Appendix 1-Treasury Management Strategy Statement 2021/22

Slough Borough Council

1. Introduction

1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested 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 risk are therefore central to the Authority's prudent financial management.

1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.3 Investments held for service purposes or for commercial profit are considered in Appendix C, the Investment Strategy.

2. External Context

2.1 **Economic background:** The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Authority's treasury management strategy for 2021/22. The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month.

2.2 UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market.

2.3 GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak.

2.4 **Credit outlook:** After spiking in late March as coronavirus became a global pandemic and then rising again in October/November, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years.

2.5 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

2.6 **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. Further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

2.7 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon.

2.8 Arlingclose's interest rate forecast for Base Rate, 10 and 20 year gilts is shown in table 1 below.

Table 1: Interest rate forecast

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.00	0.20	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.40	0.45	0.50	0.50	0.55	0.55	0.60	0.60	0.65	0.65	0.70	0.70	0.70
Downside risk	0.15	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.50
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.85	0.85	0.90	0.90	0.90	0.95	0.95	0.95	1.00	1.00	1.00	1.00	1.00
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.45	0.50	0.50	0.50	0.50	0.50

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

3. Local Context

3.1 On 31st January 2021, the Authority held £702.7m of borrowing and £39.7m of treasury investments. Of the £702.7m borrowed £349.5m is borrowed short term (with less than a year to maturity) from other local authorities. This is set out in further detail in the appendix. Forecast changes in these sums are shown in the balance sheet analysis in table 2 below.

Table 2: Balance sheet summary and forecast

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
General Fund CFR	505	585	685	719	732
HRA CFR	164	197	238	292	359
Total CFR	**669**	**782**	**923**	**1,011**	**1,091**
Less: Other debt liabilities *	(39)	(37)	(56)	(54)	(54)
Loans CFR	**630**	**745**	**867**	**957**	**1,037**
Less: External borrowing **	(629)	(527)	(316)	(306)	(296)
Internal borrowing	**1**	**218**	**551**	**651**	**741**
Less: Usable reserves	(81)	(85)	(89)	(93)	(97)
Less: Working capital	(6)	(6)	(6)	(6)	(6)
Cumulative Treasury investments / (new borrowing)	**86**	**(127)**	**(456)**	**(552)**	**(638)**
In year new investments / (borrowing)	**-**	**(127)**	**(329)**	**(96)**	**(86)**

* leases and PFI liabilities that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to use useable reserves and working capital to finance capital expenditure where possible to enable external borrowing to be kept below the CFR and reduce investment levels (known as internal borrowing). As the CFR rises and short-term loans mature in 2021 and 2022 the ability to finance the CFR through usable reserves and working capital will reach capacity and there will be a need to borrow externally. The majority of this need will be due to the replacement of short-term loans as they mature rather than the expanding capital programme. Overall the Council will need to borrow up to £638m over the forecasted period, including the replacement of short-term loans.

3.3 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2021/22.

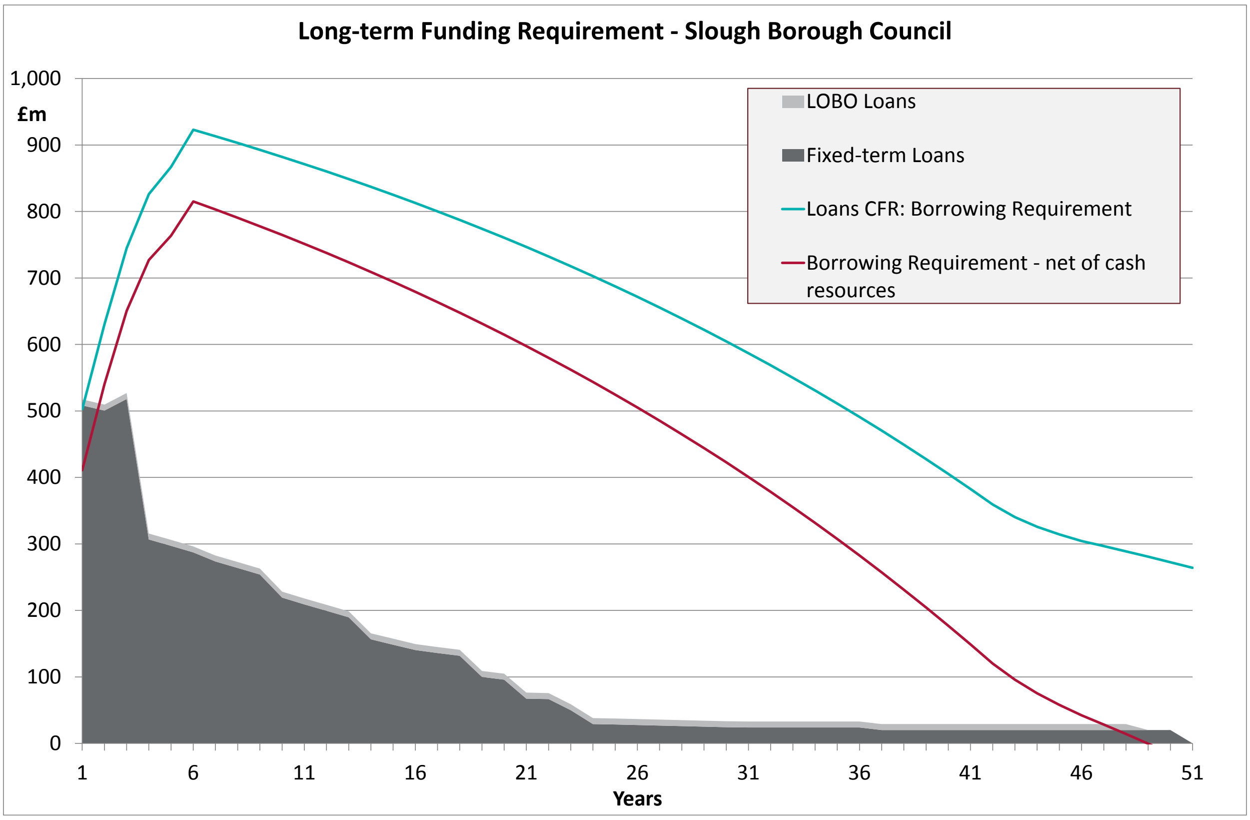
3.4 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 2 above, but that cash and investment balances are kept to a minimum level of £15m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 3: Liability benchmark

	31.3.20 Actual £m	**31.3.21 Estimate £m**	**31.3.22 Forecast £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**
Loans CFR	630	745	867	957	1,037
Less: Usable reserves	(81)	(85)	(85)	(85)	(85)
Less: Working capital	(6)	(6)	(6)	(6)	(6)
Plus: Minimum investments	15	15	15	15	15
Liability benchmark	**558**	**669**	**791**	**881**	**961**

3.5 The liability benchmark is projected on a longer-term basis in the chart below where it is indicated by the red line:

Chart 1: Liability benchmark / Borrowing Requirement



3.6 This assumes no further capital expenditure funded by borrowing beyond 2023/24 as income from other council schemes may go to meet some of these costs in future. Even if this is unrealistic in practice current borrowing decisions will not be based on as of yet unknown expenditure that may occur many years in the future so a zero assumption is prudent at this time. After 2023/24 minimum revenue provision on new capital expenditure is assumed to be based on a 40 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year.

3.7 The grey shaded areas in the chart above represent debt and are below the liability benchmark representing an expected future borrowing need for the Council. Slough is therefore expected to retain a substantial, long term need to borrow externally.

4. Borrowing Strategy

4.1 At 31st January 2021 the Council held £702.7m of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 2 shows that the Authority expects to borrow up to £456m in 2021/22, including the replacement of short-term loans.

Table 4: Borrowing position as at 31st January 2021

	Principal £m	Average Rate	Years to Final Maturity
PWLB fixed maturity	167.3	3.4%	18.3
PWLB fixed EIP	162.9	1.9%	16.6
PWLB variable maturity	10.0	0.5%	1.2
Total PWLB	**340.2**	**2.63%**	**17.0**
LOBO loans	9.0	3.88%	45.2
Other long-term loans	4.0	4.76%	33.4
Local authority loans	349.5	0.48%	0.4
Total borrowing	**702.7**	**1.59%**	**9.2**

4.2 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.3 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority'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.

4.4 As an illustration as at 31st January 2021 the authority held £349.5m in short term loans paying an average interest rate of 0.48%. If this were replaced by a 25 year Equal Instalment of Principal (EIP) loan from the PWLB on the same date this loan would charge interest at 1.35%. Although replacing short term funding with a loan term loan would reduce interest rate risk this would amount to an extra cost to the Council of approximately £3m over the next year.

4.5 Many local authorities hold large amounts of cash investments, at September 2020 the aggregate amount invested by all UK local authorities stood at £51bn. This large pool of surplus cash remains an attractive source of funding, with around £13bn of this total deposited in the inter local authority market. Rates in this "local to local" market are typically closely correlated with Bank Rate and while liquidity can fluctuate, this source of funding has proved reliable over the past decade.

4.6 Arlingclose anticipate sufficient levels of liquidity in the "Local to local" market will remain, and rates will continue to average just a few basis points above Rank

Rate for the foreseeable future. With Bank Rate projected to stay at 0.1% for the next three years, this form of funding is expected to prove significantly cheaper then PWLB “certainty rate” debt. Current rates are shown below.

Table 5: Current Loan Rates (11th February 2021)

Lender	Term (Maturity Loan)	Rate
Local Authorities	1 month	0.02%
Local Authorities	6 months	0.08%
Local Authorities	12 months	0.21%
PWLB	1 Year	0.75%
PWLB	10 Year	1.32%
PWLB	50 Year	1.72%

4.7 In October 2019 HM Treasury (HMT) increased the margin applied to PWLB loans by 1.0% to 1.8% above the UK government’s cost of borrowing, subsequently the authority paused the process of gradually closing out interest rate and refinancing risk with PWLB debt as this became relatively expensive. HMT’s consultation on future lending terms has now concluded, the margin on PWLB debt has reverted to 0.80%; accordingly, the authority will now recommence the process of incrementally closing out some of the risk within the debt portfolio.

4.8 The benefits of 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. Analysis showing the expected cost of continually renewing a series of short-term loans, effectively at variable rates, versus the cost of locking in fixed rate PWLB debt, is shown in Appendix B.

4.9 Arlingclose will assist the Authority with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.10 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

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

4.12 **Capitalisation Direction:** The government may approve the council's application for a £12.2m capitalisation direction to fund revenue expenditure incurred by the council. Conditions of this support are likely to include a requirement that, where additional expenditure is capitalised, this must be borrowed from the PWLB, at 1% above the normal rate.

4.13 **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)
- 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 our own Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority debt issues

4.14 **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

4.15 **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 financial instruments on the capital markets and lends the proceeds to local authorities. Any decision to borrow long-term debt from the Agency will therefore be the subject of a separate report to Cabinet.

4.16 **LOBOs:** The Authority holds £9m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOs have options during 2021/22, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

4.17 **Short-term and variable rate loans**: These loans leave the Authority 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. Financial derivatives may be used to manage this interest rate risk (see section below).

4.18 **Debt rescheduling:** The PWLB allows authorities 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 Authority 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.

5. Treasury Investment Strategy

5.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £42m and £103m. Levels are expected to decrease during the forthcoming year in order to finance an expanding capital programme.

5.2 The Authority is currently under a Direction from the Department for Education (DfE) relating to its Children's Services function. The DfE have directed the Council to create a Local Authority Company, Slough Children First, from 1 April 2021. In order to provide the new company with initial liquidity, the Council will be providing a long-term loan of £5m at the start of the new contract to ensure the new company has sufficient liquidity to cover its first two months trading. The loan will be repayable at contract end.

5.3 **Objectives:** The CIPFA Code requires the Authority 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 Authority'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 Authority 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.

5.4 **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.5 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £30m that is available for longer-term investment. The Council has reduced the amount it invests in short-term unsecured bank deposits to around 27% of its total investments. Most of these investments are for the management of the Council's short-term cash flow and are invested in either instant access call accounts or notice accounts where the exposure is for a maximum of 35 days.

5.6 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.7 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 5 below, subject to the limits shown.

Table 6: Treasury investment counterparties and limits

Sector	**Time limit**	**Counterparty limit**	**Sector limit**
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£7m	Unlimited
Secured investments *	20 years	£7m	Unlimited
Banks (unsecured) *	13 months	£4m	Unlimited
Building societies (unsecured) *	13 months	£4m	£7m
Registered providers (unsecured) *	5 years	£5m	£5m
Money market funds *	n/a	£7m	Unlimited
Strategic pooled funds	n/a	£15m	£35m
Real estate investment trusts	n/a	£7m	£20m

Other investments *	5 years	£4m	£7m

This table must be read in conjunction with the notes below

5.8 *** 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.

5.9 For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

5.10 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities 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.

5.11 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.12 **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. See below for arrangements relating to operational bank accounts.

5.13 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.14 **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. The Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.15 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

5.16 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

5.17 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

5.18 **Operational bank accounts:** The Authority 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 below £1 million 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 Authority maintaining operational continuity.

5.19 **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Authority'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.

5.20 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.

5.21 **Other information on the security of investments**: The Authority 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 Authority’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.

5.22 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority 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 Authority’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.23 **Investment limits**: The Authority’s revenue reserves available to cover investment losses are forecast to be £8.4 million on 31st March 2021. This relatively small figure means that the Council must take care to diversify investments across a number of counterparties and avoid too high a balance with a single counterparty. Limits must however not be so small as to be impractical to manage or to find suitable and liquid investment counterparties for.

5.24 Based on Arlingclose recommendations the investment limits for unsecured banks and buildings societies are set to a maximum of £4m which is around 5% of the maximum in year investment balances the Council has. Investments with other local authorities and money market funds are set to £7m which is around 10% of maximum in year investment balances. A group of entities under the same ownership will be treated as a single organisation for limit purposes. In the event of being unable to find enough suitable secure investment counterparties the Council can invest unlimited amounts with the UK Government through the Debt Management Account Deposit Facility.

5.25 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £1 million in operational bank accounts count against the relevant investment limits.

5.26 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 7: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£20m per broker
Foreign countries	£7m per country

5.27 **Liquidity management**: The Authority uses purpose-built cash flow forecasting software 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 Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

5.28 The Authority will spread its liquid cash over at least four 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.

6. Treasury Management Indicators

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

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

Table 8: Credit risk indicator

Credit risk indicator	Target	As at 31.12.21
Portfolio average credit score	6.0	4.8

6.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments on demand, without additional borrowing.

Table 9: Liquidity risk indicator

Liquidity risk indicator	Target
Total cash available to meet unexpected payments on demand	£15m

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

Table 10: Interest rate risk indicator

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.75m

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

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

Table 11: Refinancing rate risk indicator

Refinancing rate risk indicator	Level as at 31.01.2021 £m	Level as at 31.01.2021	Lower limit	Upper limit
Under 12 months	364.1	51.8%	0%	70%
12 months and within 24 months	20.6	2.9%	0%	50%
24 months and within 5 years	35.9	5.1%	0%	50%

5 years and within 10 years	78.6	11.2%	0%	50%
10 years and within 15 years	61.2	8.7%	0%	50%
15 years and within 20 years	67.2	9.6%	0%	50%
20 years and within 25 years	40.0	5.7%	0%	50%
Over 25 years	35.1	5.0%	0%	50%

6.7 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.

6.8 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 12: Price risk indicator

Price risk indicator	**2021/22**	**2022/23**	**2023/24**
Limit on principal invested beyond year end	£45m	£45m	£45m

7. Related Matters

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

7.2 **Financial derivatives:** Local authorities 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 authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.3 The Authority 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 Authority 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.

7.4 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.

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

7.6 **Housing Revenue Account:** On 1st April 2012, the Authority 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.

7.7 As part of the reform of the HRA Housing Revenue Account Subsidy system at the end of 2011/12, the HRA needed to make a payment of £136m to the Government. £126m of this was financed by PWLB loans listed above. £10m was in respect of an internal loan from the General Fund. The General Fund currently charges 2.63% interest on this amount or £263,000 per annum.

7.8 **Markets in Financial Instruments Directive**: The Authority has opted up to professional client status with its providers of financial services including advisers, banks, brokers and fund managers. This allows it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

8. <u>Financial Implications</u>

8.1 The budget for investment income in 2021/22 is £4.124 million, based on an average investment portfolio of £90.714 million at an interest rate of 4.57%. The budget for debt interest paid in 2021/22 is £13.002 million, based on an average debt portfolio of £801 million at an average interest rate of 1.62%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. Of the £13m £6.233m would be interest in respect of the General Fund and £6.769m to the HRA.

8.2 In order to alleviate pressure on the Revenue Budget the Council will Capitalise Borrowing Costs for qualifying assets. A qualifying asset constitutes an asset that takes a substantial period of time to get ready for its intended use (commonly Assets under Construction).

9. Other Options Considered

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, 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.

Table 13: Other options considered

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 – Existing Investment & Debt Portfolio Position

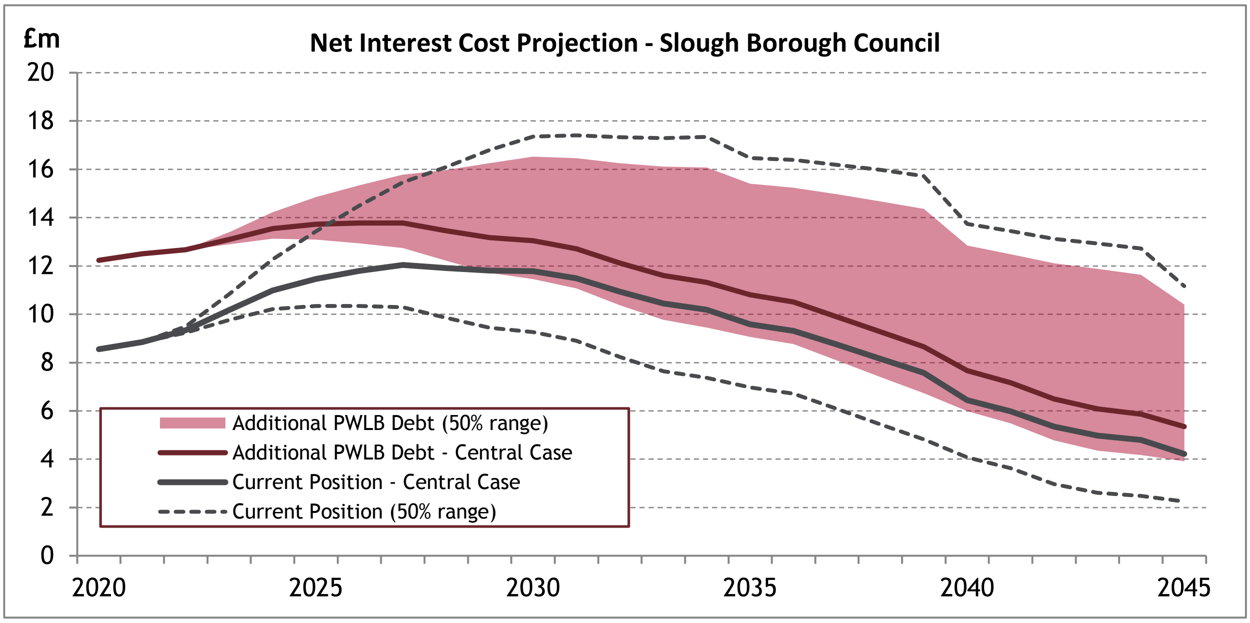
	31.01.2021 Actual portfolio £m	31.01.2021 Average rate
External borrowing:		
Public Works Loan Board	340.2	2.63%
Local authorities	349.5	0.48%
LOBO loans from banks	9.0	3.88%
Other loans	4.0	4.76%
Total external borrowing	**702.7**	**1.59%**
Other long-term liabilities:		
Private Finance Initiative	31.9	
Leases	5.0	
Total other long-term liabilities	**36.9**	
Total gross external debt	739.6	
Treasury investments:		
Local authorities	15.0	0.60%
Banks (unsecured)	5.0	0.13%
Money market funds	0.4	0.00%
Strategic pooled funds – property funds	10.5	-0.12%
Strategic pooled funds – bond funds	5.3	5.87%
Strategic pooled funds – multi-asset funds	3.5	-1.56%
Total treasury investments	**39.7**	**0.81%**
Net debt	699.9	

Appendix B – Existing Investment & Debt Portfolio Position

The fan chart below shows expected net treasury costs, debt interest less investment income, based on the underlying borrowing requirement identified in the main body of this report.

This analysis compares the cost of borrowing a £250m Equal Instalment of Principal (EIP) Certainty Rate PWLB loan at 1.70% with the implied cost of short-term floating rate debt.

Chart 2: Net Treasury Cost Projection



The solid grey line shows the expected cost assuming that no further fixed rate borrowing is undertaken and all funding is taken on a short-term / variable basis. The interest rates associated with this source of funding are based on implied forward rates. The two grey shaded dotted lines shows the range of expected outcomes based on 50% probability. This shows projected net interest cost of just over £8m, with a 75% probability that the net treasury cost will be below £13.5m by 2025 (50% of outcomes within the dotted lines plus 25% below the lower dotted line). UK bank rate is expected to remain at low levels over the next few years, resulting in a relatively narrow fan and range of outcomes. This expands out over time, as uncertainty over the prospect for interest rates increases the further into the future we project.

The dark red line represents the net treasury cost, assuming £250m is borrowed for 50 years at 1.70% on a reducing balance basis. It shows an immediate increase in interest cost in 2021, as £250m of debt at expected variable rates of 0.23% (market implied rate of 0.03% plus an assumed margin of 0.20%) is replaced with fixed rate debt at 1.7%. This equates to an additional annual cost of £3.6m in the first year. Closing out approximately half of the future borrowing requirement with fixed rate debt does reduce the potential range net treasury costs will move in. But because this involves taken relatively expensive PWLB debt, that includes at 0.80% margin paid to central government, there is also a known, substantial, and immediate increase in costs.

Interestingly, the analysis indicates that by 2025 the new central case for net interest costs is actually very close to the upper bound indicated if the council continues to borrow at variable rates. As only approximately half of the funding requirement has been fixed some upside risk remains, resulting in a scenario whereby there is a 75% probability that fixing £250m debt will not result in lower net treasury costs by 2025.

It should be noted that this type of analysis does have drawbacks; the probabilities and expected outcomes are based on historic data; these may not provide a useful guide to the future. In addition, there are a range of interest outcomes above the upper bounds shown, covering the remaining 25% of expected outcomes; rates could prove to be higher than the outcomes shown. Accordingly, this is just one analytical tool the Council uses, assisted by Arlingclose, to monitor interest rate risk and inform decision on when to fix in interest rates.

Other factors considered include the requirement to deliver a degree of certainty in net treasury costs. Market movements will also be tracked, with opportunities to lock in rates taken when there is deemed to be value in long-term rates, for example, during periods of market nervousness that can drive down rates as investors seek safe havens for cash.

Appendix C- Investment Strategy

1 Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of 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 second and third of these categories.

2 Treasury Management Investments

The Authority 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 reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £42m and £100m during the 2021/22 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2021/22 for treasury management investments are covered in the main report above.

3 Service Investments: Loans

Contribution: The Council lends money to its subsidiary James Elliiman Homes and to Slough Urban Renewal (SUR) a Limited Liability Partnership. The Council has made loans totalling £51.7m to James Elliman Homes a wholly owned subsidiary of the council. The aims of James Elliman Homes include increasing housing supply whilst providing "affordable homes" and /or better quality homes for vulnerable client groups and key workers not currently entitled to council housing, or those facing too long a waiting time in temporary accommodation.

The Council has entered into a partnership with Morgan Sindall, a Private Sector developer, for the regeneration of Slough and for the construction of community assets. Under this partnership, Council land assets are transferred into the SUR vehicle. The Council then receives a loan note from the SUR for the value of the land transferred. This loan note is then repaid by the SUR over time and the Council will receive interest on the loan note of up to 7%. This has included housing developments at Ledgers Road and Wexham Nursery where loans notes for land worth £3.2m and £9.7m respectively were transferred to the SUR for development. Both the loans notes and interest have been repaid in full. To support the residential element of the development of the Old Library Site, the Council has lent to the SUR Old Library residential LLP through a mixture of loans, land transfers and a Senior Debt Facility a total of £11.875m for which interest of at least 5% is earned. By increasing the supply of temporary accommodation, affordable housing the council meets service objectives as well as being able to use interest receipts and the resulting capital receipts for service delivery. Private dwellings for sale are also built by the SUR for sale with the council receiving an equal share of any profit generated thereby providing further funds to support service delivery.

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. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have

Category of borrower	**31.3.2020 actual**			**2021/22**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Subsidiary- James Elliman Homes	51,700	(3,907)	47,793	65,900
SUR Old Library Site LLP	11,875	(253)	11,622	13,558
TOTAL	**63,575**	**(4,160)**	**59,415**	**79,458**

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

Risk assessment: Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

4 Commercial Investments: Property

On 14 September 2015, Cabinet approved the introduction of the Strategic Acquisition Strategy, which provided a framework for the Council to operate commercially and undertake a new approach to asset investment through the acquisition of land and/or property generating income up to £25m (inclusive of acquisition costs). Following a subsequent report in November 2016, the budget for strategic asset purchases was increased to £50m. Subsequently, a further £50m budget for Strategic acquisitions was approved by Full Council in June 2018 and a further £20m was approved by Full Council in February 2020 respectively. In approving the Strategy, the drivers were to acquire income generating assets to offset continued reductions in central government grant and for the Council to realise the regenerative benefits associated with purchasing sites to bring forward housing and commercial development.

However, in November 2020, HM Treasury published details of new PWLB lending terms following the consultation process that closed in July 2020. As a condition of accessing the PWLB, local authorities will be asked to confirm there is no intention to buy investment assets primarily for yield in the current or next two financial years. Authorities will be able to access the PWLB immediately, without submitting further information, assuming they have completed the "certainty rate" return and can confirm they do not expect to purchase investment assets primarily for yield over the next three years. The council will be able to access the PWLB immediately, without submitting further information, assuming they have completed the "certainty rate" return and can confirm they do not expect to purchase investment assets primarily for yield over the next three years. Local Authorities will be asked to confirm plans are current and the section 151 officer is content plans are within acceptable use of PWLB. Authorities that have purchased "investment assets primarily for yield" already in this financial year,will not be restricted from accessing PWLB loans as a result. The council would be able be able to refinance existing loans regardless of purchasing investment assets primarily for yield. Acceptable uses of funding obtained from PWLB include:

- Service delivery
- Housing
- Regeneration
- Debt refinancing

Of the £20m made available for the purchase of Strategic income generating assets in 2020-21 only £2.353m had been spent as at the end of December 2020.The current year budget has now been reduced to £5m from £20m and any future purchases will not be funded from borrowing.

How investments were decided upon

A strategic acquisition can be defined as the acquisition of land or properties that will allow the Council to expedite key outcomes contained within the 5 Year Plan. To be considered strategic, it was suggested that acquisition must make a significant contribution towards regeneration objectives and/or provide a commercial return on investment that will improve the financial resilience of the Council:

a) Property Investments
Under commercial investment objectives, a strategic acquisition would typically:

- Generate income through a satisfactory level of return, with a net initial yield range between 5% and 9%, and/or
- Improve investment value of commercial assets over time in addition to the level of returns through rental growth.

b) Regeneration
Under regeneration objectives, a strategic acquisition will typically:

- Deliver large scale development that will provide attractive, accessible places to live and work and do business; or
- Allow the redevelopment of smaller development sites in key locations that have stalled, or
- Enable the Council to acquire land required to deliver infrastructure projects, or
- Enable collaborative working with adjoining owners to maximise land value; or
- Improve the image of Slough to a status that fully recognises the strategic importance and benefits offered by the town as a sub-regional gateway to and from London.
- Generate additional capital and revenue income to support the financial projections set out in the Medium Term Financial Plan.

Whilst the acquisition of strategic regeneration sites will typically be dependent on land becoming available for sale, the Council were proactive and considered off market acquisitions and the use of Compulsory Purchase Orders as required.

How decisions were made

In order to balance the objectives of introducing a streamlined approach (to avoid losing acquisition opportunities through delays in process) with high levels of probity, a Strategic Acquisition Board ("SAB") was introduced.

The SAB met on a monthly basis and is chaired by the Assistant Director Assets, Infrastructure & Regeneration. The standing members of the SAB included the:

- Leader of the Council
- Lead Member for Housing

- Director of Place
- Director of Transformation
- Commercial Finance Manager

The SAB had a remit to:

- Consider acquisition recommendations put forward by the Head of Asset Management (or delegate).
- Review proposed land acquisition and/or property investment proposals, taking into account the extent to which the proposition fulfils the Council's policy objectives against a set of agreed criteria.
- Make strategic acquisition and investment decisions on behalf of the Council.
- Oversee and monitor the performance of approved acquisition and investments.
- Report acquisitions to the Capital Strategy Board and Cabinet.
- Dispose of assets acquired via the SAB.

The SAB had a responsibility to monitor the performance of the investment portfolio, ensuring that individual assets are performing thereby maximising rental returns and selling assets when they no longer perform.

When a strategic acquisition was identified by Asset Management an agreed Acquisition Protocol is followed.

Any controls in place

When acquiring investment assets, it is important to have a well balanced portfolio which can counteract significant market changes. As the portfolio expands, each asset acquired is considered in line with the existing portfolio e.g. if the majority of the portfolio were industrial then it would need to be balanced with further office and retail property, or if the portfolio income was very insecure then it could be balanced by investments with longer projected income.

Officers applied a defined list of property specific criteria when making recommendations to the SAB on investment acquisitions using agreed property based criteria.

All acquisition opportunities presented to the SAB were supported by a financial appraisal and business case. Before approving any acquisition, the SAB required confirmation that the acquisition would not increase the Council's ongoing revenue costs, including the cost of borrowing and officer time.

The appraisal and business case assess how the strategic acquisition would be financed. They:

1. Considered if the investment achieves corporate objectives.

2. Confirmed that for the acquisition of land the price was reasonable (allowing for a special purchase consideration) and supported by an independent valuation.
3. Confirmed that for the acquisition of a standing investment the price was reasonable and supported by an independent valuation (reference will be made to previously identified added value opportunities).
4. Confirm there was a market requirement.
5. Where appropriate, there was secure rental income taking into account risks associated with the security of future payments, including (where appropriate) sensitivity analysis for void periods.
6. Identify whole life costs (where appropriate).
7. Identified the most appropriate funding source(s) and confirm availability.
8. Clarified that the Council's Finance Section has assessed the business case and confirmed a suitable return on investment.

The financial appraisals considered by the SAB identified all costs and assumed income to assist informed decision making on whether the acquisition was suitable. In the case of revenue generating assets, assets are assessed by comparing the anticipated net income against the rate of return the Council could otherwise expect to achieve on its capital.

In all instances, potential acquisitions were agreed with the Section 151 Officer. However following the change in the PWLB lending terms, the SAB no longer meets; although the Council will continue to hold commercial property with the purpose of generating rental income to contribute towards the service delivery objectives of the authority.

SAB Commercial Investment Portfolio by Type:

Property Type	**Actual**	**31.3.2020 actual**		**Rental Income**
	Purchase cost £000	**Gains or (losses) £000**	**Value in accounts £000**	**£000**
Office	47,392	(597)	46,795	3,076
Retail	27,609	(807)	26,802	1,855
Distribution	12,745	398	13,143	774
TOTAL	**87,746**	**(1,006)**	**86,740**	**5,705**

The Authority's existing non-treasury investments are listed in Appendix D.

Appendix D – Non-Treasury Investments- Strategic Acquisitions

Property	Capital Expenditure	Annual Rent Due	% Return on Investment	Type	Purchase Date
174-178 High Street (WH Smith)				Retail	30/01/2016
5 Hillersdon				Strategic	24/04/2016
Halfords 380 Bath Road				Warehouse-retail	28/07/2016
Land at Norway Drive				Strategic	02/11/2016
Waitrose Gosport - Stoke Road				Retail	08/01/2017
Wickes West Street Wolverhampton				Warehouse-retail	22/01/2017
Leaseplan 165 Bath Road				Office	02/05/2017
Land South Side Stoke Road (Stoke Wharf)				Strategic	14/06/2017
Purchase of Cornwall House				Office	29/06/2017
Leasehold interest of the 5th Floor, Hatfield Car Park				Strategic	16/08/2017
100A Wexham Road				Strategic	06/06/2018
Gala Bingo, 3 Bath Road				Strategic	22/08/2018
Lego, 33 Bath Road				Office	27/09/2018
Upton Lodge 2A Yew Tree Road				Office	17/12/2018
Unit 26 Wexham Business Village				Office	21/01/2019
Odeon, Churchill Way, Basingstoke				Retail	30/05/2019
Acquasulis House, 12-14 Bath Road				Office	07/07/2019
Freehold interest of 21, Roydsdale Way, Euroway Industrial Estate, Bradford, West Yorkshire				Distribution	09/07/2019
Purchase 233-249 High Street				Retail	04/08/2019
Unit 27.28 Wexham Business Village				Office	18/08/2020
10 - 12 Wheelwrights Place, Colnbrook				Strategic	13/10/2020
	105,368,529	**6,095,527**	**5.78%**		

James Elliman Homes

James Elliman Homes		
Date of Loan	**Principal**	**Annual Interest Due at 3% Interest**
17/07/2017	2,223,610.00	66,708.30
19/07/2017	2,000,000.00	60,000.00
12/01/2018	2,500,000.00	75,000.00
17/04/2018	3,200,000.00	96,000.00
20/07/2018	3,000,000.00	90,000.00
09/08/2018	5,000,000.00	150,000.00
28/09/2018	5,000,000.00	150,000.00
19/12/2018	2,000,000.00	60,000.00
08/02/2019	1,500,000.00	45,000.00
15/03/2019	1,500,000.00	45,000.00
15/03/2019	2,000,000.00	60,000.00
16/04/2019	876,390.00	26,291.70
23/05/2019	3,000,000.00	90,000.00
04/07/2019	2,950,000.00	88,500.00
08/11/2019	2,950,000.00	88,500.00
02/01/2020	2,000,000.00	60,000.00
06/02/2020	3,000,000.00	90,000.00
07/03/2020	3,000,000.00	90,000.00
04/05/2020	2,000,000.00	60,000.00
14/07/2020	1,000,000.00	30,000.00
16/09/2020	1,000,000.00	30,000.00
	51,700,000.00	**1,551,000.00**

James Elliman Homes is a wholly owned subsidiary of Slough Borough Council set up to acquire properties in the Slough area for rental to the following principal customers- those in need of temporary accommodation, those considered to be key workers and for market rental. Thus far the council has made loans to James Elliman Homes totalling £51,700,000. For this sum the council receives interest, payable at 3% on the principle sum loaned.

SUR Old Library Residential LLP

Senior Debt					
Principal £000	**Start Sate**	**End date**	**No.of Days**	**Interest Rates**	**Total Interest Due**
300	16/12/2019	13/06/2021	545	5.09%	23
900	17/01/2020	13/06/2021	513	5.00%	63
800	21/02/2020	13/06/2021	478	5.08%	53
700	13/03/2020	13/06/2021	457	5.00%	44
830	14/04/2020	09/04/2021	360	5.00%	41
490	19/05/2020	15/05/2021	361	5.00%	24
470	17/06/2020	17/06/2021	365	5.00%	24
1,090	14/07/2020	10/07/2021	361	5.00%	54
400	10/08/2020	06/08/2021	361	5.00%	20
1,090	20/08/2020	20/08/2021	365	5.00%	55
400	16/09/2020	06/08/2021	324	5.00%	18
580	16/10/2020	06/08/2021	294	5.00%	23
340	19/11/2020	06/08/2021	260	5.00%	12
380	16/12/2020	14/12/2021	363	5.00%	19
220	16/01/2021	14/12/2021	332	5.00%	10
160	17/02/2021	14/12/2021	300	5.00%	7
9,150					**489**
Loan B 5%					
Principal	**Start Sate**	**End date**	**No.of Days**	**Interest Rates**	**Interest Due**
185	27/06/2019	01/04/2021	644	5.00%	16
213	24/06/2019	01/04/2021	647	5.00%	19
234	24/09/2019	01/04/2021	555	5.00%	18
145	27/08/2019	01/04/2021	583	5.00%	12
493	18/12/2019	01/04/2021	470	5.00%	32
325	23/10/2019	01/04/2021	526	5.00%	23
475	21/11/2019	01/04/2021	497	5.00%	32
2,070					**152**
Loan A 7%					
Principal	**Start Sate**	**End date**	**No.of Days**	**Interest Rates**	**Interest Due**
314	20/06/2019	01/04/2021	651	7.00%	39
501	03/06/2019	01/04/2021	668	7.00%	64
815					**103**
12,035					**744**