

	<h2>CHIEF OFFICER IN CONSULTATION WITH COMMITTEE CHAIRMAN DELEGATED POWERS REPORT</h2>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Decision to borrow £50m from the PWLB on 26<sup>th</sup> July-2021</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Executive Director of Resources (S151 Officer)</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>None</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>Anisa Darr Executive Director of Resources (S151) Anisa.Darr@barnet.gov.uk 020 8359 7634</p>

### Summary

£50m of borrowing has been taken to support capital expenditure in the HRA capital programme.

### Decisions

**That the council undertakes £50m of long-term borrowing for a period of 50 years at a rate of 1.71% on 26 July 2021 from the Public Works Loans Board (PWLB) to support the HRA Business Plan.**

## 1. WHY THIS REPORT IS NEEDED

- 1.1 General powers to borrow for both revenue and capital purposes are contained in Section 3 of the Local Government Act 2003.
- 1.2 The Treasury Management Strategy Statement (TMSS) for 2021/22 sets out the Council's borrowing requirement for the year and its strategy for borrowing and policies for managing its investments. This borrowing is in line with these strategies.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised edition of the Treasury Management in the Public Services Code of Practice in 2002 – this code was adopted on 7 January 2003. The Treasury policy statements that accompany the code outline the practices the Council may adopt when carrying out its treasury operations. The Council has complied with the code and subsequent practises when taking out the loan.
- 1.4 The council borrowed £50m in March 2021 as a first tranche of supporting the HRA Business Plan with borrowing rates at the PWLB falling below 2% on 50-year borrowing. The borrowing recommended in this report is also at a sub-2% level, which is in line with HRA Business Plan assumptions.

## 2. REASONS FOR RECOMMENDATIONS

- 2.1 The HRA business plan requires that new long-term borrowing is at or below 2% and the PWLB allowed us to achieve this. The borrowing is in line with borrowing plans that are set out in the HRA capital programme.
- 2.2 Below is a summary of the capital commitments as per the HRA business plan presented to [H&G](#) on 14 June 2021, this includes the forecast figures (as at P11 20/21) and the proposed budget figure for 21/22 and 22/23.
- 2.3 Because £100m was borrowed in March and May 2021 this tranche of borrowing is therefore expected to be used to finance approx £50m of the capital expenditure plans outlined in 2021/22 plans with further tranches of borrowing expected to finance further capital expenditure.

	2020.21	2021.22	2022.23
<b>HRA CAPITAL PROGRAMME</b>	£	£	£
Stock capital investment	39,846,646	52,867,425	38,210,646
Development/Acquisition	17,489,637	46,296,441	37,216,165
<b>Capital programme</b>	<b>57,336,283</b>	<b>99,163,866</b>	<b>75,426,811</b>

- 2.4 The TMSS imposes limits on the maturity structure and the quantity of our debt portfolio in 2021/22 and new borrowing has not breached these limits.

## 3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Alternative borrowing sources were considered but given the unfavourable pricing vs. PWLB and large minimum size these were not pursued.
- 3.2 The council could have chosen not to borrow and manage through reserves and balances held. This was not pursued as the council already holds an under-borrowed position above the £100m outlined in the TMSS as being an appropriate level.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 New borrowing has been taken and has either been applied immediately or will be applied within 12 months to capital expenditure.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

- 5.1.1 Robust financial management can be demonstrated by achieving a sub 2% borrowing rate which is a key metric in supporting the delivery of HRA capital plans that support long-term service delivery.

##### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 In discussions with our Treasury Advisors (Link Asset Services) the Director of Resources deemed a rate of 2.25% an appropriate point to consider taking out long-term borrowing to support capital expenditure plans. This is based on the view that rates below 2.25% represents value for money given projections of where rates will be in the future.

- 5.2.2 There are no procurement, staffing, IT, Property or sustainability implications arising from the decision.

##### **5.3 Legal and Constitutional References**

- 5.3.1 Paragraph 2.6.3, Article 16 (Financial Regulations) of the Constitution provides that the Chief Finance Officer has the delegated authority to undertake long term borrowing on behalf of the Council in line with the TMSS and will issue a Delegated Powers Report immediately after this power is exercised to inform Members in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee.

- 5.3.2 General powers to borrow for both revenue and capital purposes are contained in section 3 of the Local Government Act 2003.

##### **5.4 Risk Management**

- 5.4.1 When undertaking substantial amounts of long-term borrowing it is important to obtain the best possible rate of interest within the timeframe that the borrowing has to be conducted. To minimise the risk of borrowing at disadvantageous rates, the Chief

Financial Officer has engaged independent treasury management advisors (Link Asset Services Ltd) to supplement the Council's own monitoring of interest rate movements. In addition, the Treasury Management team is constantly in discussion with brokers.

5.4.2 The new borrowing is compliant with the prudential indicators agreed by Full Council for the financial year 2021/22 in March 2021. The new borrowing is also compliant with the limits imposed on the maturity structure of our debt. These limits have been set to limit refinancing risks.

## 5.5 Equalities and Diversity

5.5.1 Pursuant to the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination. Officers do not consider that this decision would have any equality impacts, positive or negative on those with a protected characteristic.

## 6. BACKGROUND PAPERS

6.1 [A4 Letterhead \(modern.gov.co.uk\)](http://modern.gov.co.uk)

**Chairman:**

**Signed**



**Date**

**30/11/2021**

**Chief Officer:**

**Signed**



Executive Director of Resources (S151 Officer)

**Date**

**30/11/2021**