

Report of: Executive Member for Finance & Performance

Meeting of:	Date:	Ward(s):
Council	23 rd September 2021	All

Delete as appropriate	Exempt	Non-exempt



SUBJECT: AMENDMENT TO THE 2021/22 ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY

1. Synopsis

- 1.1 The 2021/22 annual Treasury Management and Investment Strategies were agreed by Council in February 2021.
- 1.2 This report discusses an amendment to the current approved sources of borrowing for short term and long term borrowing. This addition is required specifically to allow a decision to be made on the introduction of a Community Municipal Investment in relation to the Net Zero Carbon programme.

2. Recommendations

- 2.1 To consider and agree to adapt the following in to our current approved borrowing counterparties:
 - i) Individuals lending via a peer-to-peer platform where appropriate counterparty checks are conducted by the platform
 - ii) Investors in capital market bonds and retail bonds issued by the council
- 2.2 To approve the updated Treasury Management Strategy Statement, attached at Appendix A.

3. Background

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined treasury management as “the management of the organisations’ investments and cashflow, its banking, money market and capital market transactions; the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.”
- 3.2 Treasury management activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). Treasury risk management 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. This council adopted the Code of Practice on Treasury Management on the 26th February 2002.
- 3.3 The 2021/22 Annual Treasury Management Strategy (TMS) approved by Council on 27 February 2021 covered our planned treasury activities for the next three years. The strategy to implement these activities includes:
- The balance sheet and treasury position
 - Prospects for interest rates
 - Borrowing requirement and strategy
 - Debt rescheduling
 - Investment strategy and policy
 - HRA Self Financing

Borrowing Strategy

- 3.4 The council’s 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 its long-term plans change is a secondary objective.
- 3.5 Approved sources of long term and short term borrowing currently are as follows:
- HM Treasury’s PWLB lending facility (formerly the Public Works Loan Board)
 - any institution approved for investments
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Islington Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority Bond issues

3.6 Additional sources of borrowing

At present the council can currently engage with special purpose vehicles and brokers to issue bonds. The current Treasury Management Strategy does not cover the issuance of a bond/ISA via a peer to peer platform that will attract retail investors or local residents. This report seeks authority to expand to specifically allow that activity. This borrowing will allow for schemes such

as a Community Municipal Investment to be launched which supports wider benefits such as resident engagement with key capital projects. Given that the change allows borrowing from non-institutional investors, the platform hosts will perform all the appropriate checks including required monitoring and money laundering checks of prospective investors. The Treasury Management Strategy Statement approved by Council in February 2021 has been updated with tracked changes and forms Appendix A to this report.

4. Implications

4.1 Financial Implications

The activities of the treasury management function has resource implications on the council's revenue budget. The paramount objective of the treasury management function is capital security and the pursuit of optimum performance must be consistent with the risk undertaken. The borrowing undertaken within the strategy is budgeted for and already approved as part of the council's capital programme. The recommendations relate to the method of that borrowing and will not result in a variance to the revenue budget.

4.2 Legal Implications:

In accordance with the Local Government Act 2003, and the Capital and Finance Regulations thereunder, and proper practices, the council is required to have both an Annual Treasury Management Strategy and, as an aspect of that, under Section 12 of the 2003 Act, an Investment Strategy in relation to the investment of funds. Regard must be had under Section 15 of LGA 2003 to Guidance, both from Central Government and from CIPFA.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

'Vision 2030: Creating a Net Zero Carbon Islington by 2030' includes a commitment to 'explore alternative funding opportunities such as community municipal bonds and crowdfunding'. A community municipal investment itself has no direct environmental implications however it is a clear opportunity to engage with residents to support the net zero carbon strategy. Furthermore the funding will be invested in programmes that align with this strategy and contribute to a net reduction in carbon emissions in the Borough.

4.4 Resident Impact Assessment:

- 4.4.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.4.2 A resident equalities impact assessment has not been undertaken in this instance because this report is an update to an existing financial strategy that is agreed during annual council tax and budget setting.

5. Reason for recommendations

- 5.1 Members are asked to consider and agree to amend and adapt the current approved sources of borrowing list to include individuals lending via a peer-to-peer platform where appropriate counterparty checks are conducted by the platform and investors in capital market bonds and retail bonds issued by the Council. This will allow a future decision to be made in relation to the issuance of a Community Municipal Investment opportunity.

Appendices:

- Appendix A – Updated Treasury Management Strategy Statement (Tracked Changes)

Background papers: None

Final report clearance:

Signed by:



9 September 2021

Executive Member for Finance & Performance

Date

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