

Appendix 1 - Treasury Management Strategy Statement 2024/25

February 2024

Contents

1. Introduction
2. Treasury Management Strategy 2024/25
3. Capital Prudential Indicators 2024/25 – 2026/27
4. Minimum Revenue Provision (MRP) Policy Statement 2024/25
5. Borrowing Strategy 2024/25
6. Annual Investment Strategy 2024/25
7. Annexes
 - Annex 1 – The Capital Prudential and Treasury Indicators 2024/25 – 2026/27
 - Annex 2 – Treasury Management Scheme of Delegation
 - Annex 3 – Debt Portfolio as at 31st December 2023
 - Annex 4 - Investment Portfolio as of 31st December 2023
 - Annex 5 – List of Approved Countries for Investment

1. Introduction

Background

- 1.1 The Council is required to set a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.
- 1.3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
- 1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: *"The management of the local authority's borrowing, 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."*

Reporting Requirements

- 1.6 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a number of treasury management related strategies and policies for approval by Council.

Treasury Management

- 1.7 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals, including:
 - a. A forward looking report (this report) covering:
 - the Council's capital plans, (including prudential indicators);
 - a Minimum Revenue Provision (MRP) Policy, (how residual capital expenditure is charged to revenue over time);

- the Treasury Management Strategy (TMSS), (how investments and borrowing are to be organized), including treasury indicators; and
 - an Annual Investment Strategy, (the parameters within which investments are to be managed).
- b. A mid-year treasury management report, delegated to Audit & Governance Committee, this is primarily a progress report and updates Members on the Investment and capital position, amending prudential indicators as necessary and indicating whether any policies require revision.
- c. An annual treasury outturn report, delegated to Audit & Governance Committee, this is a backward-looking review and compares actual prudential and treasury indicators and operations to the estimates within the Strategy.
- 1.8 In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required by the Prudential Code. However, these additional reports do not have to be reported to Full Council but are required to be adequately scrutinised. As Council have delegated scrutiny of the mid and outturn reports to the Audit and Governance Cttee it is proposed that these additional reports also be reported to Audit and Governance.

Capital Strategy

- 1.9 The CIPFA Code also requires the Council to prepare a Capital Strategy Report which includes the following:
- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - An overview of how the associated risk is managed;
 - The implications for future financial sustainability.
- 1.10 The Capital Strategy is reported separately from the Treasury Management Strategy; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercial investments usually driven by expenditure on an asset.

Non-Treasury Investments

- 1.11 Where the Council has borrowed to fund any non-treasury investment, there should be an explanation of why borrowing was required.
- 1.12 If any non-treasury investment is found to have sustained a loss during the preparation of the final accounts or audit process, the implications will be reported through the procedure set out in the Capital Strategy.
- 1.13 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.
- 1.14 The Council has no plans to undertake new investment in property primarily for yield in the period 2024/25-2026/27. However, the Council's expenditure plans include a capital scheme for the Maintenance & Enhancement of Council Properties. It is anticipated that this capital expenditure will include works to the existing portfolio of commercial properties. The Capital Programme also includes a scheme in respect of the regeneration of Minster Quarter. These types of expenditure remain allowable under the revised PWLB borrowing terms announced in November 2020.

2. Treasury Management Strategy for 2024/25

1.1 The Strategy for 2024/25 covers two main areas:

a. Capital Issues

- the capital expenditure plans and the associated prudential indicators;
- the Minimum Revenue Provision (MRP) Policy.

b. Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers.

1.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Department for Levelling Up, Housing and Communities (DLUHC) MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

Training

1.3 The CIPFA Treasury Management Code requires the responsible officer (Section 151 Officer) to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny.

1.4 Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making. The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs.”

1.5 Further “Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.”

1.6 This Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Council will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

- 1.7 The Section 151 Officer will ensure that Members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.
- 1.8 The Section 151 Officer will have regular communication with officers and members, encouraging them to highlight training needs on an ongoing basis.
- 1.9 During 2023/24 a member training session was delivered by the Council's Treasury Management advisors, Link Group, Link Treasury Services Ltd. Appropriate training will continue to be made available to members with sessions being offered at least annually.
- 1.10 The training needs of treasury management officers are periodically reviewed and a record of training received by officers central to the Treasury function will be maintained by the Capital and Treasury Lead.

Treasury Management Consultants

- 1.11 The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.
- 1.12 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. All decisions will be made with due regard to all available information, including, but not solely, that provided by our treasury advisers.
- 1.13 The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented, and subject to regular review.

3. The Capital Prudential Indicators 2024/25 – 2026/27

1.14 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators below.

Capital Expenditure

1.15 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle as set out in Table 1 below.

Table 1. Capital Expenditure (2023/24 – 2026/27)

	Estimate	2024/25-2026/27 Estimate			
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Community & Adult Social Care Services	2.206	9.802	6.459	1.522	17.783
Economic Growth & Neighbourhood Services	39.785	65.171	37.790	6.129	109.090
Economic Growth & Neighbourhood Services – Education Schemes	14.020	9.470	4.154	12.610	26.234
Resources	5.889	1.570	1.641	0.000	3.211
Corporate	5.385	9.219	2.600	2.600	14.419
Non-HRA	67.285	95.232	52.644	22.861	170.737
HRA	33.564	47.760	54.370	18.088	120.218
Total	100.849	142.992	107.014	40.949	290.955

1.16 Table 2 below summarises how the above capital expenditure plans are expected to be financed by capital or revenue resources. Any shortfall results in a borrowing need (Net Borrowing Requirement).

Table 2. Financing of Capital Expenditure (2023/24 – 2026/27)

General Fund & HRA	Estimate	2024/25-2026/27 Estimate			
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Capital Expenditure	100.849	142.992	107.014	40.949	290.955
Capital receipts	(5.105)	(2.176)	(1.608)	(0.376)	(4.160)
Capital grants & other contributions	(42.179)	(73.157)	(43.274)	(17.833)	(134.264)
Capital reserves (HRA)	(12.918)	(18.182)	(16.037)	(16.187)	(50.406)
Revenue contributions	(11.257)	(1.258)	0.000	0.000	(1.258)
Net Borrowing Requirement	29.390	48.219	46.095	6.553	100.867

Capital Financing Requirement

- 1.17 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the Council's underlying need to borrow, or Net Borrowing Requirement.
- 1.18 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.
- 1.19 The CFR includes other long-term liabilities (e.g. PFI schemes and finance leases). Whilst these increase the CFR and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes.
- 1.20 The CFR projections are set out in Table 3 below:

Table 3. CFR Projections

Capital Financing Requirement	Estimate 2023/24 £m	2024/25-2026/27 Estimate			
		2024/25 £m	2025/26 £m	2026/27 £m	Total £m
CFR – General Fund	417.940	439.201	449.131	441.204	
CFR – HRA	215.606	230.349	253.350	254.827	
Total CFR	633.546	669.550	702.481	696.031	
Movement in CFR	17.933	36.004	32.931	(6.450)	62.485
Movement in CFR represented by:					
Net financing need for year	29.390	48.219	46.095	6.553	100.867
Less MRP/VRP* and other financing movements	(11.457)	(12.215)	(13.164)	(13.003)	(38.382)
Movement in CFR	17.933	36.004	32.931	(6.450)	62.485

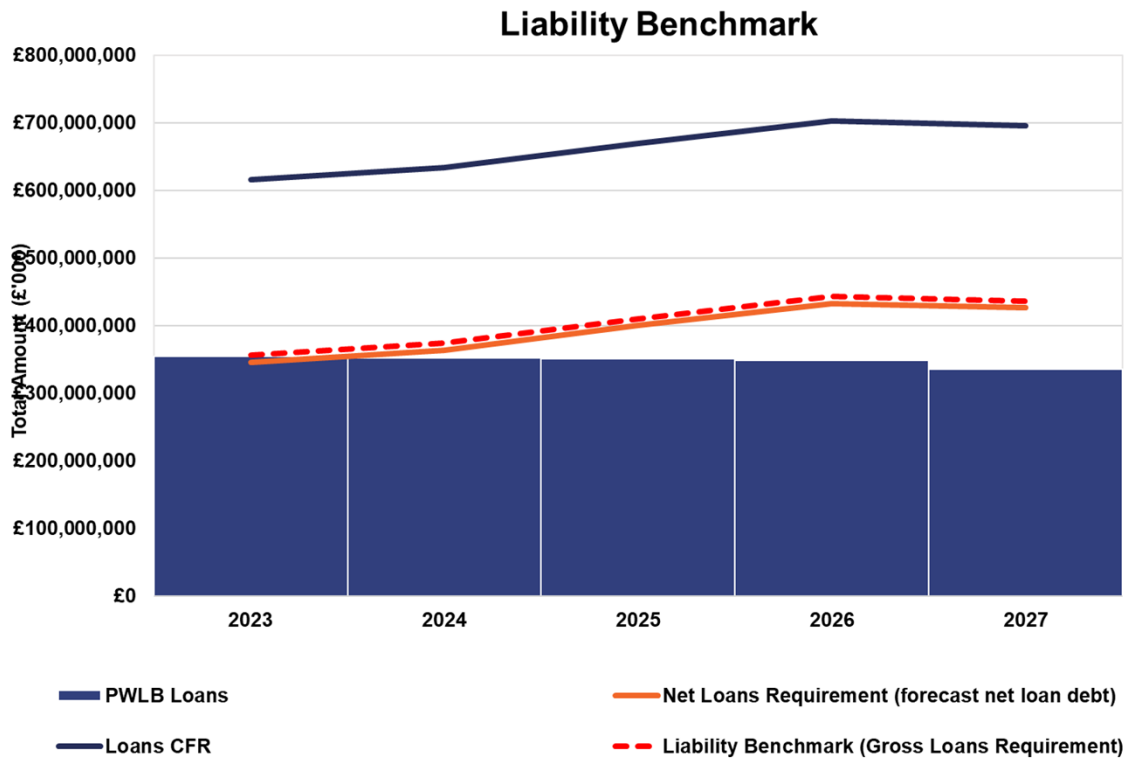
*Voluntary Revenue Provision

Liability Benchmark

- 1.21 A third prudential indicator is the Liability Benchmark, which provides a comparison of the existing loan portfolio against the committed borrowing needs. In future periods where external loans are less than the Liability Benchmark this indicates a borrowing requirement and where external loans exceed the Liability Benchmark this indicates excess cash requiring investment. The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.
- 1.22 There are four components to the Liability Benchmark: -
- Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
 - Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
 - Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. **Gross loans requirement:** this equals net loans requirement plus short-term liquidity allowance.

1.23 The Liability Benchmark graph below shows that at the end of 2022/23 the Council was in a surplus position where actual loans exceeded the benchmark. This was the result of short-term cashflows where grants and other funding had been paid to the Council in advance of expenditure being incurred. The forecast for 2023/24 shows the benchmark overtaking the actual loans position. This represents a future borrowing requirement for the Council, which is as expected due to the Council's actual level of borrowing being significantly lower than the Council's projected Capital Financing Requirement, which is projected to increase as outlined above.



4. Minimum Revenue Provision (MRP) Policy Statement

- 1.24 The Council is required to annually set aside revenue funds for the prudential repayment of outstanding capital borrowing in accordance with provisions set out in CIPFA's Prudential Code and the Ministry of Housing, Communities and Local Government's (MHCLG) Statutory Guidance on Minimum Revenue Provision. The setting aside of revenue funds for the future repayment of outstanding borrowing is referred to as a Minimum Revenue Provision (MRP) charge. The Council is also allowed to make additional voluntary payments if required.
- 1.25 As part of the regulatory framework, Full Council is required to approve its Minimum Revenue Provision (MRP) Policy annually.
- 1.26 The MRP Policy, in accordance with proper practice, considers outstanding capital borrowing to be the Council's Capital Financing Requirement (CFR) rather than external loans taken out to finance capital expenditure. Accordingly, any reference in this Policy to the repayment of capital borrowing relates to the setting aside of resources to reflect movements within the Council's CFR rather than to the physical repayment of external debt.
- 1.27 If regulations change, e.g. as a result of the outcome of the recent MRP Consultation, then this MRP Policy will be updated and presented to Council for approval.

General

- 1.28 Provision for the repayment of outstanding capital borrowing will generally be made in accordance with guidance and regulations to reflect the estimated life over which the capital assets acquired are anticipated to provide useful economic benefit. A schedule setting out expected lives of standard categories of assets is provided below. However, this may be adjusted on an individual asset by asset basis depending on the specific circumstances. The Council's statutory Section 151 officer will, as necessary determine individual asset lives for MRP purposes (in accordance with the overriding requirement to allow for the prudent provision for repayment of debt).

Table 4. Standard Expected Asset Lives

Asset Type	Expected Life (Years)
Major New Builds	40-50
Freehold Land	50
Major Extensions	20-40
Major Refurbishments	20
Major Transport Infrastructure / Regeneration	30
Other Transport Schemes	20
Other Small Capital Schemes	10
Large Vehicles (Refuse Freighters/Buses etc.)	7-10
Other Vehicles	5
Software Licenses	Length of License
Share Capital	20
Capital Grants / Loans to Others	Expected Life of Asset Held by Third Party

- 1.29 Of the four standardised methods set out as examples in the statutory regulations for the calculation of MRP, the Council has adopted the "Asset Life Method - Annuity" as the one which best allows for the prudent repayment of capital borrowing over the life of individual capital assets. MRP is the principal element for the repayment of

borrowing. The annuity is the repayment profile determined by the useful life of the asset and an appropriate interest rate.

- 1.30 Assets acquired before 31st March 2011, and with a notional outstanding capital borrowing balance, will continue to have an annual MRP charge levied at 2% of the identified capital debt balance as at 31st March 2011.
- 1.31 Assets under construction including regeneration sites undergoing development, which have yet to fully deliver their expected benefits will not be subject to MRP charges to the Revenue Account until such time as they become operational for a full accounting year. Accordingly, on becoming operational, the charge for MRP will not commence until the following financial year.
- 1.32 Any prior error or change in assumption as to expected future asset life may be adjusted for in the current (or future) financial year, subject to any constraints on such adjustment as set out in the Prudential Code or Statutory Regulations.
- 1.33 Whilst the above sets out the Council's general MRP principles and Policy, a number of specific instances and circumstances require separate treatment with regard to MRP in order to ensure the charge to revenue is both prudent for the repayment of debt and accurately reflects the economic benefits being realised. These are set out below:

Specific MRP Cases

- 1.34 Capital expenditure financed by finance lease or other service concessions (including Private Finance Initiative schemes) include within their annual payments both an interest and principal repayment element. The principal element included within these payments will be used to represent the MRP charge in accordance with the contractual agreement rather than separately calculating an MRP charge under the usual annuity method.
- 1.35 Capital loans to third parties with terms that include annual principal repayment (either equal instalment or annuity-based) will not be charged a separately calculated MRP charge as the annual principal repayments will be used to reduce the CFR and accordingly reduce the overall capital borrowing.
- 1.36 Short term loans for capital purposes (those with a full repayment date of five years or less) will generate a receipt on their maturity which for capital accounting purposes counts as a capital receipt. On the basis that such capital receipts will be applied to reduce the Capital Financing Requirement – and as such deemed to repay the capital borrowing – no MRP charge will be made on such loans.
- 1.37 Capital loans to wholly-owned subsidiaries will not be subject to MRP charges in circumstances where the net worth of the subsidiary is (or is reasonably expected to be in the short to medium term) in excess of the loan and as such a disposal of those assets would provide sufficient funds to fully repaying the outstanding capital borrowing of the Council.
- 1.38 Charges for the provision to repay capital debt relating to share capital for group holdings will not be applied in circumstances where any proposed debt restructuring and re-gearing is expected to lead to the redemption of called up share capital over the short to medium term.
- 1.39 Where the Council has outstanding borrowing relating to historic individual and specific investment in property assets, in exceptional circumstances where a substantial void

period in lettings occur, the Council reserves the right to take a temporary “holiday” in MRP payments for that asset until the property is either let, or a strategy determined to change the asset use or dispose of the asset and thus generate a capital receipt. Any MRP holiday arising from such a situation will be reversed by correspondingly adjusting future MRP charges over the estimated remaining life of the asset or a capital receipt realised.

- 1.40 Individual assets being subject to an MRP charge will cease to be subject to MRP charges at the point they are identified as surplus and have a likely expectation of generating a capital receipt in the short to medium term.
- 1.41 The Housing Revenue Account (HRA) is not subject to the same statutory annual requirement to make an MRP charge as the General Fund. It is however required to make provision for the repayment of capital debt over the longer term (broadly over the thirty year life of the HRA Business Plan). The HRA Business Plan provides for significant investment in modernising its existing holdings as well as new housing stock, the application of a more flexible and long term strategy for debt repayment eases pressure on HRA balances and enables greater provision of decent homes whilst still allowing the overall level of debt to be repaid over the long term. The Council’s Section 151 Officer will continue to ensure that the HRA Business Plan provides for the prudent repayment of debt over the longer term.
- 1.42 Subject to affordability and the sustainability of the budget and Medium Term Financial Strategy, the Council’s Section 151 Officer will continue to explore opportunities for the earlier reduction of outstanding debt for both the General Fund and HRA, and where appropriate and subject to available resources, reserve the power to make supplementary MRP contributions over and above the minimum previously determined as prudent, where longer term financial benefits may be derived.

Capital Receipts

- 1.43 Capital receipts may ordinarily be applied to fund capital expenditure or be set aside for the repayment of debt. An exemption currently applies until 31st March 2025 which allows capital receipts to be used to fund revenue expenditure which generates future and ongoing savings and service transformation – referred to as the Flexible Use of Capital Receipts. A new consultation on future options for capitalisation flexibilities was launched on 19th December 2023.
- 1.44 The Council’s Section 151 Officer will apply General Fund capital receipts so as to optimise the benefit to the Revenue Account whilst being mindful of the long term need to prudently repay capital debt.
- 1.45 To the above end, all capital receipts (unless statutorily or contractually ring-fenced to specific purposes) will be applied to their most beneficial purpose. Where capital receipts are applied to repay debt, such repayments will be applied against the remaining borrowing identified on an asset by asset basis and the MRP liability adjusted accordingly.

MRP Overpayments

- 1.46 Under the MRP guidance, any charges made in excess of the statutory MRP are known as voluntary revenue provision (VRP). VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this Policy must disclose the cumulative overpayment made each year. Up until 31st March 2023 nil overpayments were made, and there is no expectation that any VRP contributions will be made in the period 2023/24-2026/27.

5. Borrowing Strategy 2024/25

1.47 The capital expenditure plans set out in section 3 of this report summarise the Council's proposed service capital expenditure activity. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The Strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

Current Treasury Management Portfolio Position

1.48 The overall treasury management portfolio as at 31st March 2023 and the position as at 31st December 2023 are shown below for both borrowing and investments.

Table 5. Treasury Portfolio

General Fund & HRA	31 st March 2023		31 st December 2023	
	Principal	Average Rate	Principal	Average Rate
Debt Portfolio	£m	%	£m	%
Fixed Rate Loans				
PWLB	354.840	3.266	353.670	3.266
Local Authorities	30.000	4.150	39.000	5.530
Market	20.000	4.135	10.000	4.090
Variable Rate Loans				
PWLB	0.000	N/A	0.000	N/A
Total Debt	404.840	3.431	402.670	3.589
Total Investments	58.996	4.219	52.918	5.290
Net Debt	345.844		349.752	

1.49 The Council's investment portfolio summary as at 31st March 2023 together with the position as at 31st December 2023 is summarised below:

Table 6. Investment Portfolio Summary

	31 st March 2023 £m	31 st March 2023 %	31 st December 2023 £m	31 st December 2023 %
Treasury Investments				
Banks	0.842	1.427	0.168	0.318
Money Market Funds (MMF)	43.154	73.147	37.750	71.337
Total Managed In-house	43.996	74.575	37.918	71.654
Total Managed Externally – Property Funds	15.000	25.425	15.000	28.346
Total Treasury Investments	58.996	100.000	52.918	100.000

1.50 The Council's forward projections for borrowing are summarised in Table 7 below which shows actual external debt compared to the underlying need to borrow (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 7. Borrowing Estimates

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
External Debt				
Debt at 1 st April	404.840	416.500	462.719	506.814
Net Change in Debt	11.660	46.219	44.095	(6.947)
Debt at 31 st March	416.500	462.719	506.814	499.867
PFI Liabilities				
PFI Liabilities at 1 st April	23.147	21.843	20.479	19.204
Net Change in PFI Liabilities	(1.304)	(1.364)	(1.275)	(1.549)
PFI Liabilities at 31 st March	21.843	20.479	19.204	17.655
Total Gross Debt at 31 st March	438.343	483.198	526.018	517.522
Capital Financing Requirement	633.546	669.550	702.481	696.031
(Under)/Over Funding of CFR	(195.203)	(186.352)	(176.463)	(178.509)
(Under)/Over Borrowing (exc PFI)	(217.046)	(206.831)	(195.667)	(196.164)

1.51 Within the above figures the level of debt relating to historic (pre 1st April 2020) commercial property investment activity / non-financial investment is:

Table 8. Analysis of Non-Financial Investment Borrowing

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
External Debt for Non-Financial Investments				
Actual Debt at 31 March	56.731	56.731	56.731	56.731
Percentage of Total External Debt	13.62%	12.26%	11.19%	11.35%

1.52 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of its CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the subsequent two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

1.53 The Council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

Treasury Indicators: Limits to Borrowing Activity

1.54 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 9. Operational Boundary

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Financing Requirement	633.546	669.550	702.481	696.031
Headroom	20.000	20.000	20.000	20.000
Total	653.546	689.550	722.481	716.031

1.55 **The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

1.56 The Authorised Borrowing limits are set out below:

Table 10. Authorised Limit

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Operational Boundary	653.546	689.550	722.481	716.031
Headroom	40.000	40.000	40.000	40.000
Total	693.546	729.550	762.481	756.031

Prospects for Interest Rates

1.57 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 5th February 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Table 11. Interest Rate Projections (%)

Link Group Interest Rate View	05.02.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

1.58 The forecast reflects a view that the Monetary Policy Committee (MPC) would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least the second quarter of 2024. The MPC meeting on 1st February retained Bank Rate at 5.25%.

Borrowing Strategy

1.59 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has

been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

- 1.60 The most cost effective borrowing currently is internal borrowing which involves running down cash balances and foregoing interest earned (at historically low rates), in lieu of taking out new borrowing at a higher rate. The Council will look to utilise temporary and short term borrowing, if a borrowing need arises, as this is a cheaper option than long term borrowing at present. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal, temporary and short term borrowing against potential longer term costs if the opportunity is missed for taking loans at rates which will be higher in future years.
- 1.61 Against this background and the risks within the economic forecast, the Treasury Team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. If during the period there was a significant risk of a sharp rise in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years. If it was felt that there was a significant risk of a sharp fall in borrowing rates, then borrowing may be postponed.
- 1.62 Any decisions will be reported subsequently to the Audit & Governance Committee.

Policy on Borrowing in Advance of Need

- 1.63 The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 1.64 Risks associated with any borrowing in advance will be subject to prior appraisal and subsequent quarterly reporting.

Debt Rescheduling

- 1.65 The reasons for any debt re-scheduling to take place will include:
- The generation of cash savings and/or discounted cashflow savings
 - Helping to fulfill the Treasury Management Strategy
 - Enhancing the balance of the portfolio (the maturity profile and/or the balance of volatility)
- 1.66 Any rescheduling will be reported to Members in a treasury report at the earliest meeting following its action.
- 1.67 The Authority holds £5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The Council will take the option to repay LOBO loans if there is a financial benefit in doing so.

Approved Sources of Long and Short-term Borrowing

1.68 The list of approved lenders and types of funding that can be secured with each entity is set out below:

	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Overdraft		●
Finance leases	●	●

6. Annual Investment Strategy 2024/25

Investment Policy – Management of Risk

1.69 The DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Council’s Capital Strategy.

1.70 The Council’s Investment Policy has regard to the following:

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

1.71 The Council’s investment priorities are security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will consider the value available in periods over 12 months with high credit rated financial institutions, as well as wider range fund options.

1.72 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by:

- i. The application of minimum acceptable **credit criteria** to generate a list of creditworthy counterparties. This also enables diversification and the avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- ii. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
- iii. Reviewing other information sources including the financial press, share price etc. pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- iv. The Council defining the **types of investment instruments** that the Treasury Management Team are authorised to use as follows:
 - **Specified investments** - those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** - those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and

officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity. For example, an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

- v. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £30m of the total investment portfolio.
- vi. **Lending limits**, (amounts and maturity) for each counterparty will be set through applying the matrix in Table 12.
- vii. Setting a £30m limit for the amount of investments which are invested for **longer than 365 days**.
- viii. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
- ix. Engaging **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity, and yield, given the risk appetite of the Council in the context of the expected level of cash balances and need for liquidity throughout the year.
- x. All investments will be denominated in **sterling**.
- xi. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31st March 2023. A further extension to the over-ride to 31st March 2025 has been announced by the Government. The only pooled investment on the Council's portfolio is the £15m invested with the CCLA Property Fund. During 2024/25, the Section 151 Officer will determine whether to seek to exit the investment from this Property Fund or will provide an earmarked reserve to fund against potential fluctuations in the fair value of the investment.

1.73 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

1.74 The above criteria are unchanged from last year. There are no proposed changes for 2024/25.

Creditworthiness Policy

1.75 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

1.76 The Council's Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

1.77 Credit rating information is supplied by the Council's treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. Notification of a negative rating Watch applying to a counterparty with the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

1.78 The criteria for providing a pool of high quality investment counterparties, (both Specified and Non-specified Investments) is set out in Table 12 below, as are the time and monetary limits for institutions on the Council's counterparty list:

Table 12. Investment Criteria

	Credit Rating	Counterparty Limit	Time Limit
Banks and organisations and securities whose lowest long-term credit rating published by Fitch, Moody's or Standard & Poor is:	AAA	£20m (each)	5 Years
	AA+		3 Years
	AA		2 Year
	AA-		
	A+		1 Year
	A		
A-			
The Council's current account, Lloyds Bank Plc should circumstances arise when it does not meet above criteria	N/A	£1m (total)	Next Day
UK Building Societies without credit rating	N/A	£10m (each)	1 Year
UK Government (irrespective of credit rating)	N/A	Unlimited	50 Years
UK Local Authorities (irrespective of credit rating)	N/A	£20m (each)	50 Years
UK Registered Providers of Social Housing whose published long-term credit rating is A- or higher	A-	£5m (each)	2 Years

UK Registered Providers of Social Housing whose published long-term credit rating is lower than A- or without a long-term credit rating	N/A	£2m (each)	1 Year
	Fund rating	Cash Limit	Time
Money Market Funds	AAA	£20m (each)	liquid
Pooled Funds (including pooled property funds)	AAA	£30m (total)	liquid

- 1.79 The credit rating of counterparties is monitored regularly. The Council receives credit rating information including changes, rating watches and rating outlooks from Link Group as and when ratings change, following which the Council's schedule of approved counterparties is promptly updated – on occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately and if required new counterparties which meet the criteria will be added to the list by the Council's Section 151 Officer.

Creditworthiness

- 1.80 Significant levels of downgrades to Short-Term and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

Credit Default Swap (CDS) Prices

- 1.81 Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link, our treasury advisers, monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its portal.

Other Limits

- 1.82 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.
- a) **Non-specified investment limit.** The Council has determined that it will limit its maximum total exposure to non-specified investments to £30m.
 - b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. In addition, the Council will apply the Freedom House Global Freedom rating system to inform decision making and will only invest in organisations from countries with a 'free' rating. The list of countries that qualify using these criteria as at the date of this report are set out in Annexe 3 to this appendix. This list will be added to, or deducted from, by officers should ratings change in accordance with this Policy.
 - c) **Other limits.** In addition:

- no more than £20m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

1.83 As an additional layer of security, a concentration of investments in too few counterparties or countries will be avoided with officers ensuring that the portfolio is diversified across counterparties/countries.

Investment Strategy

1.84 **In-house fund** Investments will be made with reference to the core balance and cash flow requirements and the interest rate outlook. Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

1.85 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

1.86 The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's Corporate Plan and values. This would include institutions with material links to:

- human rights abuse (e.g. child labour, political oppression)
- environmentally harmful activities (e.g. pollution, destruction of habitat, fossil fuels)
- socially harmful activities (e.g. tobacco, gambling)

1.87 Further, the Council will only invest in countries deemed as "Free" as per the Freedom House Global Freedom rating system.

Investment Return Expectations

1.88 The current forecast shown in Table 11, includes a forecast for Bank Rate to have peaked at 5.25%. Bank Rate projections to March 2027 are set out in Table 11 above.

Investment Treasury Indicator and Limit

1.89 The Investment Treasury Indicator and Limit refer to the total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

1.90 Table 13 below sets out the limits on investments that can be longer than 365 days.

Table 13. Upper limit for principal sums invested on fixed terms for longer than 365 days

	2024/25 £m	2025/26 £m	2026/27 £m
Principal sums invested for longer than 365 days	30.000	30.000	30.000
Current investments as at 31 st December 2023 in excess of one year maturing in each year	Nil*	Nil*	Nil*

*As of 31st December 2023, the Council has £15.000m invested in pooled property funds which have no fixed maturity, as set out in Table 6.

1.91 For its cash flow generated balances, the Council will seek to utilise its notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

Policy on Apportioning Interest to the HRA

1.92 Reform of the Housing Revenue Account Subsidy system was completed at the end of 2011/12, the Council was required to pay DLUHC £147.8m. Prior to 2012/13 The Council would recharge interest expenditure and income attributable to the HRA in accordance with determinations issued by DLUHC. The Council subsequently adopted a policy that it would continue to manage its debt as a single pool using a similar regime to that applied prior to self-financing and which would not result in a material change to the average interest rate paid by the Council.

1.93 During 2016/17 and 2017/18 the methodology was adjusted to recognise that in essence the £147.8m of loans the Council borrowed at the time of self-financing were primarily taken for HRA debt, and therefore the operation of the single pool should not lead to the average interest rate charged to the HRA being less than the average rate on the remaining part of those loans.

1.94 The HRA also has a notional cash balance which may be positive or negative. This balance is measured each month and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolio of treasury investments (excluding the CCLA Property Fund) and short-term borrowing.

End of Year Investment Report

1.95 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

External Fund Managers

1.96 The Council does not currently employ external fund managers for any part of its investment portfolio, other than the pooled property fund, and does not plan to do so. If in future, officers determine that an external fund manager will add value to the Council's treasury management function, a report will be brought to the Audit and Governance Committee to first seek approval of a change in policy and subsequently the appointment of a preferred fund manager.

7. Annexes

Annex 1 – Prudential and Treasury Indicators

Annex 2 – Treasury Management Scheme of Delegation

Annex 3 – Debt Portfolio as of 31st December 2023

Annex 4 – Investment Portfolio as of 31st December 2023

Annex 5 – List of Approved Countries for Investment

Annex 1 - The Capital Prudential and Treasury Indicators 2024/25 – 2026/27

- The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

	Forecast 2023/24 £m	2024/25-2026/27 Estimate			
		2024/25 £m	2025/26 £m	2026/27 £m	Total £m
General Fund	67.090	95.427	52.644	22.861	170.932
HRA	33.564	47.760	54.370	18.088	120.218
Total	100.654	143.187	107.014	40.949	291.150

Affordability Prudential Indicators

- Section 5 in the main body of the Strategy cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of Financing Costs to Net Revenue Stream

- This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2023/24	2024/25	2025/26	2026/27
	Estimate (%)	Estimate (%)	Estimate (%)	Estimate (%)
General Fund	10.7	11.0	10.6	10.8
HRA	14.5	13.0	14.0	14.9
Total	11.6	11.5	11.4	11.7

Maturity Structure of Borrowing

- These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits. Council is asked to approve the limits in the following table.

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	30%
10 years to 20 years	0%	40%
20 years to 30 years	0%	50%
30 years to 40 years	0%	60%
40 years to 50 years	0%	60%

Maturity structure of variable interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

Annex 2 - Treasury Management Scheme of Delegation

i) Council

- receiving and reviewing reports on treasury management policies, practices, and activities;
- approval of/amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices;
- approval of annual Strategy.

ii) Audit & Governance Committee

- Receive and recommend to Full Council amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

iii) Section 151 Officer

- reviewing the Treasury Management Policy and Procedures and making recommendations to the responsible body.

Annex 3 – Debt Portfolio as at 31st December 2023

Class	Type	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Loan	Temporary Borrowing - Fixed	24/11/23	24/05/24	Tendring District Council	Maturity	5.450%	4,000,000.00
Loan	Temporary Borrowing - Fixed	04/10/23	04/04/24	London Borough of Sutton	Maturity	5.500%	5,000,000.00
Loan	Temporary Borrowing - Fixed	02/11/23	02/05/24	Blackburn with Darwen Borough Council	Maturity	5.550%	5,000,000.00
Loan	Temporary Borrowing - Fixed	13/10/23	11/10/24	North Somerset Council	Maturity	5.550%	10,000,000.00
Loan	Temporary Borrowing - Fixed	28/11/23	02/01/24	Middlesbrough Council	Maturity	5.500%	5,000,000.00
Loan	Temporary Borrowing - Fixed	20/12/23	22/04/24	Liverpool City Region Combined Authority	Maturity	5.550%	10,000,000.00
Temporary Borrowing - Fixed Total						5.527%	39,000,000.00
Loan	Fixed	26/03/18	25/03/68	PWLB	Maturity	2.280%	15,000,000.00
Loan	Fixed	27/09/18	27/09/43	PWLB	Maturity	2.820%	15,000,000.00
Loan	Fixed	27/09/18	27/09/49	PWLB	Maturity	2.790%	15,000,000.00
Loan	Fixed	11/03/19	11/03/66	PWLB	Maturity	2.380%	15,000,000.00
Loan	Fixed	13/03/19	13/03/37	PWLB	Maturity	2.420%	5,000,000.00
Loan	Fixed	13/03/19	13/03/57	PWLB	Maturity	2.420%	5,000,000.00
Loan	Fixed	01/04/19	01/04/64	PWLB	Maturity	2.200%	10,000,000.00
Loan	Fixed	01/10/19	02/10/62	PWLB	Maturity	1.640%	5,000,000.00
Loan	Fixed	01/10/19	01/10/63	PWLB	Maturity	1.630%	5,000,000.00
Loan	Fixed	07/10/19	07/10/66	PWLB	Maturity	1.630%	5,000,000.00
Loan	Fixed	07/10/19	08/10/68	PWLB	Maturity	1.630%	5,000,000.00
Loan	Fixed	11/03/20	25/09/69	PWLB	Maturity	2.070%	15,000,000.00
Loan	Fixed	13/05/05	25/09/51	PWLB	Maturity	4.150%	2,000,000.00
Loan	Fixed	11/01/06	25/09/55	PWLB	Maturity	3.900%	5,000,000.00
Loan	Fixed	23/01/06	25/09/55	PWLB	Maturity	3.700%	5,000,000.00
Loan	Fixed	23/05/06	25/09/47	PWLB	Maturity	4.200%	2,000,000.00
Loan	Fixed	19/07/06	25/03/52	PWLB	Maturity	4.250%	20,000,000.00
Loan	Fixed	20/09/06	25/09/51	PWLB	Maturity	4.200%	5,000,000.00
Loan	Fixed	28/09/06	25/09/52	PWLB	Maturity	4.050%	10,000,000.00
Loan	Fixed	08/03/07	25/03/53	PWLB	Maturity	4.250%	10,000,000.00
Loan	Fixed	08/03/07	25/03/54	PWLB	Maturity	4.250%	10,000,000.00
Loan	Fixed	05/08/08	25/03/58	PWLB	Maturity	4.480%	2,000,000.00
Loan	Fixed	15/08/08	25/09/57	PWLB	Maturity	4.390%	6,000,000.00
Loan	Fixed	02/12/08	25/09/58	PWLB	Maturity	4.120%	10,000,000.00
Loan	Fixed	20/08/09	25/03/59	PWLB	Maturity	4.200%	5,000,000.00
Loan	Fixed	19/08/10	25/03/24	PWLB	EIP	2.700%	170,000.00

Loan	Fixed	31/08/10	25/03/60	PWLB	Maturity	3.920%	10,000,000.00
Loan	Fixed	14/07/11	25/03/26	PWLB	EIP	3.590%	1,250,000.00
Loan	Fixed	15/09/11	25/03/31	PWLB	EIP	3.350%	3,750,000.00
Loan	Fixed	28/03/12	25/03/51	PWLB	Maturity	3.530%	12,000,000.00
Loan	Fixed	28/03/12	25/09/26	PWLB	Maturity	2.970%	12,000,000.00
Loan	Fixed	28/03/12	25/03/50	PWLB	Maturity	3.530%	15,000,000.00
Loan	Fixed	28/03/12	25/03/41	PWLB	Maturity	3.490%	15,000,000.00
Loan	Fixed	28/03/12	25/03/61	PWLB	Maturity	3.480%	15,000,000.00
Loan	Fixed	28/03/12	25/03/32	PWLB	Maturity	3.300%	12,000,000.00
Loan	Fixed	28/03/12	25/09/41	PWLB	Maturity	3.490%	15,000,000.00
Loan	Fixed	28/03/12	25/09/51	PWLB	Maturity	3.520%	3,000,000.00
Loan	Fixed	28/03/12	25/03/62	PWLB	Maturity	3.480%	15,000,000.00
Loan	Fixed	28/03/12	25/03/41	PWLB	EIP	2.990%	17,500,000.00
Loan	Fixed	06/12/05	06/12/55	Barclays Bank plc	Maturity	3.990%	5,000,000.00
Fixed Total						3.285%	358,670,000.00
Loan	LOBO	30/01/08	31/01/78	Dexia	Maturity	4.190%	5,000,000.00
LOBO Total						4.190%	5,000,000.00
Loan Total						3.485%	402,670,000.00

Annex 4 - Investment Portfolio as of 31st December 2023

Class	Type	Start / Purchase Date	Maturity Date	Counterparty	Rate	Principal O/S (£)
Treasury Investments						
Deposit	MMF	N/A	N/A	Aberdeen Standard Liquidity Fund	5.300%	17,750,000.00
Deposit	MMF	N/A	N/A	Federated Short Term Sterling Prime Fund	5.380%	20,000,000.00
Deposit	Current Account	N/A	N/A	Lloyds Bank	5.150%	168,088.00
Deposit	Property Fund	30/03/15	N/A	CCLA Local Authorities Property Fund	5.330%	15,000,000.00
Treasury Investments Total					5.290%	52,918,088.00
Non-Treasury Investments						
Deposit	Fixed	25/03/2021	24/03/2026	Brighter Futures for Children Ltd	1.810%	5,000,000.00
Deposit	Fixed	29/09/2017	26/09/2022	Homes for Reading Ltd	3.250%	1,100,000.00
Deposit	Fixed	23/01/2018	26/09/2022	Homes for Reading Ltd	3.380%	400,000.00
Deposit	Fixed	28/02/2018	26/09/2022	Homes for Reading Ltd	3.590%	800,000.00
Deposit	Fixed	20/03/2018	26/09/2022	Homes for Reading Ltd	3.580%	700,000.00
Deposit	Fixed	25/04/2018	24/03/2023	Homes for Reading Ltd	3.620%	800,000.00
Deposit	Fixed	11/05/2018	24/03/2023	Homes for Reading Ltd	3.570%	800,000.00
Deposit	Fixed	29/08/2018	24/03/2023	Homes for Reading Ltd	3.480%	2,000,000.00
Deposit	Fixed	24/09/2018	24/03/2023	Homes for Reading Ltd	3.410%	3,000,000.00
Deposit	Fixed	11/12/2018	24/03/2023	Homes for Reading Ltd	3.190%	4,000,000.00
Deposit	Fixed	07/02/2019	24/03/2023	Homes for Reading Ltd	3.380%	2,000,000.00
Deposit	Fixed	29/06/2018	24/03/2023	Homes for Reading Ltd	3.510%	1,300,000.00
Deposit	Fixed	16/04/2019	24/03/2029	Homes for Reading Ltd	3.750%	7,000,000.00
Deposit	Fixed	30/04/2019	30/04/2029	Reading Transport Ltd	5.000%	4,609,000.00
Deposit	Fixed	15/08/2019	30/07/2029	Reading Transport Ltd	5.000%	500,000.00
Deposit	Fixed	08/04/2018	01/07/2023	Reading Transport Ltd	5.000%	490,000.00
Deposit	Fixed	03/06/2018	01/07/2023	Reading Transport Ltd	5.000%	207,000.00
Deposit	Fixed	29/07/2018	01/07/2023	Reading Transport Ltd	5.000%	164,000.00
Deposit	Fixed	20/01/2020	01/01/2024	Reading Transport Ltd	5.000%	151,000.00
Deposit	Fixed	21/08/2020	01/10/2024	Reading Transport Ltd	5.000%	700,000.00
Non-Treasury Investments Total					3.926%	35,721,000.00
Total Investments *						88,639,088.00

* Values above do not include lease agreements with Reading Transport Ltd.

Annex 5 – List of Approved Countries for Investment

1. The below list of approved countries for investment is based on the lowest available rating from all ratings agencies (as at 24th January 2024).

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Sweden
- Switzerland

AA+

- Canada
- Finland
- United States of America

AA

- France

AA-

- Belgium
- United Kingdom