REPORT OF THE CORPORATE COMMITTEE No. 2, 2021/22

COUNCIL 1 March 2021

Chair:
Councillor Isidoros Diakides

Deputy Chair:
Councillor Zena Brabazon

INTRODUCTION

1.1 This report to Full Council arises from the Treasury Management Strategy Statement (TMSS) 2020/21, which was considered by the Corporate Committee at their meeting on the 4th February 2021. Prior to its submission to Corporate Committee, the report had also been considered by Overview and Scrutiny Committee at its meeting on 18th January. The report sets out the Council's borrowing and investment strategies, along with the associated risks.

1.2 The CIPFA Treasury Management Code of Practice requires the Authority to approve a Treasury Management Strategy before the start of each financial year. CIPFA requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management (Corporate Committee) before being approved by Full Council.

SUMMARY

<u>Treasury Management Strategy Statement 2021/22</u>

We considered the Council's Treasury Management Strategy Statement for 2021/22 and received advice from the Head of Pensions &Treasury. We also took account of the comments provided by the Overview and Scrutiny Committee on 18th January. The Treasury Management Strategy Statement sets out a five year position throughout the report, which better aligned with the Council's medium term financial strategy and budget report. The Council has an increasing need to borrow in order to fund the capital programme. As part of this, the authority will maintain borrowing and investments below their underlying levels, by utilising internal borrowing. The report also set out the Annual Investment Strategy & Minimum Revenue Provision Policy Statement.

2.1 The Committee sought clarification around other debt liabilities, outside the ordinary costs of borrowing. We noted that examples of this included leases and items bought on hire purchase. These were listed as other debt liabilities in the Council's Statement of Accounts.

2.2 We queried the potential impact of negative interest rates on the Council. In response, we were advised that the impact on the Council's investments would be limited as the Council did not have much in the way of surplus cash that it would need to invest to generate interest on. The Committee was advised that negative interest rates may, in fact, have some positive impact on the Council's ability to borrow money at a cheaper rate. In light of this we enquired whether there was any scope for the Council to renegotiate some of the larger contracts we have in place deals with development partners. Officers acknowledged that this was something that would be monitored going forwards as part of the normal processes of finance and contract monitoring but that renegotiating contracts would be difficult.

2.3 We expressed concerns around the use of PFI contracts and our opposition to entering into new ones. We were advised that all of the PFI contracts held by the Council were historical, with the most recent being from the late 2000s. We received assurances that there were no plans of entering into any new PFI contracts and that if this were to happen then it would need to go through a process of political decision making and oversight such as Cabinet and Overview & Scrutiny.

2.4 We sought assurances around where the financial risk of each project in the Capital programme was assessed and monitored. In response, we noted that every capital bid had an assessment of financial assumptions undertaken as part of the process of developing an outline business case. We felt strongly that, given the size of the capital programme, that a more robust process of monitoring the ongoing financial risks needed to be developed across the organisation. In particular, the Council needed to better understand the impact that either appreciating or depreciating land values could have on individual capital projects and that this needed to be monitored closely.

2.5 Corporate Committee sought assurances around what would happen if Haringey lent money to another local authority that subsequently could no longer afford to pay it back. In response, we were advised that no local authority had defaulted on its debts to another local authority and that if that was to ever happen then the government would step in. In the event that loans to a third party or commercial investments could not be paid back, we noted that this debt would be written off and that there was a clear process in place for doing this.

WE RECOMMEND

That Full Council agree the Treasury Management Strategy Statement 2021/22 as attached to agenda item 13, 2021-22 Budget and 2021-2026 Medium Term Financial Strategy at Annex 4.