



London Borough of Enfield

Report Title	2026/27 Quarter 1 (Q1) Treasury Management Update
Decision Taker/ Committee	Cabinet
Report Authors	Olu Ayodele – Head of Finance (Capital & Treasury) Milan Joshi – Assistant Head Capital & Treasury
Ward(s) affected	All
Key Decision Number	Non-Key
Classification	Part I
Reason for exemption	N/A
Date of meeting	9 th September 2026

Purpose of Report

The report explains how Enfield Council is managing its cash in the year 2026/27. This includes how the Council borrows and invests money and how it plans to keep these activities safe and affordable. This report shows the activity of the Council's Treasury Management function over the three months to 30th June 2026 and provides estimates for financial year 2026/27.

Recommendations

Cabinet is asked to note

- (i) the borrowing and investments position and estimates as at 30th June 2026 and Quarter 1 (Q1) estimates for financial year 2026/27
- (ii) That the separate Q1 Revenue and Capital Financial Monitoring report on this agenda requests a reduction of the capital financing budget by £3m (to be vired to Adult Social Care).

Cabinet is asked to approve

- (i) The principle that any further capital financing underspends (beyond the £3m vired to Adult Social Care) will be used to repay debt (as Voluntary Minimum Revenue Provision)

Executive summary

Capital Expenditure

1. Of the £393.0m of capital expenditure forecast to be spent in 2026/27, £72.0m (18%) is funded by borrowing, £227.4m (58%) from grants and other non-borrowing sources with the remaining £93.6m (24%) through finance lease arrangements.
2. Over the last five years, £433.2m of grant has been invested in the borough (including for schools, housing, infrastructure) supported by £425.4m of borrowing-funded investment over the same timeframe.

Capital financing costs

3. The estimated overall cost of debt to the Council's General Fund for 2026/27 is £29.3m made up of net interest, Voluntary Revenue Provision (VRP) and other charges £8.0m and Minimum Revenue Provision (MRP) £21.3m. This is a £3.0m underspend compared to budget (£32.3m).
4. The separate Q1 Revenue and Capital Financial Monitoring report on this agenda requests a reduction in the capital financing budget from £32.3m to £29.3m. Approval of this would bring the capital financing budget for 2026/27 (£29.3m) to below the 2025/26 capital financing budget (£31.4m).
5. The Council monitors the affordability of debt financing in the General Fund as a proportion of the Net Revenue Budget (NRB) with a target range of 10% - 12%. This is forecast to be 6.6% (2025/26 pre-audit 7.5%) excluding finance leases and Private Finance Initiatives (PFI) arrangements and transfers to reserves, so within the target affordability range. The indicator would increase to 17.7% (2025/26 pre-audit 12.5%) if the impact of finance leases and PFI, (which are presentational) were to be included.
6. Interest payable on new borrowing is expected to be 5.0% for the General Fund and 4.6% for the HRA, 0.10% higher than budget assumptions. The HRA concessionary rate is currently in place only until March 2027.
7. The average borrowing rate for all Council debt has remained stable at 3.18% between 1st April 2026 and 30th June 2026 (Appendix A).
8. Investment income is forecast to be £4.5m for the financial year 2026/27 (averaging 3.95%), slightly overperforming budget of £3.7m.

External Debt

9. The accumulated gross external debt (excluding PFI and finance lease obligations) as at 31st March 2026, was £1.290bn reducing to £1.278bn as at 30th June as result of debt repayments. This is estimated to go down to £1.254bn by the end of the financial year on proviso capital receipts targets are met.

10. Borrowing levels remain within the limits approved by Council and in line with national prudential standards. All borrowing supports capital investment in housing, infrastructure and regeneration.
11. The forward look on how much external borrowing is fixed compared to how much is required in future years and has been split between the General Fund and the HRA (Figure 2 in Appendix C), showing that the HRA is relatively more exposed to interest rate risk in the long term as the absolute debt is not forecast to reduce.
12. The budget assumes capital receipts of £50m are achieved in the General Fund 2026/27. A significant shortfall or delay in achievement will result in higher borrowing and capital financing costs and is included in the risk section of this report.

Lending and income position

13. As at 30th June, the Council had £116.7m in cash investments earning an average of 3.95% returns as at 30th June 2026.
14. From 1 April 2026 to 30 June 2026, £1.3m of loans have been advanced to Energetik. The total Energetik loans balance has increased from £56.1m to £57.4m (Table 7 below).
15. The net income related to Energetik loans is planned to be set aside in the Energetik Shareholder reserve to finance shareholder costs and offset risk.
16. Twelve schools have a total debt of £6.7m to the Council compared to £6.9m as at 31 March 2026.
17. The Council's cash position is also affected by non-payment of other debt. For example, as at 30 June 2026, the ICB (part of the NHS) owes the Council £11.1m.

Economic Context

18. Inflation, measured by the Consumer Prices Index (CPI) stood at 3.3% on 31st March 2026. On 30th June it stood at 2.8%, higher than the Government's long-term target set at 2.0%.
19. The Bank of England's Monetary Policy Committee (MPC) relies on interest rates as the primary tool to combat inflation by regulating consumer demand. The base rate remained stable at 3.75% between 31st March 2026 to 30th June 2026.
20. The Council borrows mainly from the Public Works Loans Board (PWLb) at a discount of 20 bps off the standard rate. This rate is called the 'certainty rate' and is available to Councils who have submitted details of their long-term expenditure and borrowing plans to the PWLB.

21. A further discount of 40 bps is available when accessing the HRA concessionary rate in place until March 2027 which the Council has taken advantage of for HRA borrowing.

22. Table 1 below shows the recent trend of the PWLB Certainty Rate reflecting the trend in interest rates.

Table 1: PWLB Certainty Rate

PWLB Certainty rates: maturity loans	30 Sep 2025	28 Nov 2025	31 Dec 2025	31 Mar 2026	30 Jun 2026
Bank of England base rate	4.00%	3.75%	3.75%	3.75%	3.75%
1 year	4.58%	4.44%	4.37%	5.04%	4.77%
5 years	5.00%	4.77%	4.83%	5.32%	5.12%
10 years	5.53%	5.29%	5.34%	5.72%	5.55%
20 years	6.14%	5.84%	5.88%	6.23%	6.09%
50 years	5.98%	5.70%	5.71%	6.08%	5.98%

Source: Government's Debt Management Office

Relevance to Council Plans and Strategies

23. This report underpins the following key corporate objectives:

- Good homes in well-connected neighbourhoods
- Build our Economy to create a thriving place
- Sustain Strong and healthy Communities

Cost of Borrowing

24. The Council's total estimated cost of interest, debt charges and MRP for 2026/27 is £29.3m which is £3.0m below budget. This includes net interest, VRP and other charges £8.0m and MRP £21.3m. The underspend is due mainly to lower than expected borrowing in the preceding financial year and the release of contingency.

25. Table 2 below compares the forecast debt financing costs for 202/27 against budget and pre-audit results for 2025/26.

Table 2: Cost of Debt – General Fund

Cost of Debt General Fund £m	2025/26 Outturn (pre-audit)	2026/27 Approved budget	2026/27 Q1 Forecast	(Under) /overspend	Explanation for variance vs approved budget
Interest & debt charges	40.8	46.4	40.3	-6.1	Lower debt requirement due to prior year capital underspend and higher estimated cash resources
Meridian Water - interest capitalised	-7.5	-7.6	-9.5	-1.9	Revision of scheme progress affecting completions of parcels
HRA - interest recharged	-15.9	-18.1	-17.0	1.1	Lower debt estimated for HRA
Companies	-5.6	-5.7	-5.4	0.3	Refinancing of loans in line with agreed terms
Investment & other Income	-5.4	-4.0	-4.8	-0.8	Higher rates from fixed investments and higher cash balances
Interest & other charges	6.4	11.0	3.6	-7.4	
MRP – Policy	19.7	19.8	21.3	1.5	Revision of Meridian Water scheme progress
Voluntary Revenue Position	0	0	2.6	2.6	
Interest & MRP – General Fund	26.1	30.8	27.5	-3.3	
Loan accounting & bank charges	0.1	0.7	1.3	0.6	Mandatory impairment charges for Energetik working capital support
Transfer to Energetik reserve	0.3	0.8	0.5	-0.3	Net interest earned on cash not yet transferred
Cost of Debt – General Fund	26.5	32.3	29.3	-3.0	

26. Of the £3.0m forecast capacity, £7.4m is from reduced general fund net interest costs.

27. In accordance with policy the MRP includes charges for completed Meridian Water assets.

28. Interest rates assumed for new borrowing in 2026/27 have been confirmed with the Council's Treasury Advisors and are consistent with the return demanded by the Capital Markets in exchange for UK Government Bonds. The rates include an on-lending allowance to be charged by the Debt Management Office.

29. The main adjustments, relating to Meridian Water (Capital), the HRA and Energetik are sensitive to changes in assumptions which can significantly impact the ultimate charge to General Fund. Risks associated with these are set out in the Risk Management section later in the report.

30. Interest estimates also include an allowance for cash resources to mitigate borrowing as these will always be used first to keep debt to a minimum.

Debt and Investments Position

31. Gross debt and investment positions at the start of the financial year and as at 30th June are summarised in table 3 below, with further details in appendices A and B.

Table 3: Debt and Investments position as at 30th June 2026

Summary	1 April Balance £m	Movement £m	30 th June Balance £m	30 th June Ave rate %
Long-term borrowing	1,233.9	0.0	1,233.9	3.18%
Short-term borrowing	56.4	-12.8	43.6	
Gross borrowing	1,290.3	-12.8	1,277.5	
Gross investments	89.9	26.8	116.7	3.95%

32. The decrease in debt of £12.8m due to loan repayments.

33. Investments are held by the Council in preparation for cash requirements later in the year and are funded from cash balances (including previous borrowing). The Council aims to borrow under optimal conditions and holds the money in these investments until required.

The Capital Financing Requirement (CFR)

34. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents capital expenditure accumulated over many years for which *borrowing would have been required* (including 'internal borrowing').

35. Cash balances are used when available to ensure borrowing is kept to a minimum and is termed "internal borrowing," with external borrowing representing the Council's actual debt. Internal borrowing is also repaid over time from revenue via MRP, in line with external borrowing.

36. External borrowing was £1.278bn as at 30th June and expected to be £1.243bn as at 31st March 2027. This will be below the forecast Loans CFR of £1.444bn and therefore in compliance with this key Prudential Indicator. The difference of £201m is internal borrowing.

37. Borrowing levels remain within the limits approved by Council and in line with national prudential standards. All borrowing supports capital investment in housing, infrastructure and regeneration projects.

38. Table 4 below shows the Council's Loans CFR, PFI and Finance lease liabilities as at 31st March 2026 (pre-audit) together with the Q1 forecast split between the General Fund and HRA, both of which are under budget.

Table 4: Capital Financing Requirement

Capital Financing Requirement (CFR) and External borrowing	31 March 2026 Outturn (pre-audit) £m	Approved budget £m	Forecast 2026/27 Q1 £m	Variance £m	Explanation for variance vs approved budget
General Fund	990.9	970.9	955.5	-15.4	Lower than budgeted borrowing from prior year
Housing Revenue Account	450.7	502.3	488.7	-13.6	
Loans CFR – total	1,441.6	1,473.2	1,444.2	-29.0	
PFI liabilities	13.4	10.2	10.2	0.0	Lower expenditure in prior year
Finance leases – Temp Accom	41.9	308.0	136.0	-172.0	
Finance leases - other	21.8	21.8	21.4	-0.4	
PFI and other liabilities	77.1	340.0	167.6	-172.4	
Total CFR	1,518.7	1,813.2	1,611.8	-201.4	

39. All Councils are required to recognise the full liability associated with most leases under the new accounting standard (IFRS 16) which took effect April 2024. Although there is no overall impact on the financial resources of the Council the new standard has the effect of increasing the liabilities associated with PFI and finance leases which increases the CFR.

40. The Operational Boundary shown in table 5 below is an estimate of the Council's external debt (including PFI and finance lease liabilities) based on latest estimates.

41. The Operational Boundary, which is expected to fluctuate throughout the monitoring cycle, will remain below the CFR the Authorised limit.

Table 5: Operational Boundary and Authorised Limit

External borrowing and Prudential Indicators	31 March 2026 Outturn (pre-audit) £m	Approved budget 2026/27 £m	Forecast Q1 2026/27 £m
External Borrowing*	1,290.3	1,368.0	1,242.9
PFI and other liabilities	77.2	340.0	167.6
Gross external debt	1,367.5	1,708.0	1,410.5
Operational Boundary	1,367.5	1,708.0	1,410.5
Authorised Limit – Statutory limit	1,932.1	1,908.0	1,908.0

*External borrowing as at 30th June £1.278bn, details in appendix A

42. The Authorised Limit is statutory which can only be set by Full Council and represents the maximum debt beyond which any additional borrowing is prohibited. This limit, which includes PFI and finance lease liabilities, is set at £1,908.0m for 2026/27 approved by Council 25th February 2026 (KD 5985). The Council therefore remains in compliance with both these key Prudential Indicators.

43. The Treasury Management Strategy, approved by Council 26 February 2026, approved a Debt Strategy focussing on de-risking the Council's borrowing position by stratifying actions into short, medium and longer term categories. Table 6 summarises the strategy together with a progress update :

Table 6: Debt Strategy – progress update

Objective	Progress update
Stage 1a (short term – GF Loans CFR): Constrain GF Loans CFR to £997m (max) except for new projects which directly reduce GF revenue costs over and above capital financing charges (e.g. TA)	Complete - GF CFR expected to be £956m as at 31 March 2027 and remain below limit
Stage 1b (short term- HRA) Review debt repayment arrangements in HRA	Review of HRA Business Plan in progress and will be reported as part of Mid-Year update
Stage 2 (medium term – Meridian Water, Energetik): Repay Meridian Water debt Complete the Energetik strategic review	Review so Meridian Water and Energetik in progress with aim of de-risking Council's position. Update to follow as part of Q2 Mid-Year update
Stage 3 (long term – total CFR kept at England ave): Bring total CFR to England average levels scaled for financial capacity.	In the Outturn for 2025/26, Enfield remained in the top quartile of upper tier local authorities

Forward Borrowing

44. The Council has not entered into any forward borrowing arrangements this financial year although the market will continue to be monitored should any opportunities arise.

Debt Maturity

45. To ensure the Council is not overexposed to repayment demands accumulating in a particular year, the maturity profile is kept under review. A balance is therefore maintained between the term of new or replacement debt and its cost to ensure cash resources are not overstretched.
46. As at 30th June 2026 the Council's maturity profile was within the limits approved by Council.
47. Table 7 below shows the distribution of repayment obligations with the approved limit expressed on a cumulative basis for comparison against the limits set out in the Treasury Strategy approved by Council 26th February 2026 (KD 5985).
48. The spread of debt is also annualised in the right-hand column which shows there is currently no over-concentration of repayment demands in a particular year or years. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

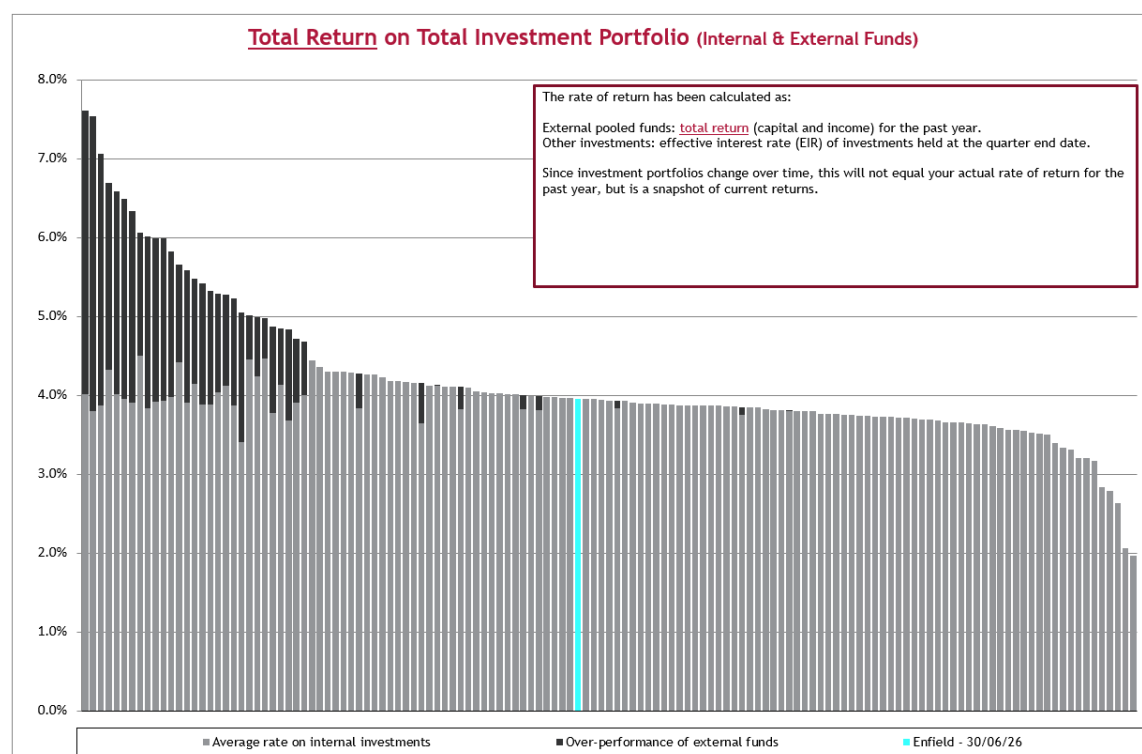
Table 7: Maturity Structure

Financial year £m	Maturing Debt	Cumulative from 30th June 2026		Annual (non- cumulative)
		Actual	Limit – Council approved	Actual
2026/27	43.6	3%	30%	3%
2027/28	70.6	9%	35%	6%
2028/29	63.0	14%	-	5%
2029/30	58.6	18%	-	5%
2030/31	59.0	23%	40%	5%
2031/32	63.4	28%	-	5%
2032/33	58.9	33%	-	5%
2033/34	79.2	39%	-	6%
2034/35	60.8	44%	-	5%
2035/36	54.9	48%	50%	4%
2036/37 -2074/75	665.5	100%	100%	51%
Total	1,277.5			100%

Treasury Investment Activity

49. Total cash balances vary considerably over the year, predominantly due to significant peaks and troughs arising from payment profiles of business rates, capital expenditure, DWP payments and housing benefit payments. The Treasury Management Strategy set the average level of cash balances at £50m.
50. The Council's investments as at 30th June 2026 included £30m loaned to other Councils at fixed rates for up to one year, subject to credit and reputational checks. A minimum of £10m is required to access Money Market Funds and wider capital markets (Markets in Financial Instruments Directive 2014 (MIFID)).
51. Investment income is estimated at £4.5m, in line with budget, assuming average returns of 3.95%. Figure 1 below shows how the Council's returns compare in its benchmarking group, published quarterly. Councils showing higher returns have access to cash resources to invest longer term in higher yield products.

Figure 1 – Councils return on investments in England as at 30th June 2026



52. The Council's benchmarking group, co-ordinated by its Treasury Advisers, publishes investment risk and return metrics, details of which are provided in appendix B.

Non-Treasury Investments

53. The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) or for commercial purposes (made primarily for financial return).

54. The Council held £197.2m of such investments as loans to its subsidiaries as at 31st March 2026, increasing to £198.5m as at 30th June with the maximum approved for 2026/27 of £223m. Details are set out in table 8 below:

Table 8: Council owned Companies

£m Nominal (cash balances)	Housing Gateway Limited		Energetik		Total	
	Loans – capital & revenue	Equity	Loans – capital & revenue	Equity*	Loans – capital & revenue	Equity
Balance 1 Apr 2026	141.1	5.0	56.1	18.3	197.2	23.3
Advances	-	-	1.3	-	1.3	-
Repayments	-	-	-	-	-	-
Balance 30 June 2026	141.1	5.0	57.4	18.3	198.5	23.3
Approved limit 31 Mar 2027	154.6	5.0	68.4	28.2	223.0	33.2
Funding source	External & Internal borrowing	External debt	External borrowing and Reserves	Grant	Ext & Int borrowing and cash balances	External debt and Grant

* Council secured £18.4m PSDS grant for investment in Energetik which will be converted into equity. Limit is made up of £17.8m ordinary shares plus PSDS equity conversion (cumulative) of £10.4m, total £28.2m

55. These equity investments are not expected to generate dividends in 2026/27, and the Council held no investments for commercial purposes.

56. Loans to HGL and Energetik are approved upon review of a satisfactory business case and are mainly annuity repayment loans with interest rates and terms reflecting the source of the funding obtained by the Council and the purpose of the loans. The loans are mainly for capital purposes although a small proportion are in support of working capital requirements. Both companies are up to date with loan and interest payments.

57. The Public Sector Decarbonisation Fund grant secured by the Council and Energetik for the expansion of the network to connect schools is being passed to Energetik. During the year, the Council initially receives grant and provides a loan to Energetik. These loans are totalled up at year end and converted to equity, fully funded by grant.

Loan accounting charges

58. The Council is required to make mandatory charges to revenue in respect of loans advanced to its subsidiaries in accordance with revised MRP Regulations introduced 10th April 2024 and IFRS 9.

59. Despite all loans being considered recoverable, these charges (termed impairments or expected credit losses depending on the loan type) are estimated at £1.2m for 2026/27 and relate mainly to Energetik.

60. These charges, which are statistically based on scenarios of risk of non-payment, reflect the risk related to providing the loans, and originate from the assessment of “credit quality” of both Energetik and HGL which is affected by a range of factors including its business plan and operating environment.

61. Loans advanced to support revenue and working capital requirements are funded from the Council's revenue resources. Those advanced to support capital activities are funded from the Council's own borrowing. All loans are repaid by the subsidiaries in accordance with the loan agreements.

62. The Council has set up an earmarked reserve to mitigate the impact of any future charges associated with Energetik. As at 31st March 2026 the balance of this reserve was £1.9m and is expected to remain unchanged for 2026/27.

Financial Support for Schools

63. The Council provides financial assistance to schools in the form of Licenced Deficit (rolling credit) agreements. These are used by the schools for revenue purposes where there is a cash deficit.
64. Schools are required to submit a deficit recovery plan and a repayment schedule for any licenced deficit agreements before the Council agrees them.
65. Loans to schools are made in excess of the Dedicated Schools Grant (DSG), which the Council holds on behalf of the schools and which is passported over in regular instalments ("payments of advances").
66. The Council's Finance Team and Education Service are working with the schools to ensure the debts are recoverable and to establish the Council's exposure. Interest is charged at 1% above the base rate, which is applied on a daily basis and is deducted from the regular advance payments made to schools.
67. Under the Prudential Code 2021 and the Local Government Act 2003, the Council is permitted to borrow funds to assist schools, provided that the support is temporary in nature.
68. The £6.7m debt outstanding as at 30th June 2026, as shown in table 9 below, relates to twelve schools.

Table 9: Amounts owed by Schools

Licenced Deficit Agreement position	£m
Balance 1 Apr 2026	6.9
Advances	0
Repayments	-0.2
Balance 30 Jun 2026	6.7

North London Waste Authority (NLWA) : contributions towards debt

69. The Council is one of seven boroughs covered by the North London Waste Authority (NLWA). The financial impact of NLWA debt will over time be recovered from these councils, for example via gate fees for waste.
70. NLWA currently has £1.27bn of debt which is £230m below the Authorised Limit of £1.5bn. NLWA borrowing is in the form of short-term maturity loans which will be re-financed to longer term products when rates permit.

71. As an illustration, if Enfield ultimately bears the cost of one seventh of the debt, Enfield's share of risk is the equivalent to £181m of debt.
72. The Council is estimating to pay £14m to NLWA contributions in 2026/27 for managing waste (an increase of 8% from 2025/26).

Debt Restructuring

73. This normally involves prematurely replacing existing debt (at a premium or discount) with new loans to secure net savings in interest payable or a smoother maturity profile. Restructuring can involve the conversion of fixed rate interest loans to variable rate loans and vice versa.
74. No restructuring is expected as PWLB and premature repayment rates make this unviable. The Council will continue to actively seek opportunities to restructure debt, if viable.

Treasury Management & Prudential Indicators

75. All treasury management activities undertaken during the year complied fully with the principles in the Treasury Management and Prudential Code and the Authority's approved Treasury Management Strategy. Compliance with Treasury Management and Prudential Indicators is demonstrated in table 10 below with details in appendix C.

Table 10: Treasury Management & Prudential Indicators

Indicator	Result
1. Authorised Limit Statutory limit on gross external debt (including PFI and finance lease liabilities) beyond which further borrowing is prohibited. This limit can only be set by Full Council.	Complied
2. Operational Boundary Latest estimate of gross external debt based on current capital expenditure plans, financing and broader assumptions around the Council's working capital requirements. Forecast is below approved budget and below the Authorised Limit. For information: fluctuations in the Operational Boundary are expected and permitted to exceed the approved budget as long as they are explained and do not breach the Authorised Limit.	Complied
3. Liability Benchmark An estimate of how much debt the Council should be carrying based on external debt and requirements to maintain liquidity and is normally forecast for at least ten years. The Liability Benchmark remains below the Loans CFR therefore remains within limits.	Complied

Indicator	Result
4. Debt Servicing costs as a proportion of Net Revenue Budget (NRB) An assessment of the sustainability of the Council's borrowing commitments in the context of its revenue resources. This limit was set 10% - 12% of the General Fund Net Revenue Budget. The indicator for Q1 is 6.6% (2025/26 pre-audit 7.5%). This indicator would increase to 17.7% (2025/26 pre-audit 12.3%) if the impact of IFRS16 <i>affecting disclosure only</i> of leases is included. This is included for information only as the accounting standard has no impact on the financial resources of the Council. The increase is due mainly to Temporary Accommodation.	Complied
5. Net income from Commercial & Service Investments to NRB – Considers the Council's exposure to risk from commercial and service investment income in relation to its overall revenue resources. As the proportion of income from these sources to NRB remains insignificant no over reliance on service investments is indicated. The Council has no commercial investments	Complied
6. Risk & Liquidity A suite of six indicators assessing the risk and liquidity of the Council's borrowing and investment portfolio: • Security • Liquidity • Interest Rate Exposure • Maturity Structure of Borrowing • Principals invested over one year • Investment Limits	Complied
7. Capital Expenditure Estimates of capital expenditure remain within the approved budgets approved by Council February 2026	Complied

Minimum Revenue Provision (MRP)

76. The Council's Annual MRP Statement, published as part of the Treasury Management Strategy Statement, (KD5985) approved by Council 26th February 2026, sets out the assumptions to be used in applying MRP from 1st April 2026 including the application of capital receipts and use of voluntary MRP to accelerate debt extinguishment where such opportunities exist.

77. A review of the next phases of Meridian Water is in progress. Once completed MRP forecasts will be reviewed to ensure prudent provision continues in accordance with the Council's MRP Policy.

78. To ensure debt financing charges reflect the interest rate environment MRP for unfinanced capital expenditure incurred prior to 31 March 2026 will continue to be based on 3.50% annuity rate. The rate charged for unfinanced capital expenditure for 2026/27 onwards will be at the prevailing rate for the asset type.

Risk Management

79. The forecasts in this report are dependent on a range of assumptions, minor changes in which, can significantly impact the ultimate charge to General Fund.

1. General Fund CFR

Limit of £997m approved by Council (Feb 2026), can be breached if capital receipts, cash balances are inadequate or if interest rates increase significantly

2. Cash Resources to offset borrowing requirement

Poor cash collection or delays in significant receipts can increase borrowing requirement and interest costs

3. General Fund capital receipts

Assumed £50m target achieved in full and without delay. Significant shortfalls will increase borrowing requirement and interest costs to General Fund.

4. Interest rates risk

Significant increases will push up borrowing costs and increase risk of breaching CFR limit

5. Meridian Water – completion dates of parcels

Earlier than budgeted completion of parcels will increase costs to GF.

Later than budgeted will reduce costs to GF but place increased upward pressure on the GF CFR placing increased risk of breaching £997m limit

6. HRA Borrowing Capacity

Reduced borrowing on HRA will reduce Council capacity to borrow at HRA concessionary rate placing increased pressure on GF to meet re-financing requirements

7. Energetik impairment – capital

Increased in perceived risk of Energetik will increase impairment charges to General Fund

8. Housing Gateway Limited – Expected Credit Losses

Additional loans to HGL will attract increased ECL charges to GF

Financial Implications

80. This is a noting report which fulfils the requirement to report quarterly the performance of the Council's treasury management activities. Financial implications are set out in the body of the report.

Legal Implications

81. Local Authorities have broad powers for borrowing and investment. How they do this is largely determined by the Local Government Act 2003 (LGA 2003) and statutory instruments issued under its powers. In exercising its borrowing and investment powers the council must have regard to guidance issued by the Secretary of State.
82. In addition the Local Authorities (Capital Financing and Accounting) Regulations 2003 require the Council to have regard to the current Prudential Code for Capital Finance in Local Authorities and Treasury Management Code of Practice, both issued by CIPFA. Compliance with these Codes requires regular reports to the Council or relevant Council Committee monitoring treasury management activity.

Equalities Implications

83. The report does not affect any group with protected characteristics therefore an Equalities Impact Assessment is not considered necessary

Report Authors: Milan Joshi
Assistant Head of Capital & Treasury
milan.joshi@enfield.gov.uk
0209 078 5984

Olu Ayodele
Head of Finance - Capital & Treasury
olu.ayodele@enfield.gov.uk

Appendices

- A – Debt position and performance
- B – Investment position and Benchmarking
- C – Treasury Management and Prudential Indicators

Background Papers

The following documents have been relied on in the preparation of this report:

- (i) Treasury Management Strategy Statement 2026/27 (KD5985),
Council 26 February 2026
- (ii) Treasury Management Outturn Report 2025/26 (KD 6074),
Council 1 July 2026

Appendix A – Debt Position and Performance

Source & Ref	£m	Rate
Bfwd 1 Apr 2026	1,290.3	3.13%
New debt taken	0.0	
Repayments	-12.8	
As at 30 June 2026	1,277.5	3.18%
Weighted Average Maturity (years)	15.2yrs	

Appendix B – Investment position and Benchmarking

Investment Position	31 st Mar 2026 £m	Investments £m	Repayments £m	30 th Jun 2026 £m	Income return* %	Term remaining (days)
<u>Money Market Funds:</u>						
Invesco	22.5	9.8	-12.1	20.2	Variable	0.0
Deutsche	0.0	42.3	-42.3	0.0	Variable	0.0
CCLA	0.0	50.0	-50.0	0.0	Variable	0.0
Ignis/Aberdeen	18.1	27.6	-32.2	13.5	Variable	0.0
Prime Rate	25.0	0.0	0.0	25.0	Variable	0.0
AVIVA	0.0	25.0	0.0	25.0	Variable	0.0
HSBC	0.0	20.8	-20.8	0.0	Variable	0.0
	0.0	55.5	-55.5	0.0	Variable	
<u>Call Accounts:</u>						
Lloyds	4.4	26.7	-28.1	3.0	Variable	0.0
MMF & Call accounts	70.0	257.7	-241.0	86.7	Variable	
<u>Loans to other Local Authorities:</u>						
Manchester City Council	5.0	0.0	0.0	5.0	4.50%	78
Derbyshire County Council	5.0	0.0	0.0	5.0	4.00%	71
Central Bedfordshire	0.0	10.0	0.0	10.0	4.15%	51
Central Bedfordshire	10.0	0.0	-10.0	0.0	6.50%	0
Surrey County Council	0.0	10.0	0.0	10.0	4.15%	50
Local Authorities	20.0	20.0	-10.0	30.0		
Cash Investments - total	90.0	277.7	-251.0	116.7	4.08%	

*MMF and Call account returns vary daily and are generally in line with Sonia (Sterling Overnight Index Ave) rate

The Council is expected to have average cash balances of at least £50m during the financial year. On average the Council's cash investment portfolio had a risk weighting equivalent to A+ credit rating in line with other similar Councils.

Investment Benchmarking

Table below show the progression of risk and return metrics for the Enfield Investments portfolio compared with other local authorities as extracted from Arlingclose quarterly investment benchmarking as of 30th June 2026:

Benchmarking	Credit Score*	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2025	4.95	A+	89%	40	4.52%
30.06.2025	4.87	A+	88%	31	4.32%
30.09.2025	4.82	A+	89%	39	4.07%
31.12.2025	4.78	A+	92%	22	3.96%
31.03.2026	4.85	A+	78%	23	4.15%
30.06.2026	4.73	A+	74%	16	3.95%
Similar LA's	4.71	A+	79%	182	4.01%
All LA's	4.59	A+	66%	11	3.95%

*Lower score indicates a better credit rating

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. As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

Credit score and credit rating measures the credit risk of the Council's investment portfolio. At the end of the reporting period our investment portfolio has been assigned a credit score of 4.73 based on an average long-term credit rating from Fitch as A+. It is worth noting that this is expected of our investment portfolio as all the investments are in money market funds with average maturity of 1 day for instant and liquidity/easy access.

The credit score of money market funds is calculated from the fund's investments on the previous month end date. As part of Arlingclose investment advice an average credit rating from Fitch, Moody's and Standard & Poor's are converted to a number, for example AAA=1, AA+=2, etc. Higher numbers therefore indicate higher risk.

The Council's investment portfolio at 30th June 2026 has 74% "bail in" exposure meaning some or all the investment can be lost in the event Money Market Fund (MMF) fails.

The risk of these losses has been substantially mitigated by the Council placing these investments with four different MMFs, one Call Account, and two Local Authorities.

Appendix C – Treasury Management and Prudential Indicators

Operational Boundary and Authorised Limit

The Authorised Limit is the ultimate threshold beyond which additional borrowing is prohibited. A temporary breach of the Operational Boundary is not counted as a compliance failure if due variations in cash flow and of a relatively low value.

As shown in the table the Council's Operational Boundary is within that budgeted and below the Authorised Limit. Both indicators are therefore in compliance

C1: Approved Borrowing Limits 2026/27	Peak reached to date 2026/27	Actual 30th June 2026	Q1 estimate 2026/27	Operational Boundary £m	Authorised Limit £m	Complied
Borrowing	1,290.3	1,277.5	1,244.3	1,368.0	1,568.0	Yes
PFI & Finance Leases	77.1	77.1	167.6	340.0	340.0	Yes
Total Debt	1,367.4	1,354.6	1,411.9	1,708.0	1,908.0	Yes

Liability Benchmark

This is an estimate of the cumulative external debt the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £50m required to manage day-to-day cash flow.

Existing debt is compared to the Liability benchmark to show the extent to which the Council will be a long-term borrower.

Table C2 below shows how the Liability Benchmark is calculated from Capital Financing Requirement as a basis, less estimated cash resources available then adding an allowance for liquidity to support day to day operations. The foot notes to the table provide further explanations.

C2: Balance Sheet Summary £m	2025/26	2026/27		2027/28	2028/29
	Actual pre-audit	Budget	Q3 Forecast	Forecast	Forecast
General Fund – core services	423.0	399.3	393.5	386.1	379.2
Meridian Water	368.3	356.6	346.1	351.6	355.5
HGL	146.1	152.6	152.6	151.5	150.3
Energetik	53.1	62.4	63.4	67.3	66.1
General Fund CFR	990.5	970.9	955.6	956.5	951.1
HRA CFR	450.7	502.3	488.7	522.7	540.7
Loans CFR	1,441.2	1,473.2	1,444.3	1,479.2	1,491.8
PFI and other liabilities	77.1	340.0	167.6	339.2	440.5
CFR total	1,518.3	1,813.2	1,611.9	1,818.4	1,932.3
Loans CFR Represented as:					
External Borrowing (note 1)	1,290.3	1,368.0	1,244.3	1,279.2	1,291.8
Internal Borrowing	150.9	105.2	200.0	200.0	200.0
Loans CFR (note 2)	1,441.2	1,473.2	1,444.3	1,479.2	1,491.8
Less: Balance Sheet resources	-241.3	-155.2	-250.0	-250.0	-250.0
Net Loans Requirement	1,199.9	1,318.0	1,194.3	1,229.2	1,241.8
Add: Allowance for liquidity	90.4	50.0	50.0	50.0	50.0
Liability benchmark (note 3)	1,290.3	1,368.0	1,244.3	1,279.2	1,291.8

- (1) External borrowing: principal outstanding for loan contract committed and estimated
- (2) Loans CFR: accumulated unfinanced capital expenditure for which borrowing *would have been required* had the Council not used its own cash resources (termed "internal borrowing") to offset actual borrowing (excludes PFI and finance lease liabilities)
- (3) Liability Benchmark: estimate of net borrowing requirement including allowance for liquidity

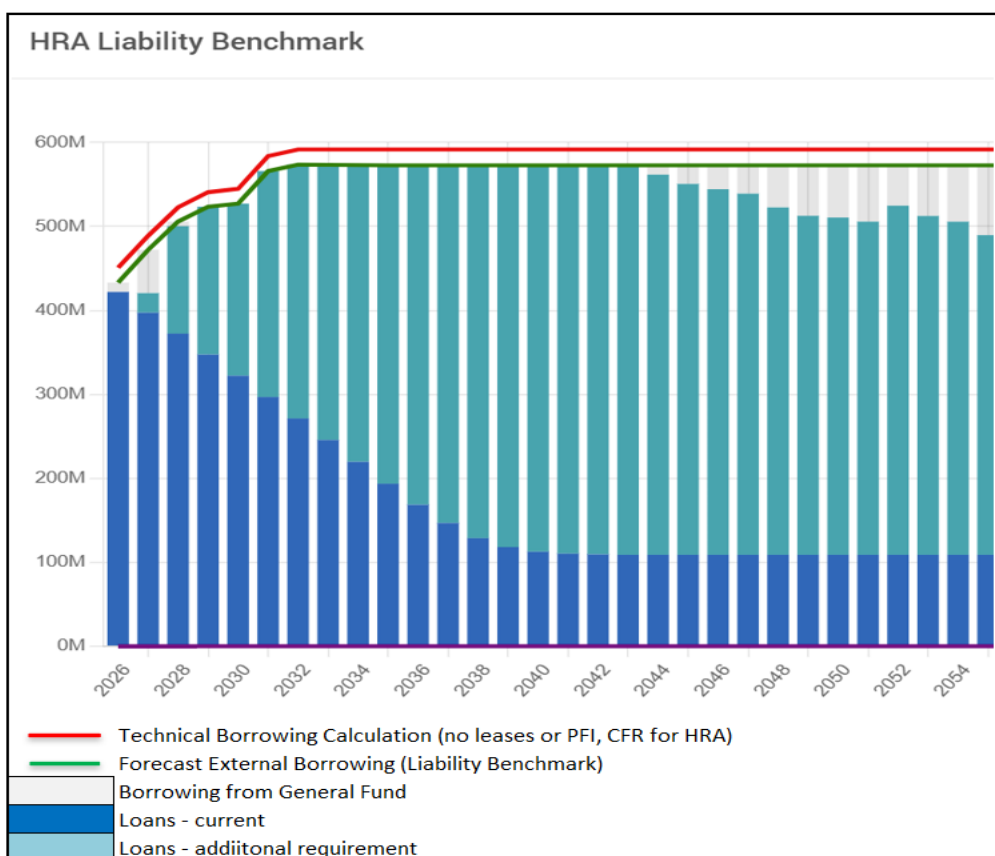
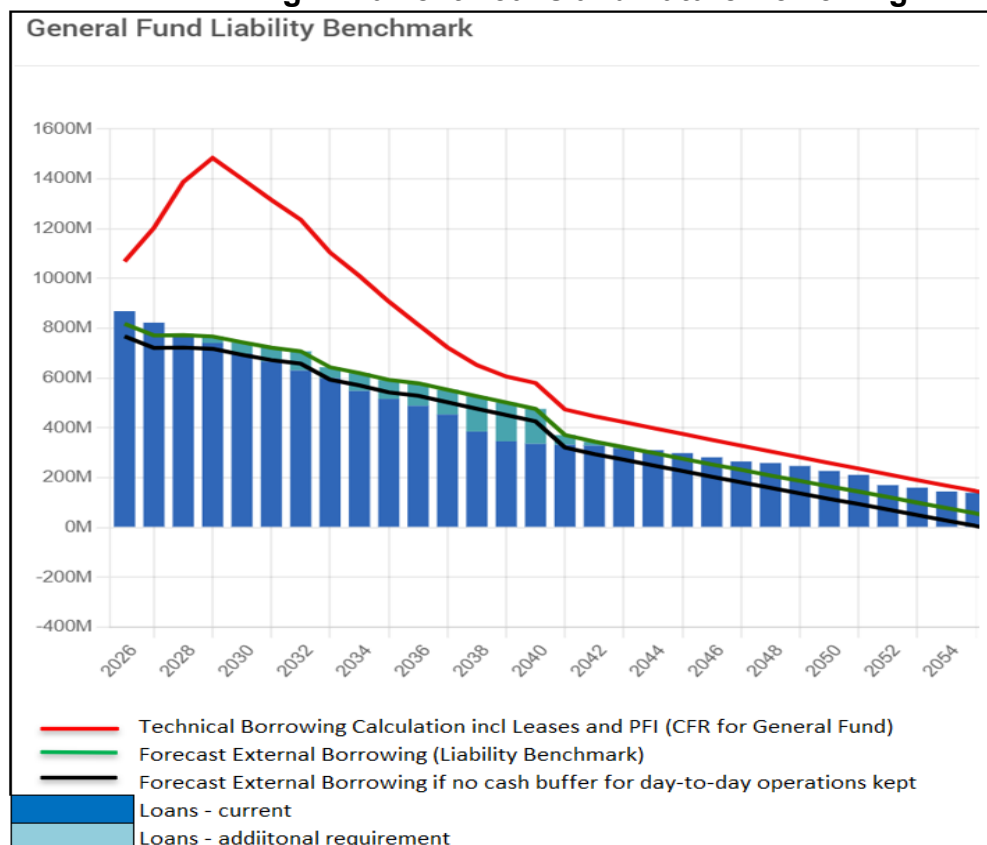
Figure 2 below illustrates the Council's Liability Benchmark, split General Fund and HRA, compares to the Council's current debt position to its longer-term estimates of required debt based on the current 10 year capital programme.

The legend below explains the elements of the charts as defined by the CIPFA Treasury Code 2021 :

—	Technical Borrowing Calculation incl Leases and PFI (Capital Financing Requirement)
—	Forecast External Borrowing if no cash buffer for day-to-day operations was kept (Net Loans requirement)
—	Forecast External Borrowing (Liability Benchmark)
■	Loans - current : Committed loan contracts
■	Loans - additional requirement : estimate of additional loans required to meet Forecast External Borrowing

The intention is to provide a strategic view of the loan contracts yet to be entered into and therefore the potential exposure to interest rate risk. Minimum requirements of the Treasury Management Code 2021 are to generate this chart for three financial years although CIPFA recommends a longer-term view of at least ten years.

Fig 2. Current Loans and Future Borrowing



Tables above are termed the *Liability Benchmark* and are required by the *Treasury Management Code 2021* to provide a strategic overview of the Council's debt position

Debt Servicing Costs as a Proportion of Net Revenue Budget (NRB)

The Council uses the indicator “Ratio of Financing costs to Net Revenue Budget” as the primary measure of affordability for its debt. An annual target of 10% to 12% has been approved. Table C3 shows the ratio was within these limits for 2025/26 and forecast for 2026/27.

C3: Financing as a Proportion of Revenue Resources*	2025/26 Outturn (pre-audit)	2026/27 Forecast
General Fund capital financing cost as a proportion of Net Revenue Budget	7.5%	6.6%

**Excludes impact of IFRS 16 on Finance leases and PFI, together with transfer to Energetik reserve; becomes 17.7% these are included.*

Net income from Service and Commercial Investments to NRB

The primary purpose of the Council's investments in Housing Gateway Limited and Lea Valley Heat Networks Limited are the provision of temporary accommodation (a statutory duty) and the provision of sustainable and low-cost energy to the Borough's residents and businesses, respectively.

Similarly, the Council's share of the Joint Venture at Montagu Industrial Estate is primarily for the economic regeneration of the area which will have wider benefits for residents and businesses withing the Borough.

In line with PWLB rules the Council has not borrowed to finance commercial investments. During 2025/26 net income from the Council's investment properties made up 1.7% of the Net Revenue Budget. The forecast for 2026/27 is 1.3%.

C4: Total net income from service and commercial investments	2025/26 Outturn (pre-audit)	2026/27 forecast
Net income – investment properties	£6.0m	£5.5m
Proportion of net revenue budget	1.7%	1.3%

HRA Interest cover and Loan to Value

The metrics Loan to Value (LTV) and Interest Cover Ratio (ICR) monitor the HRA's exposure to debt in the context of its asset base and affordability of interest costs. The estimate for 2026/27 is shown in the table below together with the 2025/26 reported position.

C5 : HRA Debt ratios	2025/26	2026/27 Target	2026/27 Estimate
Interest Cover Ratio (ICR) Measures adequacy of the in-year revenue surplus to cover interest on borrowing Calculated as: Operating surplus divided by interest costs	1.71	1.25 minimum	1.95
Loan to Value (LTV) Measures the level of debt compared to HRA Fixed asset valuation at year end of financial year Calculated as: Outstanding debt divided by Valuation of HRA Fixed Assets	49.0%	55.0% maximum	51.6%

Risk & Liquidity

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk, summarised in table C6 below.

C6: Credit Risk	30 th June Actual	2026/27 Target	Complied?
Portfolio average credit rating	A+	A-	Yes
Portfolio average credit score*	4.73	6.00	Yes

*Lower value indicates a stronger credit score

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing, summarised in table C7 below.

The Treasury Management Strategy, approved by Council February 2026, estimated liquid resources within three months to be £50m.

The Council will continue to borrow to meet its working capital requirements with all money borrowed expended within six months in accordance with the terms of loan agreements entered into with the UK Debt Management Office.

C7: Liquidity Risk	30 th June Actual £m	2026/27 Estimate £m	Complied?
Total cash available within 3 months	86.4	50.0	Yes
Total cash available after 3 months	116.4	10.0	Yes
Total sum borrowed in past 3 months without prior notice	0.0	0.0	Yes

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. Although the Council holds no variable interest rate debt the Treasury Management Strategy does permit these. Table C8 shows the estimated impact a 1% fluctuation in loans exposed to variabilities and the impact is within limits approved in the Treasury Management Strategy.

C8: Interest Rate Risk	2026/27 estimate	2026/27 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	+£0.1m	+£4m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	-£0.1m	-£4m	Yes

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 prudential limits on the long-term treasury management limits are set out below:

C9: Principal invested over one year	2026/27	2027/28	No fixed date
Limit on principal invested beyond one year	£25m	£25m	Nil
Actual principal invested beyond one year	Nil	Nil	Nil
Complied?	Yes	Yes	Yes

Loans to other Councils are made up of £30m already advanced and a further £40m agreed with future start dates :

Current investments £30m :

- Manchester City Council, £5m, repayable 18th Sep 2026
- Derbyshire County Council, £5m, repayable 11th Sep 2026
- Central Bedfordshire Council, £10m, repayable 21st Aug 2026
- Surrey County Council £10m, repayable, 20th Aug 2026

Agreed with future start dates £40m :

- Kingston Upon Hull City Council, £10m, 1st Jul - 1st Oct 2026
- Suffolk County Council, £5m, 3rd Aug - 3rd Nov 2026
- Reading Borough Council, £10m, 21st Aug - 23rd Nov 2026
- Surrey Heath Borough Council, £5m, 21st Sep - 22nd Jan 2027
- Liverpool City Council £5m, 14th Sep 2026 - 14th Sep 2028
- Cambridgeshire County Council, £5m, 18th Sep 2026 - 18th Sep 2028

Investment limits: All treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy as set out below.

The Council will limit the risk of loss from a default from lending to any one organisation (other than the UK Government). 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 and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

C10: Investment limits	2025/27 Peak reached	30 June 2026 Actual	2026/27 Limit	Complied? Yes/No
Any group of pooled funds under the same management	£25m per manager	£25m Limit	£25m per manager	Yes
Negotiable instruments held in a broker's nominee account	£25m per broker	0	£25m per broker	Yes
UK Banks (unsecured deposits)	£25m	£3.1m	£25m per bank	Yes
Foreign countries	-	-	£10m per country	Yes

END