Date of issue: Thursday, 22 February 2024

MEETING	**CABINET**
DATE AND TIME:	MONDAY, 26TH FEBRUARY, 2024 AT 6.30 PM
VENUE:	COUNCIL CHAMBER - OBSERVATORY HOUSE, 25 WINDSOR ROAD, SL1 2EL
DEMOCRATIC SERVICES OFFICER:	NICHOLAS PONTONE
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SUPPLEMENTARY PAPERS

The following Papers have been added to the agenda for the above meeting:-

* Item 5 was not available for publication with the rest of the agenda.

PART 1

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SLOUGH BOROUGH COUNCIL

Report To:	Cabinet
Date:	26th February 2024
Subject:	Treasury Management Strategy 2024/25
Portfolio:	Councillor Chahal – Lead Member for Finance, Council Assets, Procurement and Revenues & Benefits
Chief Officer:	Adele Taylor, Executive Director of Finance & Commercial (S151 Officer)
Contact Officer:	Moji Olusanya, Head of Treasury, Finance and Commercial
Ward(s):	All
Key Decision:	No
Exempt:	No
Appendices:	Appendix 1 - Treasury Management Strategy 2024-25

1. Summary and Recommendations

1.1 The Audit & Corporate Governance Committee is the Member body that will be asked to recommend the Treasury Management Strategy 2024/25 to full Council. The Committee will meet on 29th February 2024 and this report is provided to Cabinet to consider and note as part of the wider budget papers. The report sets out the Council's treasury management strategy for 2024/25 covering:

- the investment strategy which includes loans to third parties
- the borrowing and the debt reduction strategy
- the Minimum Revenue Provision (MRP) policy
- the prudential indicators
- the Capital Strategy 2024/25

1.2 This report sets out the context within which the Council's treasury management activity operates and outlines a proposed strategy for the coming year. The report considers the Council's borrowing and investment strategy alongside required Prudential Indicators. It also identifies risk reduction strategies that have been established to ensure the fundamental aims of security, liquidity, and yield of the Council's investments.

1.3 The Council is required to actively manage its substantial cashflows on a daily basis. The need to place monies in investments or to borrow monies to finance capital programmes and to cover daily operational needs, is an integral part of daily cash and investment portfolio management.

1.4 The Cabinet is recommended to consider and note the Treasury Management Strategy 2024/25 which will be formally considered by the Audit & Corporate Governance Committee on 29th February 2024:

"Audit & Corporate Governance Committee is asked to recommend to Council the following:

a. Approve the Treasury Management Strategy (TMS) for 2024/25 at Appendix 1 including:

   i. the Annual Investment Strategy for 2024/25 (within Appendix 1 page 23)
   ii. the Annual Borrowing Strategy for 2024/25 (within Appendix 1 page 13)
   iii. Minimum Revenue Provision Policy Statement for 2024/25 (within Appendix 1 page 33)
   iv. the Prudential Indicators for the period 2024/25 to 2026/27 (Appendix 1 page 18)
   v. the Capital Strategy for the 2024/25 (Appendix 1 page 17)"

Reason

To promote effective financial management relating to the Council's borrowing and investment powers contained in the Local Government Act 2003, associated regulations and guidance.

Commissioner Review

1.4 This Strategy document provides both the Treasury Management and Capital Strategy as they are inherently linked through the activities the Council undertake. Running alongside the Medium-Term Financial Strategy, they will provide the framework to facilitate the interface between service planning, the management of assets, investments, capital resources and debt. A key element of the Council's recovery strategy is that debt should be both proportional and affordable, so that the debt financing costs associated with it are contained within existing revenue resources.

1.5 The Treasury Management Strategy 2024/25 retains a debt reduction strategy, with the aim of reducing the Council's borrowing down to a target level which is sustainable and affordable for an authority the size of Slough and operational affordability targets for the General Fund and Housing Revenue Accounts.

1.6 The strategy is fundamental in ensuring the effective and affordable management of the Council's assets, delivering the Council's future priorities in an affordable framework, and providing a high-level overview of how associated risk are managed and the implications for future financial sustainability.

The Commissioners are content with this report.

2 Report

Introduction

2.1 Treasury Management in the context of the report is defined 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.” (CIPFA Treasury Management Code of Practice 2021).

2.2 The Council has powers under Part 1 of the Local Government Act 2003 to borrow (i.e. prudential borrowing) and invest money in accordance with statute. In carrying out these functions, the Council is required to have regard to statutory guidance, which is currently found in the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice 2021. As this is statutory guidance, the Council should follow the guidance unless there is good reason not to. The Guidance requires the Council to agree a treasury strategy for borrowing and to prepare an annual investment strategy, an interim report, and an annual treasury management review.

2.3 The attached appendix is presented to the Council to approve the Treasury Management Strategy, Capital Strategy, MRP Strategy and Annual Investment Strategy for 2024/25 and Treasury Management Policy Statement and Clauses to be formally adopted. The report includes details of the 2023/24, borrowing and investment forecasts based on cash flow and the capital expenditure.

2.4 The strategy is in compliance with the statutory regulations and guidance, fulfils the reports required by the Local Government Act 2023 and sets out the expected treasury operations for this planning period.

3 Background

3.1 The Council’s Treasury Management Strategy is approved annually at Full Council. It was last approved by Full Council on 9 March 2023.

3.2 External advice has been sought from Arlingclose, the Council’s treasury management advisors in reviewing this strategy. Their advice is set out in Appendix 1 and includes a summary of the external economic context. Arlingclose has also been commissioned to provide training to committee members to assist the committee to fulfil its function to provide independent assurance and review of the Council’s governance, risk management and control frameworks and overseeing financial reporting and annual governance processes. They provided training during the 2023/24 financial year and will provide further training as required.

Capital spending plans

The Prudential Code requires that any borrowing and investment decisions are taken in light of capital spending plans and consideration of how that proposed capital expenditure will be financed.

The Council's capital expenditure plans have been reported in the four-year capital programme 2024/25 to 2027/28 reported elsewhere on the Committee's agenda, both in terms of those agreed previously, and those forming part of the current budget cycle.

The Capital Strategy is found within Appendix 1 page 17.

As a result of the financial challenges facing the Council, the Council has submitted a capitalisation direction to DLUHC to allow it to treat as capital expenditure certain types of revenue expenditure. The Secretary of State only permits the Council to capitalise expenditure when it is incurred and minimum revenue provision must be charged. The Council must comply with the conditions set out by DLUHC. It should be noted this the capitalisation direction is not a grant. The Council needs to fund the revenue expenditure from its own capital, including from receipts arising out of disposal of assets where these are General Fund assets.

3.3 In 2024/25, the Council is planning capital expenditure of £71.062m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

Estimates of Capital Expenditure	**2023/24 forecast £m**	**2024/25 budget * £m**	**2025/26 budget £m**	**2026/27 budget £m**	**2027/28 budget £m**
General Fund services	11.152	23.291	9.352	6.276	4.191
Council housing (HRA)	11.399	24.693	19.998	19.830	19.996
Capital investments	0	0	0	0	0
TOTAL	**22.551**	**47.984**	**29.350**	**26.106**	**24.187**
Rev Exp funded by Capital under (REFCUS) a Capitalisation Direction	31.575	23.078	13.909	9.151	3.260
TOTAL incl. Capitalisation Direction	**54.126**	**71.062**	**43.259**	**35.257**	**27.447**

The main General Fund capital projects include;

- Destination Farnham Road £7.482m, a scheme to revitalise the Farnham Road area by prioritising walking and cycling and improving bus priority through signal upgrades and the enforcement of parking restrictions.
- Highways grant funded schemes, £2.489m, various projects to improve roads in the borough.

Estate Strategy £2.000m - SBC intends to reduce its corporate footprint to a minimum level to reduce running costs and maximise disposal opportunities. Consultants have been commissioned in 2023/24 to begin work on the Estate Strategy and this will continue into 2024/25 to identify office requirements and best use of existing space. This strategy will result in property adaptations and asset disposals which will fund the project as well as help the Capitalisation Directive

- Following a change in the Prudential Code, the Council no longer incurs capital expenditure on investments.

Table 2: **Five Year HRA Capital Programme Budget**

EXPENDITURE	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	Forecast	**Budget**	**Budget**	**Budget**	**Budget**
	£000	**£000**	**£000**	**£000**	**£000**
Existing Stock	8.970	8.075	10.158	11.823	12.623
De-Carbonisation Works	8.173	8.173	8.173	8.173	8.173
Total - Repairs & Maintenance (RMI)	**17.143**	**16.248**	**18.330**	**19.996**	**20.796**
Total - Affordable Homes	7.550	3.750	1.500	0.000	0.000
TOTAL HRA CAPITAL PROGRAMME	**24.693**	**19.998**	**19.830**	**19.996**	**20.796**

3.4 The planned financing of the above expenditure is as follows:

Table 3: Capital financing

Capital financing	2023/24 forecast £m	2024/25 budget * £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
External sources -GF	20.660	18.524	6.141	4.826	4.191
External sources - HRA	0	0	0	0.500	0.500
Total External sources	**20.660**	**18.524**	**6.141**	**5.326**	**4.691**
Major Repairs Reserve (MRR) - HRA	0	17.143	16.248	17.831	14.686
Capital receipts - GF	2.661	4.767	3.211	1.450	0
Capital receipts - HRA		7.550	3.750	1.500	3.794
Revenue resources - GF	1.412	0	0	0	0
Revenue resources - HRA		0	0	0	1.017
Total	**24.733**	**47.984**	**29.350**	**26.107**	**24.188**
Borrowing for Capitalisation Direction	31.575	0	0	0	0
Capital receipts applied to Capitalisation Direction	0	23.078	13.909	9.151	3.26
TOTAL incl Capitalisation Directive	**56.308**	**71.062**	**43.259**	**35.257**	**27.447**

**There has been no new borrowings nor planned borrowings to fund Capital Expenditure.*

Borrowing strategy

3.5 Historically the Council's borrowing had been very high for its organisational size, reaching £760m at 31 March 2021, being the third highest per head of population amongst all unitary Councils. In particular around 50% of this was short-term temporary borrowing from other local Councils exposing the Council to financial risk from increasing interest rates. As highlighted in previous reports, this level of borrowing and risk was neither affordable nor financially sustainable.

3.6 The 2022/23 Treasury Management strategy introduced a debt reduction strategy with the aim of reducing the Council's borrowing down to a target level of £335m which is considered a sustainable level of borrowing for an authority the size of Slough and based on a total borrowing to net revenue stream ratio would represent 2.1 times. This target is retained in this strategy and the level of borrowing is forecast to reduce by £88m to £502.4m by 31 March 2024 having repaid all short term borrowing and reducing total borrowing to £464.5m by 31 March 2025.

3.7 Significant amounts of historic capital expenditure have been funded by borrowing which is required to be repaid over time by minimum revenue provision. In addition to this, any capitalisation directions which have not been paid off by capital receipts require minimum revenue provision to be paid. Capital receipts are predominantly applied to reduce borrowing related to the capitalisation direction. The funds being used to reduce historic levels of borrowing are shown in the table below:

Table 4: Replacement of prior years' debt finance

Reduction of the Capital Financing Requirement through application of MRP and capital receipts	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
Minimum revenue provision (MRP) – General	13.978	13.441	12.419	11.115	11.205
Minimum revenue provision (MRP) – Capitalisation Direction	2.643	2.672	0	0	0
Capital receipts applied to previous years' Capitalisation Directions	24.692	84.224	0	0	0
TOTAL	**41.313**	**123.415**	**12.419**	**11.115**	**11.205**

3.6 Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement

Estimates of Capital Financing Requirement	31.3.2024 forecast £m	31.3.2025 budget £m	31.3.2026 budget £m	31.3.202 7 budget £m	31.3.2028 budget £m
General Fund services	511	503	448	436	425
Capitalisation Direction	87	0	0	0	0
Council housing (HRA)*	174	174	174	174	174
Capital investments	0	0	0	0	0
TOTAL CFR	**772**	**677**	**622**	**610**	**599**

*These figures include the opening CFR from before self-financing began

Whilst this shows a significant reduction in the CFR over the period shown, reducing the risk to Slough. This is, however, not as low as the position expected in last year's treasury management strategy. Last year's treasury management strategy anticipated applying £216m of capital receipts to reduce the general fund capital financing requirement in 2022/23, £164m of capital receipts to reduce it in 2023/24, and a further £200m by March 2024 to an overall £600m target. This is greatly in excess of the budget and would have meant that the Council would have generated sufficient capital receipts to fully fund the Capitalisation Direction and thereafter those capital receipts can be applied to finance the

Capital Financing Requirement 2-3 years earlier and thus significantly reduce MRP over the period 2022/23-2025/26.

The asset disposals are now forecast to be £370m by March 2026, with further assets being identified for disposal, working towards a target of £400m by 2027/28. Capital receipts are now expected to be received later than assumed in last year's treasury management strategy. The slippage in the asset disposal programme has resulted in the increased internal borrowing, CFR and MRP.

3.7 In the past 12 months:

- the Council has continued the implementation of the Asset Disposal Strategy which has generated £224.86m of capital receipts to date with a further £2.95m under offer, and so forecast to yield £227.81m to 31 March 2024. A further £86.23m is forecast for 2024/25 & 25/26.

3.8 Further work is underway to determine the full value of capital receipts available. The combination of the two has meant that the Council has a much-improved view of the liabilities facing the Council.

4. Treasury Management

4.1 On 31st March 2023, the Council held £590.47m of borrowing and £141m of treasury investments while on 31st December 2023, the Council held £428.9m of borrowing and £21.5m of treasury investments. This shows a decrease of £161.57m in borrowing level and £119.5m in investment level. This is set out in further detail in **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 6b below.

Table 6a – Borrowing and investment levels

Borrowing and investment levels	**31.3.23 Actual £m**	**Change £m**	**31.12.23 Actual £m**
Borrowing	590.47	(161.57)	428.9
Investments	141.0	(119.5)	21.5

The table below shows how the total CFR is financed by both external and internal borrowing.

Table 6b: Balance sheet summary and forecast

Balance sheet summary and forecast	**31.3.24** **Estimate £m**	**31.3.25** **Forecast £m**	**31.3.26** **Forecast £m**	**31.3.27** **Forecast £m**	**31.3.28** **Forecast £m**
General Fund CFR	510.75	502.83	447.79	435.99	424.78
Capitalisation Direction	86.9	0	0	0	0
Housing Revenue Account CFR	174.01	174.01	174.01	174.01	174.01
TOTAL CFR	**771.66**	**676.84**	**621.8**	**610**	**598.79**
Less: Other debt liabilities	31.25	29.11	26.87	25.08	23.30
Loans CFR	**740.41**	**647.73**	**594.93**	**584.92**	**575.49**
Less: External borrowing **	502.4	464.5	415.6	406.7	404.0
Internal borrowing	**238.01**	**183.23**	**179.33**	**178.22**	**171.49**
Less: Balance sheet resources	0	0	0	0	0
Net Treasury investments	**238.01**	**183.23**	**179.33**	**178.22**	**171.49**

* leases and PFI liabilities that form part of the Council's total debt
** shows only loans to which the Council is committed and excludes optional refinancing

4.2 CIPFA published two new codes of practice in December 2021, which directly impact treasury management, namely, the revised Treasury Management Code of Practice (TM Code) and the Prudential Code for Capital Finance in local Councils. Both Codes have statutory force. The key changes from previous editions are around permitted reasons to borrow, knowledge and skills and the management of non-treasury investments. Both Codes took immediate effect, although local Councils could have deferred implementing the revised reporting requirements to 2023/24. The Council has continued to adopt the revised reporting requirements in 2023/24 with effect from 2022/23 till date.

4.3 The treasury management operation should help the Council to ensure that its cash flow is adequately planned, with cash being available when it is needed. A second function of treasury management is to fund capital plans. These capital plans provide a guide to the borrowing need of the Council to allow a longer-term approach to cash flow planning. During 2024/25 a detailed cashflow forecasting model will continue to be employed. This provides improved management of the Council's cash balances which is helping to maximise the use of the additional cash flowing through from asset sales pending repayment of temporary borrowing.

4.4 An effective Treasury Management Strategy and service is critical to the Council, as the balance of debt and investment operations should ensure liquidity and the ability to make spending commitments as they fall due.

4.5 CIPFA defines treasury management as:

> "The management of the local Council'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."

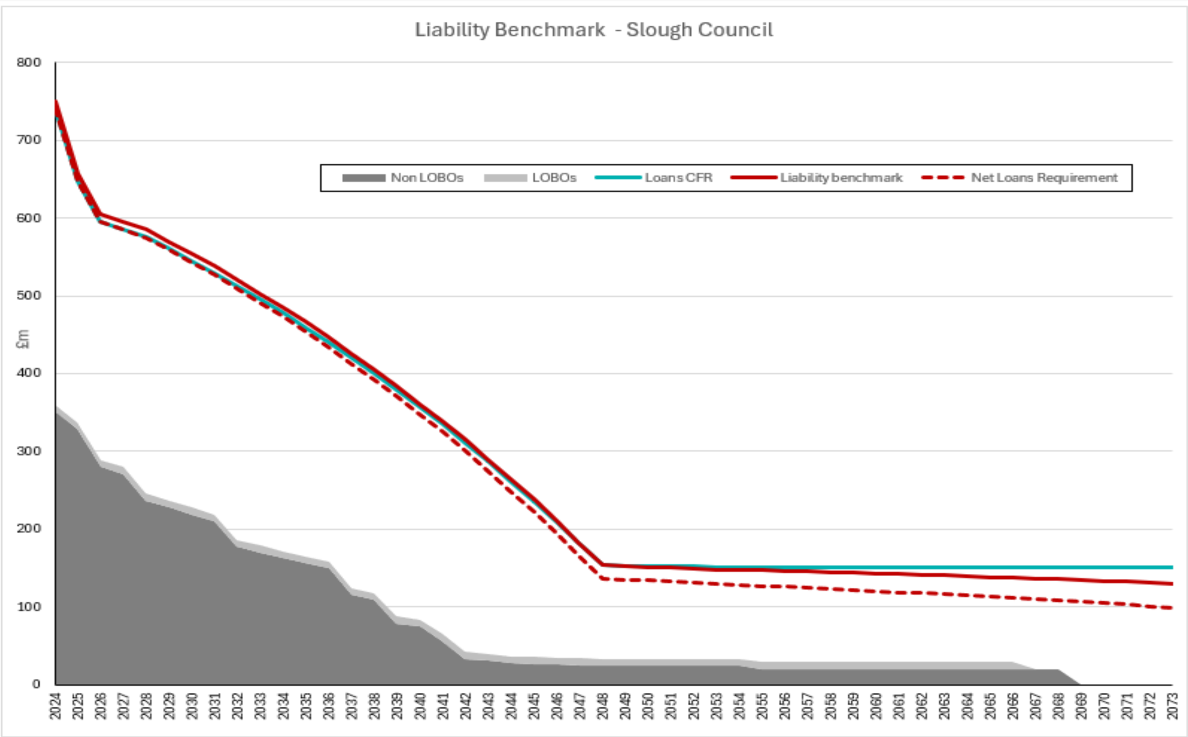
Liability benchmark:

4.6 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 6 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

4.7 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 7: Prudential Indicator: Liability benchmark

Prudential Indicator: Liability benchmark	**31.3.24** **Estimate** **£m**	**31.3.25** **Forecast** **£m**	**31.3.26** **Forecast** **£m**	**31.3.27** **Forecast** **£m**	**31.3.28** **Forecast** **£m**
Loans CFR	**740.41**	**647.73**	**594.93**	**584.92**	**575.49**
Less: Balance sheet resources	0	0	0	0	0
Net loans requirement	**740.41**	**647.73**	**594.93**	**584.92**	**575.49**
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	**750.41**	**657.73**	**604.93**	**594.92**	**585.49**



4.8 CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where external loans are less than the Liability Benchmark, then this indicates a borrowing requirement thus identifying where the Council is exposed to interest rate, liquidity and refinancing risks. Conversely where external loans exceed the Liability Benchmark then this will highlight an overborrowed position which will result in excess cash in the Council requiring investment thus exposing the authority to credit and reinvestment risks and a potential cost of carry. The treasury strategy further explains how the treasury risks identified by the Liability Benchmark are to be managed over the coming years.

Operational Boundary for External Debt

4.9 The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt.

Table 8 - Operational Boundary for External Debt

Operational Boundary	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m	2027/28 Limit £m
Operational boundary - borrowing	609	510.95	567.16	447.37	444.40
Operational boundary - PFI and leases		31.90	29.56	27.59	25.63
Operational boundary - total external debt		**542.85**	**596.72**	**474.96**	**470.03**

Authorised Limit for External Debt

4.10 The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 it is the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the operational boundary for unusual cash movements.

Table 9 – Authorised Limit for External Debt

Authorised Limit	2023/24 Authorised Limit £m	2024/25 Authorised Limit £m	2025/26 Authorised Limit £m	2026/27 Authorised Limit £m	2027/28 Authorised Limit £m
Authorised limit - borrowing	638	766.425	850.74	671.06	666.60
Authorised limit - PFI and leases		47.85	44.34	41.38	38.45
Authorised limit - total external debt		814.28	895.08	712.44	705.05

4.11 Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

5 Treasury Management Prudential Indicators 2024/25

The Council measures and manages its exposures to treasury management risks using the following indicators. The review of the 2023/24 Prudential indicators is set out in the Treasury Management Mid-Year Report 2023/24

5.1 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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.

Credit risk indicator	Target
Portfolio average credit	A

5.2 **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.

Liquidity risk indicator	Target
Total cash available within three months	£10m

5.3 **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	100%
Upper limit on one-year revenue impact of a 1% fall in interest rates	60%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

5.4 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk from fixed rate external borrowing. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	70%	0%
24 months and within 5 years	70%	0%
5 years and within 10 years	70%	0%
10 years and above	70%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

5.5 **Long-term treasury management investments:** 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. Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

The prudential limits on the long-term treasury management investments will be:

Price risk Indicator	2024/25	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year-end	**£90m**	**£90m**	**£90m**	**£90m**	**£90m**

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. In line with the debt reduction plan there should be a long-term strategy to reduce the financing costs to net revenue to a figure not exceeding 10% in the future.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
Financing costs	25.425	22.666	17.927	14.644	14.494
Proportion of net revenue stream	21%	17%	13%	10%	9%

A minimum level of HRA general reserve is deemed to be £4m. A net interest cost of 10% of total income is deemed be affordable within the HRA business plan.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50years into the future. The Executive Director of Finance & Commercial (s151 0fficer) is satisfied that the proposed capital programme is prudent, affordable and sustainable.

5.6 The Council is required to receive and approve the below, three main reports each year, which incorporate a variety of policies, estimates and actuals.

6.1 **Treasury Management Strategy Statement Report** – (this report) The first, and most important report is forward looking and covers:

- the capital plans
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed)

6.2 **Mid-Year Review & Quarterly Reports**– This is primarily a progress report presented to this committee updating Members on the progress of the Capital Programme, reporting on Prudential Indicators to give assurance that the treasury management function is operating within the Treasury Limits and Prudential Indicators set out in the TMSS. There is a separate report on the agenda on this. In future years it is envisaged that this report will be able to be presented to members earlier in the financial year.

6.3 **Treasury Management Outturn Report** – This is a backward-looking review, typically presented to members in June/July and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the TMSS and Mid-Year Reports. This committee received the 2022/23 outturn report at its January meeting.

6.4 **Capital Strategy** – In addition to the three main treasury management reports, the CIPFA 2021 Prudential and Treasury Management Codes require all local Councils to prepare a capital strategy report which provides 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

The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

7. Implications of the Recommendation

7.1 Financial implications

7.1.1 This report details the Council's strategies for treasury management and investment activity. The demonstrated commitment to the implementation of the new direction re the Council's strategies are designed to bring the Council back onto a financially sustainable footing, principally by reducing debt, but also by disposing of assets.

7.2 Legal implications

7.2.1 The Local Government Act 2003 provides the Council with the power to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Council is under a duty to determine and to keep under review how much money it can afford to borrow. The Local Councils (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to CIPFA's Prudential Code for Capital Finance in Local Councils and CIPFA's Treasury Management Code of Practice.

7.2.2 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.

7.2.3 Full Council is required to approve a Treasury Management Strategy (TMS) and investment decisions must be made in accordance with that. Any decision to depart from this Strategy must be agreed by Full Council. The Council's TMS Appendix 1 confirms how the Council complies with the CIPFA Treasury Management Code. This confirms that the Audit and Corporate Governance Committee has responsibility for scrutinising treasury management activities.

7.3 Risk management implications

7.3.1 Best practice and learning from other local government failures has identified that a failure to properly review and monitor investment activity can expose the Council to significant financial risk. It is critical that delegated Council is set at an appropriate level, performance is assessed against the principles set out in the TMS, performance is regularly monitored at senior officer level and by elected members, consideration is given to including aspects of the investment strategy in the internal audit programme and that the Council does not rely on investment activity to avoid making service decisions to meet reduced budgets.

7.3.2 The key risks for future investment activity are:

Asset sales either do not generate the expected receipts or are delayed. The mitigation is using external consultants to ensure best consideration is achieved through a managed asset disposal plan; and

Interest rates rise thus increasing borrowing costs. The temporary borrowing portfolio is at risk of interest rate rises. This can be mitigated by locking into PWLB borrowing and shifting the focus away from temporary borrowing.

7.4 <u>Environmental implications</u>

7.4.1 There are no specific implications.

7.5 <u>Equality implications</u>

7.5.1 There are no specific implications.

7.6 <u>Procurement implications</u>

7.6.1 There are no specific implications.

7.7 <u>Workforce implications</u>

7.7.1 There are no specific implications.

7.8 <u>Property implications</u>

7.8.1 In order to reduce the overall level of borrowing and finance the capitalisation direction, the Council will have to generate millions of pounds in capital receipts. The Council is currently working with external consultants with the necessary skills to push through the asset disposal plan.

Treasury Management Strategy Statement 2024/25

Minimum Revenue Provision Policy Statement

Capital Strategy and Annual Investment Strategy

2024/25 to 2027/28

Including commercial activities / non-treasury investment

Slough Borough Council

Contents -

Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risks are therefore central to the Council's prudent financial management.

This Treasury Management Strategy sets out how the Council will invest and borrow to meet future needs in an affordable way.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

<table>
<tr><td colspan="2">INVESTMENTS - FACTS AT A GLANCE</td></tr>
<tr><td colspan="2">Principles and Objectives of the Treasury Management Strategy
• To achieve the best secure investment returns
• To achieve a balanced spread of maturities and commitments
• To achieve the right mix of investments vehicles
• To balance risk against return</td></tr>
<tr><td colspan="2">Market Intelligence
• Bank of England reports
• Market Outlook by the Council’s Treasury Management advisers Arlingclose</td></tr>
<tr><td rowspan="4">.
Statutory and Performance Framework
Rules that guide us</td><td>Investments
· Sterling only
· Can use UK Government, Local Authority or a body of high credit quality.
· The Council defines “high credit quality” organisations and securities as those having a credit rating of [A] or higher and domiciled in UK</td></tr>
<tr><td>Approved Counterparty List and Limits (see table on page 25)</td></tr>
<tr><td>Investment Limits - subject to Approved Counterparty List on page 25
· Unlimited UK Government
· Unlimited Money Market Fund
· £20m any single local authority or government entity
· £25m secured investment.
· £20m per Bank (unsecured)
. £25m Lloyds Bank plc (the Council’s bankers)
. Various others
Key Council Budget Assumption for 2024/25
· Investments make an average rate of return of 5%</td></tr>
<tr><td>Objective - Security first, Liquidity second and then Yield.</td></tr>
<tr><td>Approach

Choices made within the framework</td><td>Strategy - to maximise returns, reduce risk and diversify investments.
Risk Assessment and credit ratio - Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information.
Other information on security of Investments - Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information</td></tr>
</table>

4

BORROWINGS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure borrowing returns
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles
- To balance risk against return

Market Intelligence

- Bank of England reports
- Market Outlook by the Council’s advisers, Arlingclose.

Statutory and Performance Framework

Rules that guide us

Borrowing

- **£48.0m** Total 2024/25 Capital Expenditure
- **£71.1m** Total 2024/25 Capital Expenditure Incl Capitalisation Direction
- **£677m** Capital Finance Requirement (need to borrow) 2024/25
- **£493.61m** Total Debt (loans and private finance initiative) 2024/25
- **£542.85m** Operational Boundary (practical ceiling on borrowing) 2024/25
- **£814.28m** Authorised Limit (absolute maximum debt approved) 2024/25

Prudential indicators

- **A** Credit Risk Indicator - Portfolio Average Credit
- **£10m** - Liquidity Risk Indicator, sufficiency to be tested for appropriateness in 2024/25

Treasury Management Indicators

- **100%** Upper Limit on Interest Rate Exposure
- **60%** Lower Limit on Interest Rate Exposure
- **0% to 70%** Maturity Structure of Borrowing, exposure in any duration

Affordability Indicators

- General fund financing costs to be reduced to 9% of net revenue stream by 2027/28
- HRA net interest costs to be maintained within 10% of total income.

Capitalisation Direction (CD)

- The Council's CD is set to reduce through application of Capital Receipts

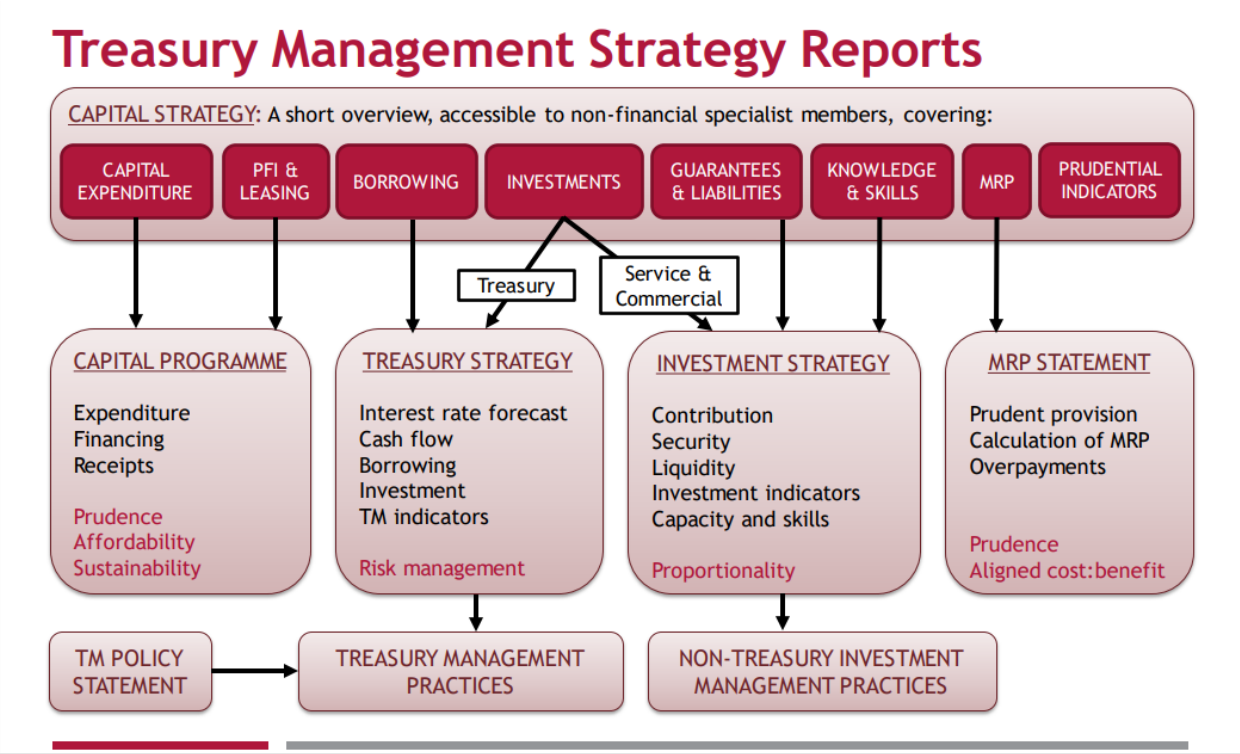
Minimum Revenue Provision Policy (MRP)

- Annuity Method
- PFI/Leases can be charged on an annuity method over the life of the asset.
- Option for capital receipts to be used towards repaying debt

Key Council Budget Assumption for 2024/25

- New long-term loans will cost an average rate of 5.5%

The diagram below shows how Capital expenditure affects the Treasury Management Strategy



The diagram above shows how the requirements of the Department of Levelling Up Housing and Communities (DLUHC) Guidance and The CIPFA Code interact with the Capital and Treasury Management. There is a new Capital Strategy and a new Non-Treasury Management Investment Strategy (shown as service and commercial in the diagram) included in this document.

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This is Arlingclose's expert assessment of the economy in the coming months and years

Economic background:

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25.
The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak, and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

This is Arlingclose's expert view on future interest rates

Credit outlook:

Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local Councils. However, within the same update the long-term ratings of those five local Councils were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

This is Arlingclose's view on interest rates risks

Interest rate forecast (December 2023):

Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 5%, and that new long-term loans will be borrowed at an average rate of 5.5%.

Slough Borough Council Local Context

On 31st March 2023, the Council held £590.47m of borrowing and £141m of treasury investments while on 31st December 2023, the Council held £428.9m of borrowing and £21.5m of treasury investments. This shows a decrease of £161.57m in borrowing level and £119.5m in investment level. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1A: Treasury Management Summary

	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Long-term borrowing					
- PWLB	489.4	451.5	402.6	393.7	391.0
- LOBOs	13.0	13.0	13.0	13.0	13.0
- Other					
Short-term borrowing	0.0	0.0	0	0	0
Total borrowing	**502.4**	**464.5**	**415.6**	**406.7**	**404.0**
Long-term investments					
Short-term investments	12.25	12.25	12.25	12.25	12.25
Cash and cash equivalents					
Total investments	**12.25**	**12.25**	**12.25**	**12.25**	**12.25**
Net borrowing	**490.15**	**452.25**	**403.35**	**394.45**	**391.75**

Table 1B: Balance sheet summary and forecast

Balance sheet summary and forecast	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
General Fund CFR	**510.75**	**502.83**	**447.79**	**435.99**	**424.78**
Capitalisation Direction	**86.9**	**0**	**0**	**0**	**0**
Housing Revenue Account CFR	**174.01**	**174.01**	**174.01**	**174.01**	**174.01**
TOTAL CFR	**771.66**	**676.84**	**621.8**	**610**	**598.79**
Less: Other debt liabilities *	31.25	29.11	26.87	25.08	23.30
Loans CFR	**740.41**	**647.73**	**594.93**	**584.92**	**575.49**
Less: External borrowing **	502.4	464.5	415.6	406.7	404.0
Internal borrowing	**238.01**	**183.23**	**179.33**	**178.22**	**171.49**
Less: Balance sheet resources	0	0	0	0	0
Net Treasury investments	**238.01**	**183.23**	**179.33**	**178.22**	**171.49**

* leases and PFI liabilities that form part of the Council's total debt
** shows only loans to which the Council is committed and excludes optional refinancing

Part 2 – Treasury Technical Analysis

This is how much debt we expect to have in the next four years

These are borrowing limits we are required to set by law. They are affordable levels and needed to fund our capital programme

Maximum Total Debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council currently has significant levels of debt. Its general fund capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments have fallen in cash flow terms to finance the Capitalisation Directive short term, with then capital receipts used to pay off the Capitalisation Directive. The capital programme is not being funded by borrowing, to remove any subsequent upward pressure on MRP in the revenue budget.

CIPFA's Prudential Code for Capital Finance in Local Councils recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25.

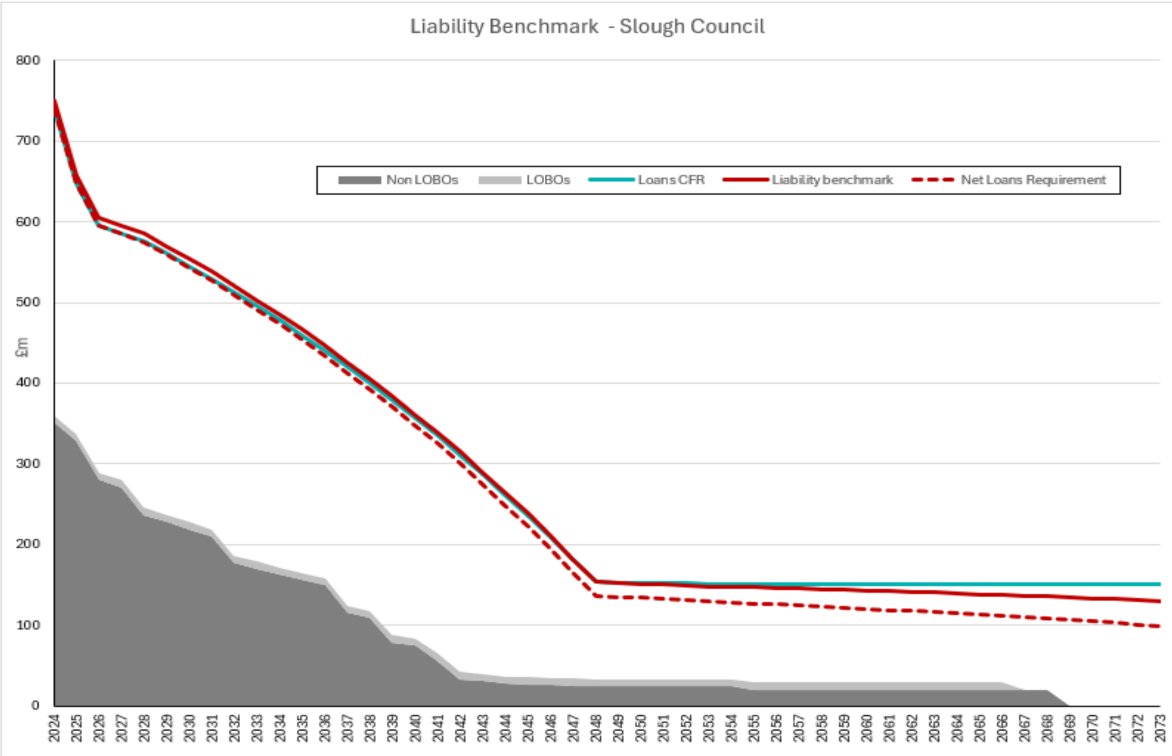
Liability benchmark:

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

Prudential Indicator: Liability benchmark	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	**740.41**	**647.73**	**594.93**	**584.92**	**575.49**
Less: Balance sheet resources	0	0	0	0	0
Net loans requirement	740.41	647.73	594.93	584.92	575.49
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	750.41	657.73	604.93	594.92	585.49

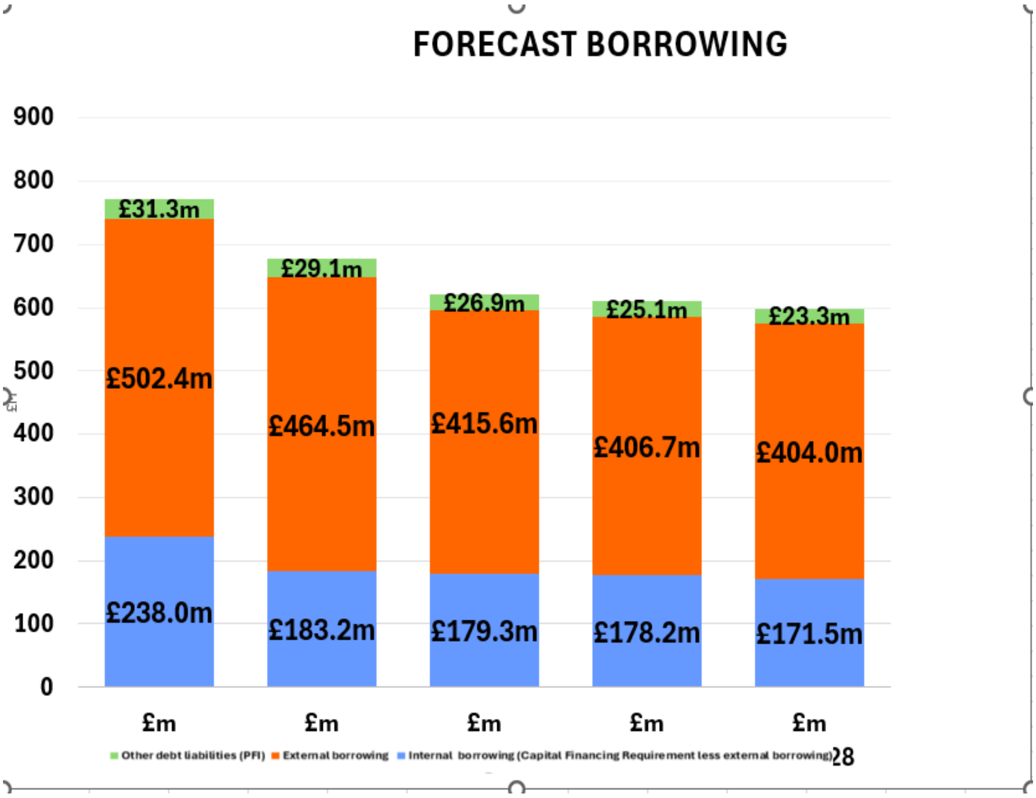


CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where external loans are less than the Liability Benchmark, then this indicates a borrowing requirement thus identifying where the Council is exposed to interest rate, liquidity and refinancing risks. Conversely where external loans exceed the Liability Benchmark then this will highlight an overborrowed position which will result in excess cash in the Council requiring investment thus exposing the authority to credit and reinvestment risks and a potential cost of carry. The treasury strategy further explains how the treasury risks identified by the Liability Benchmark are to be managed over the coming years.

The strategy is to borrow short-term as the rates are cheaper and the Council expects capital receipts to be received. We will also look for opportunities in future for reasonable long-term fixed rate loans/refinancing

Borrowing Strategy

Chart 1 – Forecast Borrowing 2023/24 -2027/28



As at 31st December 2023, the Council held £428.9 million of loans, a decrease of £161.57 million compared to the position as at 31st March 2023, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to reduce borrowing to £464.5m in 2024/25.

Objectives of Borrowing Decisions

• To strike an appropriately low risk balance between securing low interest and fixed borrowing to obtain certainty of costs.

• Flexibility to reschedule existing debt in the context of the overarching targets,
In the event that liquidity slows in the existing available markets, the Council will need to lock into fixed longer term borrowing with the PWLB, but will seek to avoid doing so while the current debt reduction strategy is in place.

Strategy

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. The Council plans to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's Treasury Management advisors will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised all of its long-term borrowing from the PWLB and LOBOs. Future borrowing is expected to be from the PWLB, due to the restrictions in the Capitalisation Direction. After this period the Council may consider long-term loans from other sources including banks, pensions and local Councils, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local Councils planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

These are the lenders we are able to use

Sources of borrowing:

The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except SBC's Local Government Pension Scheme)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues

However, given that the Council is having to seek a substantial capitalisation direction from central government in order to balance the budget lawfully, the Council is not an attractive proposition for other lenders. Therefore, these options are not available to the Council and the primary source of borrowing will remain the PWLB for fixed term borrowing (should the need arise to fix borrowing).

Other sources of debt finance:

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase

- Private Finance Initiative
- sale and leaseback
- similar asset-based finance

The Municipal Bonds Agency may offer an alternative for short term borrowing

Municipal Bonds Agency:

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local Councils. This is a more complicated source of finance than the PWLB for two reasons: borrowing Councils will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

The LOBO agreements were entered into under different market conditions. Where possible we will replace them with lower cost loans

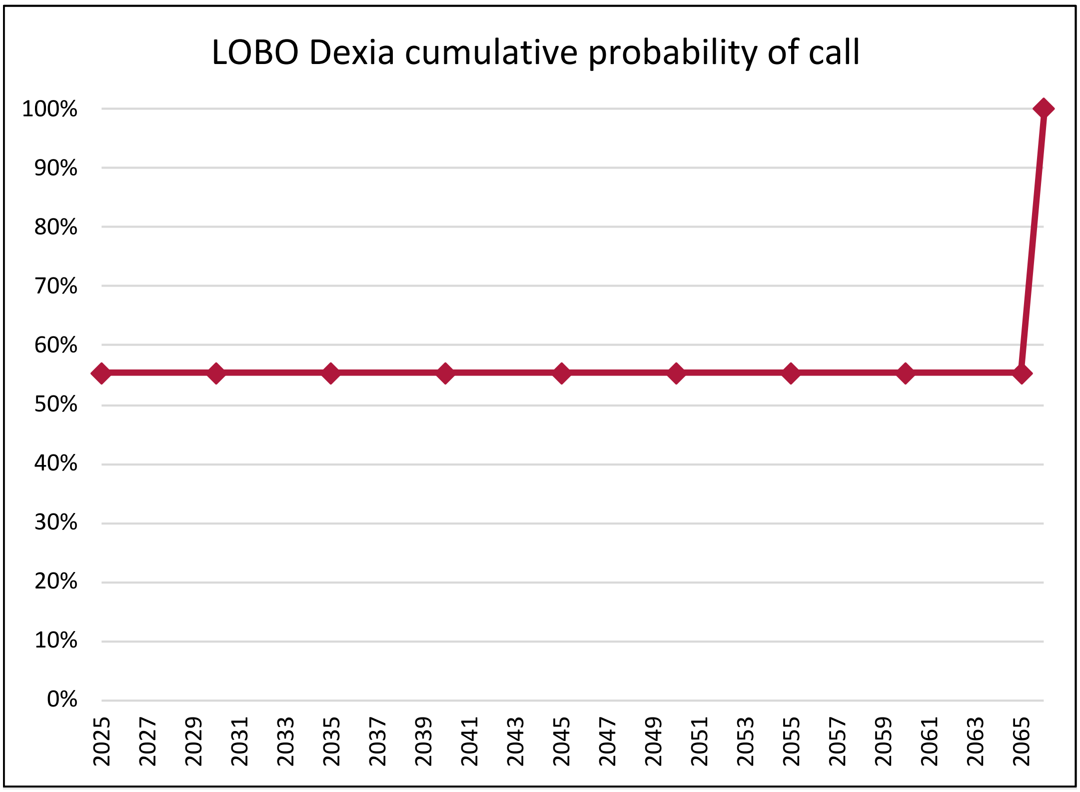
Option Borrower's Option (LOBOs):

The Council holds £13m 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 Council has the option to either accept the new rate or to repay the loan at no additional cost.

No call ins were exercised in Q1 – Q3 2023/24 despite LOBO interest rates falling below the increasing Bank of England Rate. Opportunities to repay any LOBO obligations will be considered when it can be demonstrated to be cost effective and affordable.

The £4m Dexia LOBOs have options at the start of 2025/26, but the Council does not need to take the option to repay LOBO loans. Total borrowing via LOBO loans is limited to £13m. Maturity dates are between 2054 and 2066..

Chart 2 - LOBO Dexia Cumulative Probability of Call



Short-term loans:

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

Debt rescheduling:

The PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years. The Municipal Bonds Agency may offer an alternative for short term borrowing

Capital Strategy

Capital Strategy

Introduction

This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2024/25, the Authority is planning capital expenditure of £71.062m as summarised below in Table 4.

The focus for capital expenditure will align to the Council's corporate plan priorities, with a focus on;

- Ensuring essential services are deliverable
- Investment that minimises revenue expenditure in the context of financial challenges the authority is facing
- Maximising external funding sources

The main General Fund capital projects include; Destination Farnham Road £7.482m, a scheme to revitalise the Farnham Road area by prioritising walking and cycling and improving bus priority through signal upgrades and the enforcement of parking restrictions. Highways grant funded schemes, £2.489m, various projects to improves roads in the borough. Estate Strategy £2.000m, project to consolidate and dispose of offices to be more efficient. Following a change in the Prudential Code, the Council no longer incurs capital expenditure on investments.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes capital works to existing stock and development of new affordable homes.

The main HRA capital projects include:

Table 3: Five Year HRA CAPITAL PROGRAMME BUDGET

EXPENDITURE	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000
Existing Stock	8.970	8.075	10.158	11.823	12.623
De-Carbonisation Works	8.173	8.173	8.173	8.173	8.173
Total - Repairs & Maintenance (RMI)	**17.143**	**16.248**	**18.330**	**19.996**	**20.796**
Total - Affordable Homes	7.550	3.750	1.500	0.000	0.000
TOTAL HRA CAPITAL PROGRAMME	**24.693**	**19.998**	**19.830**	**19.996**	**20.796**

Governance: Service managers bid annually in October to include projects in the Authority's capital programme. Bids are collated by the Capital finance team who review and confirm the external funding (or use of capital receipts) for the project. No projects that require financing are accepted into the programme at present. The Capital Board appraises all bids based on strategic priorities and makes recommendations to CLT. The final capital programme is then presented to Cabinet in February and to Council in February each year.

All capital expenditure must be financed, either from external sources (government grants and other contributions) or the Authority's own resources (revenue, reserves and capital receipts). The planned financing of the above expenditure is found in Table 4 below.

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP) Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP / repayments and use of capital receipts are presented in table 5 below.

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to decrease by £93m during 2024/25. Based on the below figures for expenditure and financing, the Authority's estimated CFR is presented in table 6 below.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Furthermore as a result of the financial challenges facing the Council, the Council has submitted a capitalisation direction to DLUHC to allow it to treat as capital expenditure certain types of revenue expenditure. The Council needs to fund the revenue expenditure from its own capital, including from receipts arising out of disposal of assets where these are General Fund assets. Disposal of assets will be considered to maximise resources to the benefit of the Council's corporate priorities. The Council plans to receive £134.358m of capital receipts in the coming financial year.

The Full Capital spending plans

The Prudential Code requires that any borrowing and investment decisions are taken in light of capital spending plans and consideration of how that proposed capital expenditure will be financed.

The Council's general fund capital expenditure plans have been reported in the four-year capital programme 2024/25 to 2027/28 reported elsewhere on the Committee's agenda, both in terms of those agreed previously, and those forming part of the current budget cycle. The Council's HRA capital expenditure plans are reported in the 30yr Business Plan and Medium Term Budgets 2024/25.

Prudential Indicators 2024/25

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Councils (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local Councils are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

This is how we will fund the investment needed to deliver the Slough Borough CAPEX Plan

The Council's planned capital expenditure and financing forecast at October 2023 is summarised as follows. This incorporates reprofiling assumptions for current and future years based on a trend analysis using past years.

Table 4 – Estimates of Capital Expenditure

Estimates of Capital Expenditure	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
General Fund services	13.334	23.291	9.352	6.276	4.191
Council housing (HRA)	11.399	24.693	19.998	19.830	19.996
Capital Investments	0	0	0	0	0
TOTAL	**22.551**	**47.984**	**29.350**	**26.106**	**24.187**
Rev Exp funded by Capital under (REFCUS) a Capitalisation Direction	31.575	23.078	13.909	9.151	3.260
TOTAL Incl Capitalisation Direction	**54.126**	**71.062**	**43.259**	**35.257**	**27.447**

Table 5- Capital financing

Capital financing	2023/24 forecast £m	2024/25 budget * £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
External sources -GF	20.660	18.524	6.141	4.826	4.191
External sources - HRA	0	0	0	0.500	0.500
Total External sources	**20.660**	**18.524**	**6.141**	**5.326**	**4.691**
Major Repairs Reserve (MRR) - HRA	0	17.143	16.248	17.831	14.686
Capital receipts - GF	2.661	4.767	3.211	1.450	0
Capital receipts - HRA		7.550	3.750	1.500	3.794
Revenue resources - GF	1.412	0	0	0	0
Revenue resources - HRA		0	0	0	1.017
Total	**24.733**	**47.984**	**29.350**	**26.107**	**24.188**
Borrowing for Capitalisation Direction*	31.575	0	0	0	0
Capital receipts applied to Capitalisation Direction	0	23.078	13.909	9.151	3.26
TOTAL incl Capitalisation Directive	**56.308**	**71.062**	**43.259**	**35.257**	**27.447**

**There has been no new borrowings nor planned borrowings to fund Capital Expenditure.*

In total the capitalisation direction is expected to be financed 95% from capital receipts and 5% from minimum revenue provision. In years up to and including 2023/24 there is forecast to be a delay between the capitalisation direction expenditure and the receipt being received, leading to internal borrowing being required. This temporary borrowing results in the minimum revenue provision charges required through to 2024/25.

Planned MRP and level of capital receipts used in place of debt finance are as follows:

Table 6: Replacement of prior years' debt finance

Reduction of the Capital Financing Requirement through application of MRP and capital receipts	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
Minimum revenue provision (MRP) - General	13.978	13.441	12.419	11.115	11.205
Minimum revenue provision (MRP) - Capitalisation Direction	2.643	2.672	0	0	0
Capital receipts applied to previous years' Capitalisation Directions	24.692	84.224	0	0	0
TOTAL	**41.313**	**123.415**	**12.419**	**11.115**	**11.205**

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. This Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

This is the total past and planned capital expenditure we need to finance

Table 7- Estimates of Capital Financing Requirement

Estimates of Capital Financing Requirement	31.3.2024 forecast £m	31.3.2025 budget * £m	31.3.2026 budget £m	31.3.2027 budget £m	31.3.2028 budget £m
General Fund services	511	503	448	436	425
Capitalisation Direction	87	0	0	0	0
Council housing (HRA)	174	174	174	174	174
Capital investments	0	0	0	0	0
TOTAL CFR	**772**	**677**	**622**	**610**	599

The Council has a decreasing CFR and is forecast to reduce by £150m over the next two years, reflecting constraint within the capital programme, and expected capital receipts paying down the capitalisation direction.

Gross Debt and the Capital Financing Requirement:

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Table 8 - ***Gross Debt and the Capital Financing Requirement***

Gross Debt and the Capital Financing Requirement	**31.3.2024 forecast £m**	**31.3.2025 budget £m**	**31.3.2026 budget £m**	**31.3.2027 budget £m**	**31.3.2028 Budget £m**
Debt (incl. PFI & leases)	472.7	470.5	468.3	461.25	456.55
Capital Financing Requirement	772	677	622	610	599

Total debt is expected to remain below the CFR during the forecast period.

Debt and the Authorised Limit and Operational Boundary:

There are two limits on external debt:

- the ‘Operational Boundary’ and
- the ‘Authorised Limit’

The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. The Executive Finance Director (s151 officer) reports that the Council has complied with this prudential indicator in the current year and does not envisage non-compliance for future years as part of the medium term financial plan. This takes into account current commitments and proposals within the report

Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case, scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short-term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

This is the flexibility we need to cope with our changing borrowing position from day to day

Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt.

Table 9 - Operational Boundary for External Debt

Operational Boundary	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m	2027/28 Limit £m
Operational boundary – borrowing	609	510.95	567.16	447.37	444.40
Operational boundary – PFI and leases		**31.90**	**29.56**	**27.59**	**25.63**
Operational boundary - total external debt		**542.85**	**596.72**	**474.96**	**470.03**

This is the absolute maximum of debt approved by the City Council

Authorised Limit for External Debt

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 it is the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the operational boundary for unusual cash movements.

Table 10 - Authorised Limit for External Debt

Authorised Limit	2023/24 Authorised Limit £m	2024/25 Authorised Limit £m	2025/26 Authorised Limit £m	2026/27 Authorised Limit £m	2027/28 Authorised Limit £m
Authorised limit - borrowing	**638**	**766.425**	**850.74**	**671.06**	**666.60**
Authorised limit - PFI and leases		**47.85**	**44.34**	**41.38**	**38.45**
Authorised limit - total external debt		**814.28**	**895.08**	**712.44**	**705.05**

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 edition in April 2002. It fully complies with the Codes recommendations.

Treasury Investment Strategy

This explains the types of Investments under the CIPFA and DLUHC rules including non-Treasury Management Investments

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash from its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the first and second of these categories.

This sets out how we invest any surplus funds for cash management

The Council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds grants received in advance of future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury investments is expected to fluctuate between £10m and £75m during the financial year

As at 31st Dec 2023, the Council holds £21.5m invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 9 months, the Council's treasury investment balance has ranged between £141m and £21.5 million This reduction in short term investments has largely funded paying off short-term debt. Broadly similar levels are expected to be maintained in the forthcoming year, although on average short term investment balances are expected to be lower than in 2023/24.

Objectives:

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest 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. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Strategy:

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

The CIPFA Code does not permit local Councils to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk. Given the risk of short-term unsecured bank investments, the Council has so far invested mainly with DMADF & Low Volatility Money Market Funds.

These are the limits we use for making individual investments. They are based on advice from Arlingclose

Investment Limits:

When considering investment limits in the chart below you must also refer to the credit ratings of the individual organisations to make the final assessment. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors 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.

Treasury Investment Approved Counterparty List & Limits:

The Council may invest its surplus funds with any of the counterparty types in table 10 below, subject to the limits shown.

Table 11 - Treasury investment Approved Counterparty List and Limits

Sector	Minimum Credit Criteria	Time limit	Counterparty limit	Sector limit
SPECIFIED INVESTMENTS:				
The UK Government - DMADF	N/A	6 months** 50 years	Unlimited	n/a
Money market funds *	AAA	n/a	£10m per fund	Unlimited
Local Councils & other government entities	N/A	10 years	£20m per institution	Unlimited
Lloyds Bank plc (the Council's bankers) *	A+	Overnight*** deposits Up to 13 months	£20m £5m	Unlimited
Term deposits with Banks and rated Building societies (unsecured) *	A+	13 months	£20m per institution	
Current and Ex-Government Supported Banks	A+	Up to 1 year	£20m per institution	50%
NON-SPECIFIED INVESTMENTS:				
UK Government supported banks and Ex- Government supported banks	N/A	3 years	£70m	50%
Pooled Vehicles: Enhanced Money Market Fund: UK Government and Government Guaranteed securities Pooled Property Funds Short – Term Investment – grade sterling denominated instruments	n/a	4 years	£25m per institution	

This table must be read in conjunction with the notes below

** DMO – is the maximum period offered by the Debt Management Office of H.M.Treasury

*** Over £20 million with the explicit agreement of the Executive Director of Finance & Commercial (S151 Officer)

* Minimum credit rating:

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A+. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £25m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Government:

Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local Councils and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Banks and building societies (unsecured):

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.
Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Operational bank accounts:

The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept low per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings:

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments:

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects:

The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.
When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local Councils. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The maximum that will be lent to any one organisation (other than the UK Government) is contained in Table 3: Treasury Investments Counterparty and Limits. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Limits are also 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.

Table 12 - Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

Liquidity management:
The Council uses purpose-built cash flow forecasting software Logotech to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
The Council will spread its liquid cash over at least multiple providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

This is the rate we expect to pay on new borrowing, and how much we expect to earn on investments

Council Budget Assumptions for 2024/25

- Investments will make an average rate of 5.0%
- New long-term loans will cost an average rate of 5.29% reflecting the premium on new borrowings as a result of the Capitalisation Direction.
- New short-term refinancing loans will cost an average rate of 5.5%

Treasury Management Prudential Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

This is how we measure our performance

Security:

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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.

Credit risk indicator	Target
Portfolio average credit	A

This is how we ensure that we have cash available to meet unexpected payments

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.

Liquidity risk indicator	Target
Total cash available within three months	£10m

This is a technical measure to limit how much we can be affected by changing interest rates

Interest rate exposures:

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	100%
Upper limit on one-year revenue impact of a 1% fall in interest rates	60%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Our loans fall due for repayment at various dates. We expect to have mainly fixed rate debt for longer loans. This avoids the risk of extra interest costs

Maturity structure of borrowing:

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 13 - Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	70%	0%
24 months and within 5 years	70%	0%
5 years and within 10 years	70%	0%
10 years and above	70%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term treasury management investments:

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 investments will be:

Price risk indicator	2024/25	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	£90m	£90m	£90m	£90m	£90m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Revenue Budget Implications
Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. In line with the debt reduction plan there should be a long term strategy to reduce the financing costs to net revenue to a figure not exceeding 10% in the future.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
Financing costs	25.425	22.666	17.927	14.644	14.494
Proportion of net revenue stream	21%	17%	13%	10%	9%

A minimum level of HRA general reserve is deemed to be £4m. A net interest cost of 10% of total income is deemed be affordable within the HRA business plan.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50years into the future. The Executive Director of Finance & Commercial (s151 0fficer) is satisfied that the proposed capital programme is prudent, affordable and sustainable. (

Non-Treasury Management Investments

Introduction

The non-treasury management investment strategy was a new report introduced in 2019/20, following the requirements of statutory guidance issued by the government (MHCLG) in January 2018, and focuses on the first and second of the following investment categories.

The Council invests its money for three broad purposes:

1. **Non-Treasury Management Investments** – to invest surplus cash from reserves and other funds that are not required for the day-to-day cash flow activities.

2. **Service Investments** - to support local public services by lending to or buying shares in other organisations; and

3. **Commercial Investments** - to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain local jobs (known as commercial investments where these are the main purpose).

Non-Treasury Management Investments

If the Council holds reserves that are not required for the day-to-day treasury management cash flow activities, they could be invested in non-treasury management investments.

The surplus cash reserves can be invested in accordance with the CIPFA guidance.

Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest 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 receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.

Contribution: The contribution that these investments make helps support the Council's budget to enable it to delivery its essential services.

Service Investments

. **Table 14: Non-Treasury Investments**

Interest receivable 2023/24 £000s	Debtor	Balance at 30/09/2023 £000s	Interest receivable 30/09/2023 £000s	Rate %
1,551	James Elliman Homes	51,700	1,551	3%
0	SUR LLP - senior debt	0	0	5%
144	SUR LLP - loan notes *	2,885	144	5%
354	GRE 5 Ltd	2,131	286	6%
71	Slough Children First Ltd	5,000	71	1%
0	St Bernards School	0	0	1.41%
1,976		**61,716**	**1,908**	**3.40%**

*subject to final audit

Loans

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities or housing associations etc. to support local public services and stimulate local economic growth.

The council will ensure that a full due diligence exercise is undertaken, and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer. All loans will be subject to close, regular monitoring.

Loans are treated as capital expenditure for accounting treatment. These service investments and loans will need to be considered in the context of the Councils wider target affordability thresholds outlined in the section on Revenue Budget Implications above.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Therefore, the Council should aim to take security against assets to mitigate the risk of default.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans by:

1. reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows;

2. assessing what security is available to secure the loan and if necessary carry out a professional valuation of any property;

3. using external advisors to provide professional information such as due diligence requirements;

4. the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council;

5. if an organisation has a credit rating we will carry out a credit check to assist;

6. the rate of interest charged on any loan will reflect the risk of the project and potential for default;

7. subsidy controls rules are taken into account before a loan can be considered.

Shares

The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth.

Security:

One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

Risk assessment:

The Council assesses the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation; its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation. Treasury Management Strategy 2024/25 OFFICIAL 25

Liquidity: The Council covers its liquidity for working capital and cash flow by holding cash in its Money Market Fund and being able to borrow short term loans from other local Councils.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out an evaluation process.

The risk of not achieving the desired profit or borrowing costs increasing or the having vacant premises is partially covered by a void reserve. Annual payments are deducted from the rental income each year to add to the void reserve.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council makes an internal charge (service borrowing) to cover the capital repayments from the rental income.

The Council also makes alternative arrangement to cover their short-term cash requirements.

Proportionality

The Council uses the profit generated by the commercial investment to provide services for the city and to achieve a balanced revenue budget.

Borrowing in Advance of Need

Government guidance is that local Councils must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council has chosen not to follow this guidance and has previously borrowed for this purpose because it wants to generate income to support its local economy and its statutory duties. This is a common practice by local Councils since the Localism Act of 2011.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council.

Annual Minimum Revenue Provision Statement 2024/25

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

Minimum Revenue Position Policy

The MRP payment is a revenue charge.

MRP will commence in the financial year following the asset coming into use or after purchase.

For capital expenditure incurred before 1st April 2008, for supported capital expenditure incurred on or before that date, MRP will be charged on an annuity basis over 50 years, incorporating an "Adjustment A" in accordance to the guidance.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

For capital expenditure loans to third parties, the Council will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Council's view is consistent with the current regulations.

All investment properties that are sold by the Council will use the capital receipts to repay the outstanding loan finance for that property before any balance of capital receipts is available for other capital projects.

External Loans

For capital expenditure loans to third parties that are repaid in instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

Capitalisation Directions - For capitalisation directions on expenditure incurred after 1 April 2008 MRP will be made using the annuity method over the lifespan provided in the capitalisation direction.

PFI/Leases - For assets acquired by leases or the Private Finance Initiative, the Council changed its policy with effect from 01/04/2021 such that MRP can be charged over the life of the assets on an annuity basis. This is in line with the Council's MRP policy for all other assets as described above.

<u>Related Matters</u>

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Policy on use of Financial derivatives:

Local Councils have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local Councils' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account:

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured regularly and interest transferred between the General Fund and HRA at the Council's average interest rate on treasury investments excluding strategic pooled funds, adjusted for credit risk if a net investment balance and at the Council's average rate of borrowing if a net borrowing balance.

External Funds:

The interest income net of related costs of investment is shared based by applying an average interest rate return on the balances.

Investment Training:

The needs of the Council's treasury management staff for training in investment management are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staffs are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Financial Implications

The estimate for investment income in 2024/25 is £1.125 million, based on an average investment portfolio of £25 million at an interest rate of 4.5%. The estimate for debt interest paid in 2024/25 is £15.9 million, based on an average debt portfolio of £441.4 million at an average interest rate of 3.44%. The budget for 2024/25 is in line with these estimates. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The DLUHC Guidance and the CIPFA Code does not prescribe any particular treasury management strategy for local Councils to adopt. The Executive Director of Finance and Commercial (S151), having consulted the Cabinet Member for Finance and Commercial, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

The Treasury Management Practices, Principles and Schedules

The Treasury Management Practices, Principles and Schedules sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules each year under delegated decision.

Investment of Money Borrowed in Advance of Need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be less than one year, although the Council is not required to link particular loans with particular items of expenditure

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A

Arlingclose Economic & Interest Rate Forecast – December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix B

Existing Investment & Debt Portfolio Position

	31.12.24 Actual portfolio £m	31.12.24 Average rate %
External borrowing:		
Public Works Loan Board	**415.9**	**3.35**
Local Councils		
LOBO loans from banks	**13.0**	**4.17**
Other loans		
Total external borrowing	**428.9**	**3.44**
Other long-term liabilities:		
Private Finance Initiative	3.2	
Leases	28.1	
Transferred Debt		
Total other long-term liabilities	31.3	
Total gross external debt	**460.1**	
Treasury investments:		
The UK Government		
Local Councils		
Other government entities		
Secured investments		
Banks (unsecured)		
Building societies (unsecured)		
Money market funds	21.5	5.34
Total treasury investments	**21.5**	**5.34**
Net debt	**438.6**	

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APPENDIX C

THE TREASURY MANAGEMENT POLICY STATEMENT

The CIPFA recommendations contained in the Code of Practice and Cross Sectoral Guidance Notes issued as a revised version in 2009, 2011 and 2018 for Treasury Management in the Public Services require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council.

CIPFA recommends that the Council's treasury management policy statement adopts the following form of words below to define the policies and objectives of its treasury management activities.

This Council defines its Treasury Management activities as:

- The management of the Council's 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.
- This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- This Council acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance.

APPENDIX D

TREASURY MANAGEMENT and REPORTING CYCLE

The Council has adopted the following reporting arrangements in accordance with the requirements of the Treasury Management Code:

Area of Responsibility	Council/Committee/Officer	Frequency
Treasury Management Policy Statement	Full Council	Annually before start of financial year
Treasury Management Strategy/Annual Investment Strategy	Full Council	Annually before start of financial year
Quarterly Treasury Management and Prudential Indicator updates	Audit & Corporate Governance Committee	Quarterly
Updates or revisions to Treasury Management Strategy/Annual Investment Strategy during year	Cabinet (following consideration by Corporate Governance Committee, wherever practical)	Ad hoc
Annual Treasury Outturn Report	Cabinet	Annually by end of September following year end
Treasury Management Practices	Director of Corporate Resources	As needed
Review of Treasury Management Strategy/Annual Investment Strategy	Corporate Governance Committee	Annually before start of financial year and before consideration by full Council, wherever practical
Review of Treasury Management Performance	Corporate Governance Committee	Annually by end of September following year end

The CIPFA Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and demonstrating compliance with the CIPFA FM Code is a collective responsibility of elected members, the s151 Officer and all members of the leadership team.

In the context of this strategy the Council will ensure, maintain, or improve compliance with the code in the following areas:

- There are appropriate arrangements in place for the project management and cost control of capital projects.
- The Council has in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set.
- The Council has identified the elements of the balance sheet that are most critical to its financial sustainability and has put in place mechanisms to monitor the risk associated with these.
- The Council has taken action to mitigate any risks identified.

- The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
- The Council will report planned and unplanned use of reserves in a timely manner[quarterly] to the management team and to Cabinet.
- The monitoring of balance sheet risks will be integrated into the quarterly budget monitoring reporting processes.

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

The Council employs staff with professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc. and supports permanent staff to study towards relevant qualifications.

The S151 Officer should regularly review the skillsets of elected members and all officers with governance and financial management responsibility to ensure as a collective there is the appropriate skills, training and support to fulfil these responsibilities.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field, can provide capacity, manage risks and support knowledge transfer. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Property Director receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.