Statement 2021/22
Appendix C – The Treasury Management Strategy Statement 2021/22
Appendix D – The Investment Strategy Report 2021/22
Appendix E – The Minimum Revenue Provision Statement 2021/22

Background Papers

None.

Glossary of terms/abbreviations used

See Appendix C, Annex E for glossary of terms.

APPENDIX A

Capital Strategy Report 2021/22

Introduction

1. The capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

3. Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes, in addition, spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £5,000 are not capitalised and are charged to revenue in year.

4. The Council's policy on capitalisation can be found in the Accounting Policies in the annual Statement of Accounts.

5. In 2021/22, the Council is planning capital expenditure of £44.139 million as summarised in Table 1:

Table 1 Prudential Indicator - Estimates of Capital Expenditure							
	Actual 2019/20 *£,000*	**Revised 2020/21 £,000s**	**Budget 2021/22 £,000s**	**Budget 2022/23 £,000s**	**Budget 2023/24 £,000s**	**Budget 2024/25 £,000s**	**Budget 2025/26 £,000s**
Non Housing Capital Programme							
Core Programme	2,404	5,399	5,249	4,413	2,814	3,317	976
Building Council Homes	45	49	4,211				
Enterprise Zone	5,649	8,251	3,360				
Prentice Place	1,887	276					
HTS Equity Share &Loan		1,500					
Future High Street Project		1,250					
Town Regeneration Partnership			5,000				
Sub Total	9,985	16,725	17,820	4,413	2,814	3,317	976
Housing Capital Programme							
Core Programme	14,182	20,550	18,552	12,921	15,107	13,219	13,236
House Purchases and New Build	582	13,218	7,767	7,999	3,000	3,000	1,965
Sub Total	14,764	33,768	26,319	20,920	18,107	16,219	15,201
`							
Total`	24,749	50,493	44,139	25,333	20,921	19,536	16,177

6. It can be seen from Table 1 that in 2021/22 a significant element of the Non Housing Capital Programme (NHCP) relates to the ongoing development of Harlow’s Enterprise Zone and Science Park. In addition there will be a significant investment in the new Town Regeneration Partnership which will act as catalyst to regenerate the town centre.

7. The Housing Capital Programme (HCP) is split between the core programme such as compliance, lift maintenance and the house purchase and new build projects. In line with business plan assumptions the core programme is financed from the Major Repairs Reserve (MRR).available capital receipts and direct revenue financing. The house purchase and new build programme is financed from right to buy receipts and borrowing.

8. There is a further house building scheme totalling £4.2 million planned to be funded through the Non Housing Capital Programme.

9. Further details of projected capital expenditure are contained in the 'Capital Programme Strategy Statement' (see Appendix B to this Report).

Governance

10. Service Managers commence a process annually in September to bid for projects in the Council's Non Housing Capital Programme. Bids are collated by the Finance Department who calculate the financing costs (which can be nil if the project is fully externally financed) and formulate capital project appraisals. The Deputy to the Chief Executive and Head of Finance & Property Services presents capital proposals to the Senior Management Board (SMB) for review. The review is based on a comparison of corporate priorities and service priorities and considers projected capital costs, financing costs and any resulting ongoing service costs. Recommendations from SMB formalise the Capital Programme for approval by Cabinet and to Full Council in January / February each year.

11. For full details of the Council's latest Capital Programme, see the report entitled 'Capital Programmes 2021/22', which is presented separately in the agenda to Cabinet (21 January 2021) and, upon publication, is available on the Council's website pages.

12. Capital expenditure may only be financed either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, and leasing).

13. The planned financing of the above expenditure is set out in Table 2 as follows:

Table2 Prudential Indicator - Financing Capital Expenditure							
	Actual 2019/20 *£,000*	**Revised 2020/21 £,000s**	**Budget 2021/22 £,000s**	**Budget 2022/23 £,000s**	**Budget 2023/24 £,000s**	**Budget 2024/25 £,000s**	**Budget 2025/26 £,000s**
NHCP							
Earmarked Grant Funding	(30)	(20)	(20)	(20)	(20)		
Capital Receipts	(766)	(1,236)	(650)				
Ear Marked Capital Reserves		(152)	(466)				
Direct Revenue Financing	(805)	(327)	(362)	(156)	(156)	(150)	(150)
Disabled Facilities Grant	(736)	(500)	(500)	(500)	(500)	(500)	(500)
Towns Fund - Eastgate Grant		(1,000)					
SELEP Getting Building Fund Grant		(200)	(3,360)				
Home Renovation Loan repayments		(5)	(5)	(5)	(5)	(5)	
Other contributions		(35)					
Borrowing requirement	(7,649)	(13,235)	(11,194)	(3,732)	(2,133)	(2,662)	(326)
RTB Capital Receipts		(15)	(1,263)				
Sub Total	(9,986)	(16,725)	(17,820)	(4,413)	(2,814)	(3,317)	(976)
HCP							
RTB Capital Receipts	(207)	(3,965)	(2,330)	(2,400)	(900)	(900)	(590)
Other Capital Receipts	(1,688)	(1,030)	(1,257)	(1,200)	(1,200)	(1,200)	(1,200)
Major Repairs Reserve	(10,624)	(10,470)	(10,736)	(10,864)	(10,946)	(11,028)	(11,111)
Direct Revenue Financing		(7,247)	(6,559)	(856)	(2,961)	(991)	(925)
Other Contributions	(2,244)						
Borrowing		(11,056)	(5,437)	(5,600)	(2,100)	(2,100)	(1,375)
Sub Total	(14,763)	(33,768)	(26,319)	(20,920)	(18,107)	(16,219)	(15,201)
Total`	(24,749)	(50,493)	(44,139)	(25,333)	(20,921)	(19,536)	(16,177)

Borrowing and Capital Financing Requirement

14. Borrowing and leasing is an intermediate source of finance, since loans and leases must be repaid. The 2003 England and Wales Regulations place on local authorities in England and Wales a duty to charge to the revenue account a 'minimum revenue provision' (MRP) which is deemed to be prudent for the repayment of debt'. Set out in Appendix E is the Councils statement on the calculation of MRP and Table 3 shows the estimated MRP over the next five years

Table 3 Minimum Revenue Provision

	Actual 2019/20 *£,000*	Revised 2020/21 £,000s	Budget 2021/22 £,000s	Budget 2022/23 £,000s	Budget 2023/24 £,000s	Budget 2024/25 £,000s	Budget 2025/26 £,000s
General Fund	459	555	636	662	676	694	695

15. The capital financing requirement (CFR) is the Council's cumulative debt outstanding and is split between the HRA and General Fund. The CFR increases with new capital expenditure financed by borrowing and reduces with the repayment of debt. (MRP). The CFR is expected to increase by £24.186 million during 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4 Capital Financing Requirement

	Actual 2019/20 *£,000*	Revised 2020/21 £,000s	Budget 2021/22 £,000s	Budget 2022/23 £,000s	Budget 2023/24 £,000s	Budget 2024/25 £,000s	Budget 2025/26 £,000s
General Fund CFR	62.655	75.785	86.784	90.321	92.259	94.726	94.857
HRA CFR	187.370	198.426	203.863	209.463	211.563	213.663	215.038
Total CFR	250.025	274.211	290.647	299.784	303.822	308.389	309.895

Asset Management and Non-Housing Capital Receipts

16. The Council has recently reviewed its Asset Management Strategy and has undertaken a detailed stock condition survey of all of its non-housing property assets. The strategy and associated action plan combined with the results of the stock condition survey have been applied to develop a future non housing capital investment programme.

17. The strategy also sets out the intention to dispose or transfer those assets which no longer fulfil an operational, community or commercial objective. This is essential especially where there is a clear investment requirement which would outweigh the long term benefits of undertaking that investment.

18. The objective of the strategy is to recognise the Council's asset portfolio as a resource which whilst providing operational and community benefits. The Strategy sets out a framework for governance of the portfolio which seeks to achieve greater engagement with users and elected councillors in order to ensure that capital investment decisions are aligned with the agreed corporate priorities as set out in the Council's Corporate Plan.

Asset disposals:

19. When an asset is no longer required it may be sold and the capital precepts used to repay debt or finance new capital expenditure The Council plans to receive £300,000 capital receipts in the coming financial year, 2021/22, as shown in Table 5

Table 5 Movement in Non Housing Capital Receipts

Narrative	2019/20 Actual £'000	2020/21 Original £'000	2020/21 Revised £'000	2021/22 Estimates £'000
Balance at 1 April	(649)	(649)	(2,155)	(1,919)
Non Housing Receipts Received	(2,012)	(250)	(1,000)	(300)
Non Housing Receipts Used	506	209	1,236	650
Balance in hand at 31 March	(2,155)	(690)	(1,919)	(1,569)

20. Further details of projected asset disposals are included in the 'Capital Programme Statement' (Appendix B).

<u>Treasury Management</u>

21. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by temporary borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

22. Due to decisions taken in the past, the Council currently (as at 31 December 2020) has £211.837m borrowing at an average interest rate of 3.31% and £20.445m treasury investments at an average rate of 0.432%.

Borrowing strategy:

23. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore

seeks to strike a balance between low cost short-term loans (currently available at around 0.4%) and long-term fixed rate loans where the future cost is known but higher (currently around to 1.4%). The Council also utilises its ability to “internally borrow” which is very attractive when it has surplus funds available and it is unable to achieve any significant return through its Treasury Management activities with external interest rates for investments being at historic lows.

24. Projected levels of the Council’s total outstanding debt are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the CFR

	31.3.2020 Actual £000	31.3.2021 Revised £,000	31.3.2022 Budget £,000	31.3.2023 Budget £,000	31.3.2024 Budget £,000
Borrowing	211.837	211.837	235.837	252.437	254.737
Capital Financing Requirement	250.026	274,211	290,647	299,784	303,822

25 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term

Affordable Borrowing Limit

26 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warming level should debt approach the limit

Table 7: Prudential Indicators: Authorised limit and operational boundary

	2020/21 Limit £,000	2021/22 Limit £,000	2022/23 Limit £,000	2023/24 Limit £,000
Authorised limit – borrowing	301.000	315.500	320.200	325.200
Operational boundary – borrowing	291.000	305.500	310.200	315.200

27 Further details on borrowing are given in paragraphs 31 to 42 of the ‘Treasury Management Strategy’ (Appendix C).

Investment strategy:

28 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

29 The Council’s policy on treasury investments is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, which might include bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

30 Further details on treasury investments are in paragraphs 43 to 66 of the ‘Treasury Management Strategy’ (Appendix C).

Governance

31 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Deputy to the Chief Executive and Head of Finance & Property Services and staff, who must act in line with the treasury management strategy approved by Full Council. Half-yearly reports on treasury management activity are presented to Cabinet. The Cabinet Overview Working Group is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

32 The Council makes investments to assist local public services, including making loans to promote economic growth and lending to its subsidiary company, HTS (Property and Environment) Ltd, which provides extensive building maintenance, grounds and environmental maintenance services to the Council. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to, at least, break even after all cost

33 All decisions to date have been made subject to formal reporting and approval by Cabinet. Further details on service investments are in paragraphs 6 to 10 of the ‘Appendix D

Commercial Activities

34 With central government financial support for local public services declining, some Councils are investing in commercial property purely or mainly for financial gain. Harlow Council has not followed this course of action to date.

35 New Guidance requires Councils to disclose any property that it holds primarily or partially to generate a profit. Councils are no longer allowed to borrow from the Public Works Loan Board at favourable rates to finance commercial investments.

36 Harlow Council has only four such assets, namely, the golf course, two cottages and a former farmhouse. These generate an income of just under £82,000 a year (see Appendix D, 'Investment Strategy').

37 The Nexus building at the Harlow Enterprise Zone has been completed This will be a wholly owned asset which will be let to commercial tenants and whilst it will deliver an income stream to the Council a key determinant in the decision to proceed with the building was the regeneration and economic benefits it would bring to Harlow. The Council has been successful in obtaining additional grant funding of £3.6 million to further develop the Enterprise Zone

Liabilities

38 In addition to debt of £211.837m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £90.200m as at 31 March 2020). It has also set aside £2.533m to cover risks of Business Rates appeals and £5.900m for other minor provisions. The Council is also covers the risk of having to pay for small-value insurance claims for which self-insurance is in place and managed through earmarked reserves.

Governance:

39 Decisions on incurring new discretional liabilities are taken by Senior Management Board in consultation with the Deputy to the Chief Executive and Head of Finance & Property Services. It is the responsibility of Senior Managers to consult the Deputy to the Chief Executive and Head of Finance & Property Services on any matter liable to affect the Council's finances materially (for values above £50,000). In the event of any substantial liabilities arising during the course of the financial year, these are highlighted in the financial and performance monitoring reports, presented quarterly to Cabinet and onwards to Full Council.

40 Further details guarantees are set out in the Investment Strategy 2021/22 (Appendix D, paragraph 14), whilst further details of contingent liabilities are contained in Note 32 of the Statement of Accounts 2019/20.

Revenue Budget Implications

41 Although capital expenditure is not charged to revenue it does have revenue implications. Both the, interest payable on loans and the repayment of debt (MRP)} is charged to revenue. This is offset by any investment income receivable. The net capital financing charge compared to the net revenue stream i.e. for the General Fund, the amount funded from Council Tax, business rates and general government grants; and for the Housing Revenue Account, predominantly housing rent income. Set out in Table 9 is the prudential indicator which compare the net capital financing charge with the net income stream

Table 9: Proportion of financing costs to net revenue stream

	2019/20 Actual £,000	2020/21 Revised £.000	2021/22 Budget £,000	2022/23 Budget £,000	2023234 Budget £000
General Fund					
Financing costs	0.824	1.110	1.305	1.354	1.383
Proportion of net revenue stream	0.076%	0.111%	0.117%	0.118%	0.120%
HRA					
Financing costs	6.673	7.067	7.261	7.460	7.535
Proportion of net revenue stream	13.81%	14.47%	14.09%	14.07%	13.95%

Sustainability

42 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. Capital investment decision making is not only about ensuring the initial allocation of capital funds meets the corporate and service priorities but ensuring the asset is fully utilised, sustainable and affordable throughout its whole life, which also includes the affordability of its debt financing costs. In approving the inclusion of schemes and projects within the Capital Programme the Deputy to the Chief Executive and Head of Finance & Property Services will need to have been satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

43 The Council employs professionally qualified and experienced staff across a range of disciplines including finance, legal and property that follow Continuous Professional Development (CPD). The Council encourages apprenticeships and study programmes for staff with the ambition to achieve a professional qualification.

44 Recognising the scale of the Council's staffing, where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Wilks Head and Eve LLP as property valuation advisers, as well as other reputable firms of property consultants to support it in assessing the condition of its asset, advising on property transactions and any new developments. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite

.

45 Internal and external training is offered to elected Members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the administration, the Strategic Management Board and the Deputy to the Chief Executive and Head of Finance & Property Services.

APPENDIX B

Capital Programme Strategy Statement 2021/22

Introduction

1. This Appendix sets out the Council's strategy for financing capital expenditure as part of the Medium Term Financial plan in order to supplement the 'Capital Strategy Report' in Appendix A

2. The Capital Programme is divided between a Housing Capital Programme (HCP) and Non Housing Capital Programme (NHCP). Both are then sub-divided between their Core Programmes and specific projects:

3. In the HCP the core programme includes the housing investment programme to maintain dwellings to a decent standard, .compliance testing and lift maintenance. The non-core HCP includes the house purchase and new build schemes'

4. In the NHCP the core programme includes the maintenance of community buildings enhancements to the Civic Centre and environmental projects. The non-core element includes the Enterprise Zone, the contribution to the new regeneration partnership and new builds schemes outside the HRA.

The Housing Capital Programme (HCP)

5. The estimates and funding of the HCP can be summarised in Table 10

Table 10 HCP 2020/21 to 2025/26

PROJECT AREA	Revised 2020/21 £,000s	Budget 2021/22 £,000s	Budget 2022/23 £,000s	Budget 2023/24 £,000s	Budget 2024/25 £,000s	Budget 2025/26 £,000s
Core Programme	20,550	18,552	12,921	15,107	13,219	13,236
House Purchase Scheme	12,600					
New Build Programme	618	*7,767*	*7,999*	*3,000*	*3,000*	*1,965*
TOTAL HCP	**33,768**	**26,319**	**20,920**	**18,107**	**16,219**	**15,201**
FUNDED BY:-						
RTB Capital Receipts	(3,965)	(2,330)	(2,400)	(900)	(900)	(590)
Other Capital Receipts	(1,030)	(1,257)	(1,200)	(1,200)	(1,200)	(1,200)
Major Repairs Reserve	(10,470)	(10,736)	(10,864)	(10,946)	(11,028)	(11,111)
Direct Revenue Financing	(7,247)	(6,559)	(856)	(2,961)	(991)	(925)
Borrowing	(11,056)	(5,437)	(5,600)	(2,100)	(2,100)	(1,375)
TOTAL FUNDING	**(33,768)**	**(26,319)**	**(20,920)**	**(18,107)**	**(16,219)**	**(15,201)**

6. The HRA Business Plan, approved by Full Council in January 2020, reflects that the HCP has been prepared in accordance with the following principles.

    a) That the HCP core projects are financed from contributions from the Major Repairs Reserve. Any shortfall will be financed from available housing capital receipts and direct revenue contributions

    b) That the HCP new build projects are financed from retained right to buy receipts and borrowing.

New Build Schemes

7. Set out in Table 11 is a summary of new build schemes included in the HCP

Table 11 - HCP Revised New Build Projects

Name of Scheme	No of Units	Approved Scheme Cost	Revised 2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget
		£,000	£,000	£,000	£,000	£,000	£,000	£,000
The Readings			13					
Bushey Croft	16	4,140	20	2,781	1,202			
Lister House	46	14,000	370	2,400	3,000	3,000	3,000	1965
The Yorkes	13	3,015	36	1,482	1,475			
Brenthall Towers	8	2,585	38	830	1,692			
Stackfield	5	550	40	156	350			
The Hill	2	500	101	118	280			
Total	90	24,790	618	7,767	7,999	3,000	3,000	1,965

8. The Readings project was removed from the Capital Programme at the December Cabinet meeting. Details of the progress made on all the other new build projects can be found in the Capital Programmes 2021/22 report. Set out in Table is an analysis of how the new build programme is funded

Table 12 Fundng of HCP New Build Projects

PROJECT AREA	Budget 2021/22 £,000s	Budget 2022/23 £,000s	Budget 2023/24 £,000s	Budget 2024/25 £,000s	Budget 2025/26 £,000s
New Build Programme	*7,767*	*7,999*	*3,000*	*3,000*	*1,965*
Financed By					
RTB Capital Receipts	(2,330)	(2,400)	(900)	(900)	(590)
Borrowing	(5,437)	(5,600)	(2,100)	(2,100)	(1,375)
TOTAL FUNDING	(7,767)	(8,000)	(3,000)	(3,000)	(1,965)

The Non Housing Capital Programme (NHCP)

9. The estimates and funding of the NHCP can be summarised in Table 13

Table 13 NHCP 2020/21 to 2025/26

PROJECT AREA	Revised 2020/21 £,000s	Budget 2021/22 £,000s	Budget 2022/23 £,000s	Budget 2023/24 £,000s	Budget 2024/25 £,000s	Budget 2025/26 £,000s
Core Programme	5,399	5,249	4,413	2,814	3,317	976
Special Projects	11,277	8,360	0	0	0	0
General Fund New Build	49	4,211	0	0	0	0
TOTAL NHCP	16,725	17,820	4,413	2,814	3,317	976
FUNDED BY:-						
Earmarked Grant Funding	(20)	(20)	(20)	(20)		
Capital Receipts	(1,236)	(650)				
Ear Marked Capital Reserves	(152)	(466)				
Direct Revenue Financing	(327)	(362)	(156)	(156)	(150)	(150)
Disabled Facilities Grant	(500)	(500)	(500)	(500)	(500)	(500)
Towns Fund -Eastgate Grant	(1,000)					
SELEP Getting Building Fund Grant	(200)	(3,360)				
Home Renovation Loan repayments	(5)	(5)	(5)	(5)	(5)	
Other contributions	(35)	0	0	0	0	
Borrowing requirement	(13,201)	(8,246)	(3,732)	(2,133)	(2,662)	(326)
New Build						
RTB Capital Receipts	(15)	(1,263)				
Borrowing requirement	(34)	(2,948)				
Total Project Funding	(16,725)	(17,820)	(4,413)	(2,814)	(3,317)	(976)

10. Financing of the NHCP follows the same principles as the HCP in that the financing of the Elm Hatch new build project will be from retained RTB and borrowing.

11. Part of the NHCP is financed from non- housing capital receipts and Table 14 below shows the estimated availability of those receipts in 2021/22.

Table 14 Movement in Non Housing Capital Receipts

Narrative	2019/20 Actual £'000	2020/21 Original £'000	2020/21 Revised £'000	2021/22 Estimates £'000
Balance at 1 April	(649)	(649)	(2,155)	(1,919)
Non Housing Receipts Received	(2,012)	(250)	(1,000)	(300)
Non Housing Receipts Used	506	209	1,236	650
`				
Balance in hand at 31 March	(2,155)	(690)	(1,919)	(1,569)

12. The remaining elements of the NHCP will be financed by Disabled Facilities Grant, direct revenue contributions and borrowing. Excluding the borrowing to finance the Elm Hatch new build project and the £5.0 million contribution to the new Regeneration Partnership the estimated borrowing required to finance the 2021/22 NHCP is £3.246 million .

APPENDIX C

Treasury Management Strategy Statement 2021/22

Summary of the Report

1. This Treasury Management Strategy Statement (TMSS) sets out the treasury management issues in accordance with proper practice.

2. The Council uses treasury management advisors to help its decision making, keeping officers up to date with economic developments and providing training and support. Arlingclose Limited has been the Council's appointed advisor since December 2012.

3. The UK economy is in an uncertain state as the impacts of the Covid-19 pandemic continue to be felt and the implications of the new trade deal with the European Union begin to be understood.

4. As a steward of public finance, the Council will continue to take all practical steps to protect its investment portfolio. In this respect emphasis remains in this order of priority:

   - **Security:** which includes the following, some of which might appear contradictory:
     - Reducing risk in order to protect the return of capital sums, particularly in relation to the Council's investments;
     - The repayment of the sums invested ; and / or
     - Attempting as far as possible, within the parameters of this document, a total return equal to or higher than the prevailing rate of inflation.

   - **Liquidity:** availability of cash when needed (adequate but not excessive liquidity).

   - **Yield:** a return commensurate with the level of risk.

5. Harlow Council has embarked on a number of major projects which will deplete surplus cash held. It is anticipated that, during 2021/22, the Council will need to undertake external borrowing.

Introduction

6. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has 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 financial risk are therefore central to the Council's prudent financial management.

7. 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 2017 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.

8. Investments held for service purposes or for commercial profit are considered in a different report, the 'Investment Strategy' (Appendix D).

9. **Interest rate forecast:** The Council's treasury management adviser Arlingclose is forecasting that the Bank Rate will remain at 0.1% until at least the end of 2023.

10. For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.4%, and that new long-term loans will be borrowed at an average rate of 3%.

<u>Local Context</u>

11. On 31 December 2020, the Council held £211.837m of borrowing and £20.445m of investments.

12. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

13. The Council has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £46.1m over the forecast period.

14. 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 three years. The Council expects to comply with this recommendation during 2021/22.

<u>Borrowing Strategy</u>

15. The Council currently holds £211.837m of loans, being the same as the previous year, as part of its strategy for funding previous years' capital programmes. The 2021/22 capital programme indicates that the Council expects to borrow up to £32m in 2021/22. The Council may also borrow

additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £301 million.

16. **Objectives:** The Council's chief 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.

17. **Strategy:** 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 longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it remains likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. Where longer-term loans are utilised, they will be considered in the context of ensuring interest rates will be adequately balanced by income streams associated with the capital investment being financed.

18. By doing so, the Council is able to 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.

19. The Council has previously raised all of its long-term borrowing from the PWLB. PWLB loans are no longer available to Councils planning to buy investment assets primarily for yield. The Council intends to avoid this activity in order to retain its access to PWLB loans.

20. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

21. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages, although this eventuality is highly unlikely to occur because the spread of investments provides for sufficient cash liquidity to meet forecast cash flows.

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

- Public Works Loan Board (PWLB) and any successor body

- any institution approved for investments (see below)
- any other UK public sector body
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Essex County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

23. **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 debt liabilities:
    - Leasing
    - Hire purchase
    - Private Finance Initiative
    - Sale and leaseback

24. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be 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 Cabinet and Full Council.

25. **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. Financial derivatives may be used to manage this interest rate risk (see section below).

26. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount 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.

Investment Strategy

27. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £19.5m and £42.4m. The expenditure profile of the Council is changing dramatically which will mean surpluses available for investment will reduce to about £10m.

28. **Objectives:** The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council 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.

29. **Negative interest rates:** In the event that the Bank of England sets the Bank Rate at or below zero security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

30. **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will retain diversification into more secure and/or higher yielding asset classes during 2021/22 where cash is identified as available for longer-term investment. This diversification will represent a continuation of the current strategy.

31. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

32. With reduce cash surpluses anticipated to be available, the cash limits assume an investment portfolio between £10m and £20m.

33. Harlow Council's typical day-to-day investments are with local authorities for up to one year.

Table 3: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£1m 5 years	£2m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£1m 5 years	£2m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£1m 4 years	£2m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£2m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£1m 2 years	£2m 3 years	£1m 5 years	£1m 3 years	£1m 5 years
A	£1m 13 months	£2m 2 years	£1m 5 years	£1m 2 years	£1m 5 years
A-	£1m 6 months	£2m 13 months	£1m 5 years	£1m 13 months	£1m 5 years
None	£0.5m 6 months	n/a	**£2m 25 years**	£50,000 5 years	£1m 5 years
Pooled funds and real estate investment trusts		£4m per fund or trust			

This table must be read in conjunction with the notes below

34. **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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.

35. **Banks 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.

36. **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they 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 to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

37. **Government:** Loans, 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 Central Government may, in principle, be made in unlimited amounts for up to 50 years, although tying up the Council's cashflow for such an extensive period is particularly unlikely and an unforeseen occurrence.

38. **Local Authorities:** The Council's day-to-day investment transactions have moved more towards investments with other local authorities rather than banks. Councils have a legal duty to pass a balanced budget, have revenue raising powers, and a lender of last resort in the form of the Public Works Loan Board. In unusual circumstances, the lender is able to recoup the principal sum lent under the Local Government Act 2003, sections 6 and 13. In spite of continued reductions in central government funding, making the setting of budgets and budget monitoring even more challenging, the risk of default remains very low. Where a Council issues a notice under Section 114(3) of the Local Government Finance Act 1988 – as is currently the case with Northamptonshire County Council – then section 115(6) of the Act prevents local authority lending. The local government community is becoming more concerned about some entering into a new field of excessive commercial activity. This Council will exercise a degree of caution and will not lend where it feels the risk is too great. The Council may consider using an investment platform (iDealTrade) which contains qualitative information about borrowers.

39. **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £50,000 per company as part of a diversified pool in order to spread the risk widely.

40. **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

41. **Pooled funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

42. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council 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 Council's investment objectives will be monitored regularly.

43. **Operational bank accounts:** The Council 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 £4m (except over the Christmas period, defined as 20 December to 4 January inclusive when the limit will be £6m). 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 Council maintaining operational continuity.

44. **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

45. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn 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.

46. **Other information on the security of investments**: The Council 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 Council'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.

47. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council 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 Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

48. **Investment limits**: The maximum that will be lent to any one organisation (other than the UK Government) will be £4m. 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.

49. The cash limits assume an investment portfolio between £10m and £20m. If, as anticipated, the cash holding falls to £12.2m then the approved investment limits will be reduced accordingly on instruction to officers by the Deputy to the Chief Executive and Head of Finance & Property Services.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£2m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£2m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£2m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with building societies	£2m in total
Loans to unrated corporates	£2m in total
Money market funds	£20m in total
Real estate investment trusts	£5m in total

50. **Liquidity management:** The Council uses a purpose-built cash flow forecasting spreadsheet 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.

Treasury Management Indicators

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

52. **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	£113,641
Upper limit on one-year revenue impact of a 1% fall in interest rates	£113,641

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

54. **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	25%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

55. 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.

56. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£5m	£5m	£5m

Related Matters

57. The CIPFA Code requires the Council to include the following in its treasury management strategy.

58. **Policy on apportioning interest to the Housing Revenue Account:** On 1 April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, 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.

59. **Policy on the use of 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).

60. The Council 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 Council 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.

61. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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

63. **Markets in Financial Instruments Directive**: The Council has opted up to professional client status with its providers of financial services, including advisers, brokers and fund managers, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Deputy to the Chief Executive and Head of Finance & Property Services believes this to be the most appropriate status.

Financial Implications

64. The budget for investment income in 2020/21 is £149,000, based on an average investment portfolio of £21 million at an interest rate of 0.34%. The budget for debt interest paid in 2021/22 is £7.729 million, based on an average debt portfolio of £235.837 million at an average interest rate of 3.31%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

65. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Deputy to the Chief Executive and Head of Finance & Property, having consulted the Portfolio Holder (Resources), 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

Annex A
Glossary of Terms and Definitions

Bank Rate:
The term 'Bank Rate' is 'the official Bank Rate paid on commercial bank reserves', i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets. Previously referred to as "repo rate" this term has been replaced as a result of the change in terminology used by the Bank of England as from May 2006

Base Rate:
The term Base Rate refers to the rate which is set by each high street bank; it is the key foundational rate on which they each base all their various lending rates to customers. It is normally set at the same rate as the Bank Rate (q.v.) and changes in line with, and very soon after changes in Bank Rate.

BRRD: 'Bank Recovery and Resolution Directive'

CD: see 'Certificate of deposit'.

CDS: see 'Credit Default Swaps'

CFR: see 'Capital Financing Requirement'

CP: see 'Commercial paper'.

CRA: see 'Credit Rating Agency'.

Call Account: 'Call account' is a bank deposit where funds can be withdrawn at any time.

Callable Deposit
Placing a deposit with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates before maturity. This decision is based upon how market rates have moved since the deal was agreed. If rates have fallen, the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.

Capital Financing Requirement
The Capital Financing Requirement reflects the Council's underlying need to borrow for capital purposes. Thus, if new capital expenditure is incurred and not financed from sources other than by borrowing, the CFR will increase by the amount of that expenditure. Borrowing, up to the value of the CFR, may be either from internal cash balances or externally, such as from the Public Works Loan Board (q.v.).

Certificate of Deposit
A certificate of deposit is an unsecured investment issued by a bank or building society which is a fixed deposit, giving a guaranteed interest return. These differ from term deposits in that the lender is not obliged to hold the investment through to maturity and may realise the cash by selling the CD into an active secondary market. This may be useful in instances where the counterparty receives a downgraded credit rating, or the investor encounters an unexpected cashflow issue. CDs are obtained through specialist brokers who deal through the primary and secondary market. CDs offer liquidity and greater access to counterparties who do not trade in term deposits.

CIPFA: Chartered Institute of Public Finance and Accountancy.

CIPFA Treasury Management Code of Practice
This represents official practitioners' guidance, which is produced by CIPFA. The government expects Councils and other public service authorities to adopt and comply with the code. The recommendations made in the Code provide a basis for all these public service organisations to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

CLG: Department of Communities and Local Government.

Commercial Paper
Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.

Corporate Bond
Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies

Counterparty
A counterparty is a party with which a transaction is done.

CPI: Consumer Prices Index

Credit Default Swaps
A CDS is a contract between two counterparties in which the buyer of the contract makes quarterly payments to the seller of the contract in exchange for a payoff if there is a credit event (e.g. default) of the reference entity (i.e. the third party on whom the contract is based). The contract essentially provides a means of insurance to the buyer of the CDS against default by a borrower. The "spread" (effectively the premium paid by the CDS buyer) provides an indication of the perceived risk of a default occurring.

Credit Rating
A credit rating is an estimate of the quality of a debt from the lender viewpoint in terms of the likelihood of interest and capital not being paid and of the extent to which the lender is protected in the event of default.

An individual, a firm or a government with a good credit rating can borrow money from financial institutions more easily and cheaply than those who have a bad credit rating.

Credit Ratings are evaluated by Credit Rating agencies (q.v.).

Credit rating agency
'Credit rating agency', or 'rating agency', or CRA, is a firm that issues opinions on companies' ability to pay back their bonds. These opinions are often abbreviated on an alphanumeric scale ranging from AAA to C (or equivalent). The three CRAs used by the Council are Fitch, Moody's and Standard and Poor's.

DMADF: see 'Debt Management Agency Deposit Facility'

DMO: see 'Debt Management Office'

Dealing
Is the process of carrying out transactions with a counterparty (q.v.), including agreeing the terms of an investment. This is usually conducted through a broker.

Debt Management Agency Deposit Facility

Deposit Account offered by the Debt Management Office (q.v.), guaranteed by the UK government.

Debt Management Office
The Debt Management Office (DMO) is an executive agency of HM Treasury responsible for carrying out the government's debt management policy and managing the aggregate cash needs of the Exchequer. It is also responsible for lending to local authorities and managing certain public sector funds.

Derivative
A contract whose value is based on the performance of an underlying financial asset, index or other investment. e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.

ECB: European Central Bank

Equity
A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.

EU: European Union

Fed: The Federal Reserve (US)

FLS: Funding for Lending Scheme

Floating Rate Notes
Bonds on which the rate of interest is established periodically with reference to short-term interest rates

Forward Deal
The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.

Forward Deposits: see 'forward deal'

Fund Manager
The individual responsible for making decisions related to any portfolio of investments in accordance with the stated goals of the fund.

GDP: Gross Domestic Product

Gilt
Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.

Gilt Funds
Pooled fund investing in bonds guaranteed by the UK government.

HRA: Housing Revenue Account

HRACFR: Housing Revenue Account Capital Financing Requirement

iTraxx benchmark
A group of international credit derivative indexes that are monitored by the International Index Company (IIC). The credit derivatives market that iTraxx provides allows parties to

transfer the risk and return of underlying assets from one party to another without actually transferring the assets. iTraxx indexes cover credit derivatives markets in Europe, Asia and Australia.

Lender Option Borrower Option
'Lender Option Borrower Option' (LOBO) is a floating rate instrument which allows the lender to designate an adjustment rate at periodic reset dates and lets the borrower decide whether to pay the rate or redeem the bond.

Liquidity
Liquidity refers to an asset that can be turned into cash or the ability to quickly sell or buy an asset

LIBID: see 'London Interbank Bid Rate'

LIBOR: see 'London Interbank Offer Rate'

LOBO: see 'Lender Option Borrower Option'

London Interbank Bid Rate
The 'London Interbank Bid Rate' (LIBID) is the rate of interest at which first-class banks in London will bid for deposit funds. Often used as a benchmark for deposit rates. LIBID is not fixed in the same way as LIBOR (q.v.), but is typically one-sixteenth to one-eighth of a per cent below LIBOR.

London Interbank Offer Rate
'London Interbank Offer Rate' (LIBOR) is the interest rate which banks pay when lending to each other. It is calculated at a specified time each day and based on what it would cost a panel of banks to borrow funds for various periods of time and in various currencies. It then creates an average of the individual banks' figures.

Markets in Financial Instruments Directive II
New client classification rules were introduced from 3 January 2018 as a result of the UK's implementation of the second Markets in Financial Instruments Directive (MiFID II). Local authorities were transferred to 'client status' unless it requested to institutions to continue to be treated as a professional client in respect of all the regulated financial services that are provided.

MHCLG: Ministry of Housing, Communities and Local Government

MiFID II: see Markets in Financial Instruments Directive II

MMF: see 'Money Market Fund'

Money Market Fund
Money Market Funds are mutual funds that invest in short-term debt instruments. They provide the benefits of pooled investment, as investors can participate in a more diverse and high-quality portfolio than they otherwise could individually. Like other mutual funds, each investor who invests in a money market fund is considered a shareholder of the investment pool, a part owner of the fund. Money market funds are actively managed within rigid and transparent guidelines to offer safety of principal, liquidity and competitive sector-related returns. It is very similar to a unit trust, however, in a MMF equities are replaced by cash instruments. Returns are typically around 1 month LIBID (q.v.), and the average maturity is generally below 60 days.

MPC: Monetary Policy Committee

MRP: Minimum Revenue Provision, for the repayment of debt.

Open Ended Investment Companies (OEIC)
Investment funds that partly resemble an investment trust and partly a unit trust. Like investment trusts, they issue shares on the London Stock Exchange and invest money raised from shareholders in other companies. The term open-ended means that when demand for the shares rises the fund manager just issues more shares, instead of there being a rise in the share price. The price of OEIC shares is determined by the value of the underlying assets of the fund.

Other Bond Funds
Pooled funds investing in a wide range of bonds.

PWLB: see 'Public Works Loan Board'

Programme of Development
The balance of Programme of Development funding (POD) represents monies received from Central Government for regeneration in the east of England, and is held by the Council on behalf of a Partnership comprising local councils and partners from the third and private sectors. The funding was received after a series of successful bids by the Partnership.

Public Works Loan Board
The Public Works Loan Board (PWLB) is a UK Government statutory body whose function is to lend money from the National Loans Fund to Councils and other public bodies and to collect the repayments.

Rating Agency: see 'Credit Rating Agency'

Repo: see 'Repurchase Agreement'

Repurchase Agreement
'Repurchase agreement', or repo, is a contract where the seller of certain securities agrees to buy them back from the purchaser at a specified time for an agreed price.

Reverse Gilt Repo
This is a transaction as seen from the point of view of the party which is buying the gilts. In this case, one party buys gilts from the other and, at the same time and as part of the same transaction, commits to resell equivalent gilts on a specified future date, or at call, at a specified price.

Sovereign Issues (Ex UK Gilts)
Bonds issued or guaranteed by nation states, but excluding UK government bonds.

Supranational Bonds
Bonds issued by supranational bodies, e.g. European Investment Bank. These bonds – now known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield ("spread") given their relative illiquidity when compared with gilts.

T-bills: see 'Treasury Bills'.

Term Deposit

(or 'Time deposit') is a generic term for a bank deposit where funds cannot be withdrawn for a fixed period of time. The lender receives a fixed rate of interest. These are unsecured investments and place the lender at risk of bail-in should this occur during the term of the investment.

Time Deposit: see 'Term Deposit'

Treasury Bills
Treasury bills are a AAA/AA+ rated, short-dated form of Government debt, issued by the Debt Management Office (q.v.), via a weekly tender, on a Friday. Lenders would use the services of a specialist broker to access the market. These usually have a maturity of one, three or six months and provide a return to the investor by virtue of being issued at a discount to their final redemption value. There is also an active secondary market for T-bills which means that lending may be available for a range of dates. Interest rates tend to be higher than the DMADF (q.v.).

Treasury Management Strategy
This is the Council's overall policy and framework by which it will carry out that policy in relation to its borrowing and investment needs in the coming financial year.

Treasury Management Policy Statement
This is the Council's statement of intention in respect of its treasury management. It is prescribed by the CIPFA Treasury Management Code of Practice (q.v.).

Variable Rate Asset Value
'Variable Rate Asset Value' (VNAV) occurs where the net asset value, or principal sum, invested may change depending on trading conditions. The value is calculated at the end of the business day based on the value of investments less any liabilities divided by the number of shares outstanding. With investments carrying this attribute, the capital sum invested may not be equal to the capital sum repaid.

VNAV: see 'Variable Net Asset Value'.

Weighted Average Maturity
'Weighted average maturity', or WAM, is used to measure interest rate risk. WAM is calculated by taking the maturity of the underlying money market instruments held by the fund, weighted according to the relative holdings per instrument.

APPENDIX D

Investment Strategy Report 2021/22

Introduction

1. The Council invests its money for three broad purposes:
   - because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
   - to support local public services by lending to other organisations (**service investments**), and
   - to earn investment income (known as **commercial investments** where this is the main purpose).

2. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Service Investments: Loans

3. **Contribution:** The Council lends money to its subsidiary and a local business, to support local public services and stimulate local economic growth.

4. HTS (Property and Environment) Ltd is a wholly owned subsidiary of Harlow Council which began trading on 1 February 2017. The Council provided a start-up loan to the business of £1.209m repayable over five years, two months, approved on 21 July 2016. The balance outstanding as at 31 March 2019 was £0.468m. The company is also in the process of replacing plant and equipment for which the Cabinet has agreed a further loan of £670,000 likely to be drawn down before 31 March 2021

5. HTS (Housing & Property) Ltd is a wholly Owned subsidiary of Harlow Council and has been provided with Loans of £1,011,000 to enable the acquisition of Property for rent, These loans are repayable over a 40 year period on a commercial interest basis set at 4% per annum. These loans were advance during the period October to December 2020

6. Harlow Property Limited was provided with two loans to support the development of a part of the Harlow Enterprise Zone, approved on 23 January 2014. The amounts loaned were £1m on 15 March 2016 and a further £1.5m on 3 March 2017. Interest accrues on these loans. The total outstanding as at 31 March 2020 was £2.935m.

7. **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	**31.3.2020 Actual**			**2021/22**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Subsidiaries HTS P&E	0.468	-	0.468	0.234
Subsidiaries VPFE	0	-	0	0.670
Subsidiaries HTS H&P	0	-	0	1.007
Local businesses	2.935	-	2.935	3.220
Local residents	0.021	-	0.021	0.100
TOTAL	**3.424**	**-**	**3.424**	**5.231**

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The Council considers that this loss should be zero because, (1) + (2) + (3) HTS is the sole shareholder of the Council; (4) HPL loans are a charge secured against property which considerably exceeds the value of the loan.

8.

Service Investment Equity

9. The Council has acquired 450,000 £1 shares in HTS (Housing & Property) Ltd. The Investment is to enable HTS (H&P) Ltd to provide rented accommodation within the Harlow District.

10. The Council is to provide a £5 million contribution during 2021-22 to the Town Centre limited liability partnership. This is a partnership with private developers to help stimulate private sector investment and regenerate the town centre

Commercial Investments: Property

11. The Ministry of Housing, Communities and Local Government (MHCLG) defines property to be an investment if it is held primarily or partially to generate a profit.

12. **Contribution:** The Council has historically held nine commercial and residential properties with the intention of making a profit that will be spent on

local public services. These include a Golf Club, and three other properties. Annual income from all these assets is about £81,980.

Table 2: Property held for investment purposes in £ millions

Property	Actual	31.3.2020 Actual		31.3.2021 expected	
	Value	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Golf Club	0.782	-	0.782	-	0.782
Stewards Farm	0.322	-	0.322	-	0.322
Barrow Farm Cottage	0.153	-	0.153	-	0.153
Canons Cottage	0.116	-	0.116	-	0.116
TOTAL	**1.373**	**-**	**1.373**	**-**	**1.373**

Loan Commitments and Financial Guarantees

13. Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

14. In 1987 and 1992 the Council agreed to undertake joint liability with a number of other local authorities to guarantee loans of £66.3 million and £17.3 million to Home Housing Association (previously called North Housing Association) in support of their private initiative for the provision of housing in Harlow and surrounding authorities. The guarantee is for a 50-year period ending 2037. The Council's proportion of the total liability is £4.5 million. The Council considers that the probability of the guarantee being called upon is low.

Capacity, Skills and Culture

15. **Elected members and statutory officers**: Strategic investment decisions are subject to the advice from officers or treasury management advisors. Elected members are also invited to formal or informal training. The process is subject to scrutiny through the Overview Working Group, Cabinet and Full Council.

Investment Indicators

16. The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

17. **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Table 3: Total investment exposure in £millions

Total investment exposure	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	26,135	20.445	15.500
Service investments: Loans	3.424	5.005	4.907
Service investments: HTS H&P Shares	-	.450	.450
Service Investment TC LLP	-	-	5.000
Commercial investments: Property	1.373	1.373	1.373
TOTAL INVESTMENTS	**30.932**	**27.273**	**27.230**

18. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 4: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Town Centre LLP	-	-	5.000
Treasury management investments	Nil	Nil	Nil
TOTAL FUNDED BY BORROWING	**Nil**	**Nil**	**Nil**

19. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 5: Investment rate of return (net of all costs)

Investments net rate of return	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	0.83%	0.43%	0.34%
Service investments: Loans	4.69%	4.52%	4.51%
Commercial investments: Property	6.%	6.%	6.%

Minimum Revenue Provision Statement 2021/22

1. Where 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 of Housing, Communities and Local Government's 'Guidance on Minimum Revenue Provision' (the MHCLG Guidance), with revisions relating to MRP most recently issued in 2018.

2. The broad aim of the MHCLG Guidance is to ensure that debt is repaid 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.

4. For capital expenditure incurred before 1 April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31 March 2008. For Harlow Council, the adjusted Capital Financing Requirement upon which the MRP is calculated is negative in each year prior to April 2008. The MRP on this portion of CFR is therefore zero. *(Option 1 in England & Wales)*

5. For unsupported capital expenditure incurred after 31 March 2008, with the exception of pump-priming economic development (defined below), MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. *(Option 3, the "Asset Life method", in England and Wales)*

6. Economic development is defined as the following capital expenditure projects: Prentice Place and the Enterprise Zone.

7. For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

8. Minimum Revenue Provision will not be made in relation to the following specific circumstances:

- Capitalised loan advances to other organisations or individuals. Instead of MRP, the capital receipts arising from the capitalised loan repayments will be used as provision to repay debt. However, revenue MRP contributions would still be required equal to the amount of any impairment of the loan advanced.
- Any capital investment made in projects aligned with Harlow's Enterprise Zone where third party funding is guaranteed to meet the costs of that investment (repayment of debt principal and interest) and borrowing has been aligned with the life of the designated enterprise zone.
- Any capital investment made in regeneration projects where those projects are deemed to be viable including the financing and repayment of any associated debt.
- The Housing Revenue Account (HRA) is not subject to a statutory requirement to make a minimum revenue provision payment, and is not currently doing so.

9. Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22.

10. Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31 March 2020, the budget for MRP has been set as follows:

	31.03.2020 Estimated CFR £m	**2020/21 Estimated MRP £**
Capital expenditure before 01.04.2008	**5.455**	0
Capital expenditure after 31.03.2008	**57.799**	305,000
Total General Fund	**63.254**	**305,000**
Assets in the Housing Revenue Account	**187.370**	0
Total Housing Revenue Account	**187.370**	**0**
Total	**250.624**	**305,000**

Appendix 2

REPORT TO:	**CABINET**
DATE:	**9 SEPTEMBER 2021**
TITLE:	**ANNUAL TREASURY MANAGEMENT REPORT 2020/21**
PORTFOLIO HOLDER:	**COUNCILLOR RUSSELL PERRIN, PORTFOLIO HOLDER FOR FINANCE AND GOVERNANCE**
LEAD OFFICER:	**SIMON FREEMAN, HEAD OF FINANCE AND PROPERTY AND DEPUTY TO THE CHIEF EXECUTIVE (01279) 446228**

This is not a Key Decision
It is on the Forward Plan as Decision Number I012611
The decision is not subject to Call-in Procedures for the following reason:
The decision stands as a recommendation to Full Council
This decision will affect no ward specifically.

RECOMMENDED that:

A Cabinet noted the annual Treasury Management Report for 2020/21 (Appendix A to the report), including that the Council operated within the Treasury Management Strategy Statement during 2020/21, and that the report is recommended to Full Council for approval.

REASON FOR DECISION

A In complying with latest Codes of Practice, Full Council is required to receive an annual report on the prior year's treasury management functions of the Council, which should also receive review by Cabinet in advance of its presentation to Full Council.

B The Prudential Indicators are also required to be reported to Full Council. These are included within the annual Treasury Management report.

BACKGROUND

1. Treasury management is defined as: "The management of the Council's 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."

2. During 2020/21 the minimum reporting requirements were that Full Council should receive the following reports:

   a) An annual treasury strategy in advance of the year (Full Council, 30 January 2020);

   b) A mid-year treasury update report (Full Council, 10 December 2020);

   c) An annual review following the end of the year describing the activity compared to the strategy (this report).

3. The annual report for 2020/21 has been produced in compliance with the Code and is set out in Appendix A to this report. The regulatory environment governing treasury management places onus on Councillors for the review and scrutiny of treasury management policies and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Councillors.

ISSUES/PROPOSALS

4. As stewards of public funds, the Council continues to take all practical steps to protect its investment portfolio. In this respect, emphasis remains in this order of priority: security, liquidity and yield.

5. Security is defined as "reducing risk in order to protect the return of capital sums, particularly in relation to the Council's investments". In practice this means placing investments with organisations which have a high quality credit rating, i.e. banks and other bodies which have a Fitch rating of A(-) and above. Local authorities do not, usually, have credit ratings but are generally inherently safe havens for investment. However, in recent years there have been exceptions to this role, for example Northamptonshire County Council and Croydon Borough Council. In these circumstances the Council would continue to follow advice received from the Treasury Management advisors Arlingclose.

6. Liquidity means "ensuring that investments are not committed for excessive time-periods in order to facilitate the Council's cashflow requirements and to reflect the risk of not having immediate access to funds". Councils are discouraged from investing disproportionate sums of money for long periods of time at what seem attractive rates of return.

7. Yield is "obtaining a reasonable return on investments". The ongoing impact of the Covid-19 pandemic and the effect it had on the economy resulted in the Bank of England maintaining the base rate at 0.10 percent during 2020/21. Despite this, the Council has attempted to gain the best yields without compromising security and liquidity.

8. The advice from Arlingclose is that the Council must aim towards a good investment spread as this is the best defence against a possible capital loss. As a result, and within the overarching powers given by Councillors in the Treasury Management Strategy, the Council held investments with the CCLA (the Local Authority property fund), the Royal London Cash-Plus

Fund, Money Market Funds, local authorities, and the Treasury's DMO. It does not currently have any investments with Banks and Building Societies other than funds held overnight with its own banker, Barclays Bank plc.

IMPLICATIONS

Environment and Planning (Includes Sustainability)
None specific.
Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)
As contained in the report.
Author: Simon Freeman, Head of Finance and Property and Deputy to the Chief Executive

Housing
None specific.
Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)
None specific.
Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)
None specific.
Author: Simon Hill, Head of Governance

Appendices

Appendix A – Annual Treasury Management Report 2020-21

Background Papers

Treasury Management Strategy 2020/21

Glossary of terms/abbreviations used

None.

APPENDIX A

HARLOW COUNCIL
ANNUAL TREASURY MANAGEMENT REPORT 2020/21

Introduction

1. This Report sets out the Council's Treasury Management outturn position in accordance with recommended practice.

2. It provides a review of external economic conditions impacting on the Council and focuses on the major issues affecting its borrowing and investments.

3. The Council uses specialist treasury management advisors to support its decision making, keep officers up to date with economic and more specifically market developments and providing specialist training and support.

4. As predicted, the falling & historically low interest rates have led to reduced rates of return in 2020/21. The impact of the coronavirus pandemic and the external context, as provided by the Council's Treasury Advisors, Arlingclose, is given in paragraphs 22 to 29 of this Appendix.

5. As a steward of public finance, the Council continues to take all practical steps to protect its investment portfolio. In this respect emphasis remains in this order of priority:

Security: some of the following might appear contradictory or elusive in this challenging economic environment

- Reducing risk in order to protect the return of capital sums, particularly in relation to the Council's investments
- The repayment of the sum invested; and / or,
- A return equal to or higher than the prevailing rate of inflation.

Liquidity: availability of cash when needed (adequate but not excessive liquidity)

Yield: a return commensurate with the level of risk.

6. The Council invests 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 remain central to the Council's treasury management strategy.

7. Treasury management activity is guided by the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code). The Code requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a mid-year and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

8. The Council's Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by Full Council on 30 January 2020, and was superseded by the TMSS 2021/22, contained within the Capital and Treasury Report 2021/22, approved by Council on 28 January 2021.

9. On 31 March 2021, the Council had net investments of £12.103m arising from its revenue and capital income. 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.

Table 1: Balance Sheet Summary

	31.3.21 Actual £m
General Fund CFR	71.756
HRA CFR	196.269
Total CFR	**268.025**
External borrowing	(-)214.837
Internal borrowing	**53.188**
Less: Usable reserves	(-)78.730
Add: Working	13.439
Net investments	**(-)12.103**

10. The treasury management position at 31 March 2021 and the change during the year is shown in Table 2.

Table 2: Treasury Management Summary

	31.3.20 Balance £m	Movement £m	31.3.21 Balance £m	31.3.21 Rate %
Long-term borrowing	211.837	-	211.837	3.492%
Short-term borrowing	-	3.000	214.837	0.070%
Total borrowing	**211.837**	3.000	**214.837**	
Long-term investments Short-term investments Cash and cash equivalents	(-)4.000 - (-)22.100	- - 13.929	(-)4.000 - (-)8.171	2.304% n/a 0.088%
Total investments	**(-)26.100**	**13.929**	**(-)12.171**	
Net borrowing	**185.737**	**16.929**	**202.666**	

Borrowing Strategy during the year

11. At 31 March 2021 the Council held £211.837m of long term loans from the Public Works Loan Board. The Council also undertook short-term borrowing from a local authority for the period 29 March 2021 to 29 June 2021.

Treasury Investment Activity

12. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £11.16m and £41.99m due to timing differences between income and expenditure. The investment position is shown in table 3 below.

Table 3: Treasury Investment Position

	31.3.20 Balance £m	Net Movement £m	31.3.21 Balance £m	31.3.21 Income Return %
Banks and building societies (unsecured)	3.480	(-)1.985	1.495	0.050%
Government	-	-	-	n/a
Local Authorities	5.000	(-)5.000	-	n/a
Money Market Funds	13.620	(-)6.945	6.675	0.127%
Other Pooled Funds				
Cash Plus Fund Royal London	2.000	-	2.000	0.412%
Property Fund (CCLA)	2.000	-	2.000	4.196%
Total Investments	**26.100**	**(-) 13.930**	**12.170**	

13. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield.

The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

14. In furtherance of these objectives Officers have preferred to invest with local authorities rather than individual banks or building societies which carry bail-in risk. Whilst investments in Money Market Funds (MMF) carry risk of bail-in, the Funds themselves are large and diversified and hence the exposure is significantly reduced.

15. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 4 below.

Table 4: Investment Benchmarking – Treasury investments managed in-house

	Credit Score (where 1 is low risk)	**Credit Rating**	**Bail-in Exposure**	**Weighted Average Maturity (days)**	**Total Rate of Return %**
31.03.2019	4.16	AA-	48%	86	1.09%
31.03.2020	4.19	AA-	77%	31	0.45%
31.03.2021	5.05	A+	100%	1	0.83%
Similar LAs	4.63	A+	65%	40	3.93%
All LAs	4.63	A+	65%	14	2.26%

Non-Treasury Investments

16. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Ministry of Housing, Communities and Local Government's (MHCLG) Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

17. The Council has lent money to its subsidiary and a local business, to support local public services and stimulate local economic growth.

18. HTS (Property and Environment) Ltd is a wholly owned subsidiary of Harlow Council which began trading on 1 February 2017. The Council provided a start-up loan to the business of £1.209m repayable over sixty two months and approved on 21 July 2016. The balance outstanding at 31 March 2021 was £0.234m.

19. In addition £0.670m was loaned to HTS for the purchase of vehicles and plant and machinery. The balance outstanding at 31 March 2021, for principal and interest, was £0.525m.

20. As part of a property scheme the Council loaned HTS £1.011m for the purchase of five houses. At 31 March 2021 the balance outstanding, for principal and interest, was £0.957m. Interest is charged at 4% over 40 years. This scheme also involved an equity share investment of £0.450m by the Council.

21. Harlow Property Limited was provided with two loans to support its developments within the Harlow Enterprise Zone, approved on 23 January 2014. The advances made were £1m on 15 March 2016 and a further £1.5m on 3 March 2017. Interest accrues on these loans. The total outstanding as at 31 March 2021 was £3.074m with security held against the increase in the property values. This investment generated £139,331 of investment income for the Council, representing a rate of return of 4.64%.

Compliance

22. The Deputy to the Chief Executive and Head of Finance and Property Services reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Economic Background

23. The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

24. Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

25. A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

26. The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at

its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

27. Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.

28. Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

29. Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

30. After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

Annex A
Prudential Indicators 2020/21

Capital Expenditure: The Council's capital expenditure and financing may be summarised and is consistent with the draft statement of accounts, as follows.

Capital Expenditure and Financing	2020/21 Estimate £m	2020/21 Actual £m	Difference £m
General Fund	11.048	11.504	0.456
HRA	27.739	21.556	(-)6.183
Total Expenditure	**38.787**	**33.060**	**(-)5.727**
Capital Receipts	1.772	1.018	(-)0.754
Retained Right to Buy Receipts	3.549	3.814	0.265
Earmarked Reserves	0.020	0.020	0.000
Revenue Contributions (GF)	0.392	0.290	(-)0.102
Grants and Contributions	0.540	0.563	0.023
Major Repairs Reserve	10.229	8.842	(-)1.387
Direct Revenue Contribution (HRA)	2.198	-	(-)2.198
Borrowing	3.339	2.111	(-)1.228
MRP/Loans Fund Principal	-	0.513	0.513
Borrowing: Enterprise Zone (Modus)	5.363	6.927	1.564
Borrowing: Elm Hatch	1.185	0.063	(-)1.122
Borrowing: New Builds/House Purchases	10.200	8.899	(-)1.301
Total Financing	**38.787**	**33.060**	**(-)5.727**

Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.21 Estimate £m	31.03.21 Actual £m	Difference £m
General Fund	75.785	71.756	(-)4.029
HRA	198.426	196.269	(-)2.157
Total CFR	**274.211**	**268.025**	**(-)6.186**

Actual Debt: The Council's actual debt at 31 March 2021 was as follows:

Debt	31.03.21 Estimate £m	31.03.21 Actual £m	Difference £m
Borrowing	211.837	**214.837**	3.000
Finance leases	-	**1.512**	1.512
Total Debt	**211.837**	216.349	**4.512**

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 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.

Debt and CFR	31.03.21 Estimate £m	31.03.21 Actual £m	Difference £m
Total debt	211.837	**216.349**	4.512
Capital financing requirement	274.211	**268.025**	(-)6.186
Headroom	**62.374**	**51.676**	**(-)10.698**

Total debt remained below the CFR during the forecast period.

Operational Boundary for External Debt: 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 are not borrowing but form part of the Council's debt.

Operational Boundary and Total Debt	31.03.21 Boundary £m	31.03.21 Actual Debt £m	Complied
Borrowing	291.000	**216.349**	✓
Total Debt	**291.000**	**216.349**	✓

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit and Total Debt	31.03.21 Boundary £m	31.03.21 Actual Debt £m	Complied
Borrowing	301.000	**216.349**	✓
Total Debt	**301.000**	**216.349**	✓

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31.03.21 Estimate %	31.03.21 Actual %	Difference %
General Fund	3.29%	**3.30%**	0.01%
HRA	15.16%	**13.99%**	(-)1.17%