# Treasury Management Strategy 2025/26

PLYMOUTH CITY COUNCIL

## Councillor Mark Lowry
**Cabinet Member for Finance**

This Strategy demonstrates the network of controls that are in place to provide confidence in the way we management of our investments and borrowing.

It also demonstrates our commitment to sound management and control of the Council's cash and investments and forms a key strand of the Medium Term Financial Strategy and Budget.

## David Northey
**Service Director for Finance (S151 Officer)**

This Strategy is designed to underpin the Council's ambition to invest in the future of Plymouth. The strategy sets out a framework within which the Council's treasury management needs and risks can be managed successfully.

The recent turbulence with the financial markets and world economy has had an impact upon borrowing and investment rates of interest. This Strategy will help support the council in responding to this volatility in the short to medium term.

The strategy will keep us within our prescribed limits under the Prudential Code.

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# Introduction

Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. Of necessity, the Council borrows and invests substantial sums of money and is therefore exposed to financial risks including the effects of changing interest rates.

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

## INVESTMENTS – FACTS AT A GLANCE

**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 borrowing vehicles
- To balance risk against return

**Market Intelligence**

- Bank of England reports
- Market Outlook by the Council's advisers Arlingclose

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| **Statutory and Performance Framework**<br>*Rules that guide us* | **Investments**<br>• Sterling only<br>• Can use UK Government, Local Authority or a body of high credit quality.<br>• The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher and domiciled in UK |
| | **Counterparties and Limits** (see table on page 20) |
| | **Investment Limits – subject to Counterparty table on page 20**<br>• **Unlimited** UK Government<br>• **Unlimited** Money Market Fund<br>• **£25m** any single local authority or government entity<br>• **£25m** secured investment.<br>• **£10m** per Bank (unsecured)<br>• **£20m** unrated corporates<br>• **£60m** Strategic Pooled Funds<br>• **£10m** Real estate investment |
| | **Key Council Budget Assumption for 2025/26**<br>• Investments make an average rate of return of 5% |
| **Approach**<br>*Choices made within the framework* | **Objective** - Security first, Liquidity second and then Yield.<br>**Strategy** - to maximise returns, reduce risk and diversify investments.<br>**Risk Assessment and credit ratio** - Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information.<br>**Other information on security of Investments** - Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information |

## BORROWING – FACTS AT A GLANCE

**Principles and Objectives of the Treasury Management Strategy**
- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

**Market Intelligence**
- Bank of England reports
- Market Outlook by the Council's advisers Arlingclose

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| **Statutory and Performance Framework**<br><br>*Rules that guide us* | **Borrowing**<br>• **£69m** Total Capital Expenditure<br>• **£997m** Capital Finance Requirement (need to borrow)<br>• **£837m** Total Debt (loans and private finance initiative)<br>• **£1054m** Operational Boundary (practical ceiling on borrowing)<br>• **£1104m** The Authorised Limit (absolute maximum debt approved)<br><br>**Prudential Indicators**<br>• **21.33%** Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)<br><br>**Treasury Management Indicators**<br>• **90%** Limit on Fixed Interest Exposure<br>• **50%** Limit on Variable Interest Rate<br>• **0% to 80%** Maturity Structure of Borrowing, exposure in any duration<br><br>**Minimum Revenue Provision Policy (MRP)**<br>• Annuity Method<br>• PFI/Leases can be charged on an annuity method over the life of the asset.<br>• Option for capital receipts to be used towards repaying debt<br><br>**Key Council Budget Assumption for 2025/26**<br>• New long-term loans will cost an average rate of 4.5% |
| **Approach**<br><br>*Choices made within the framework* | **Objective -** 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. In addition to ensure required short term borrowing is held to maximise benefit from hedging arrangement.<br><br>**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. |

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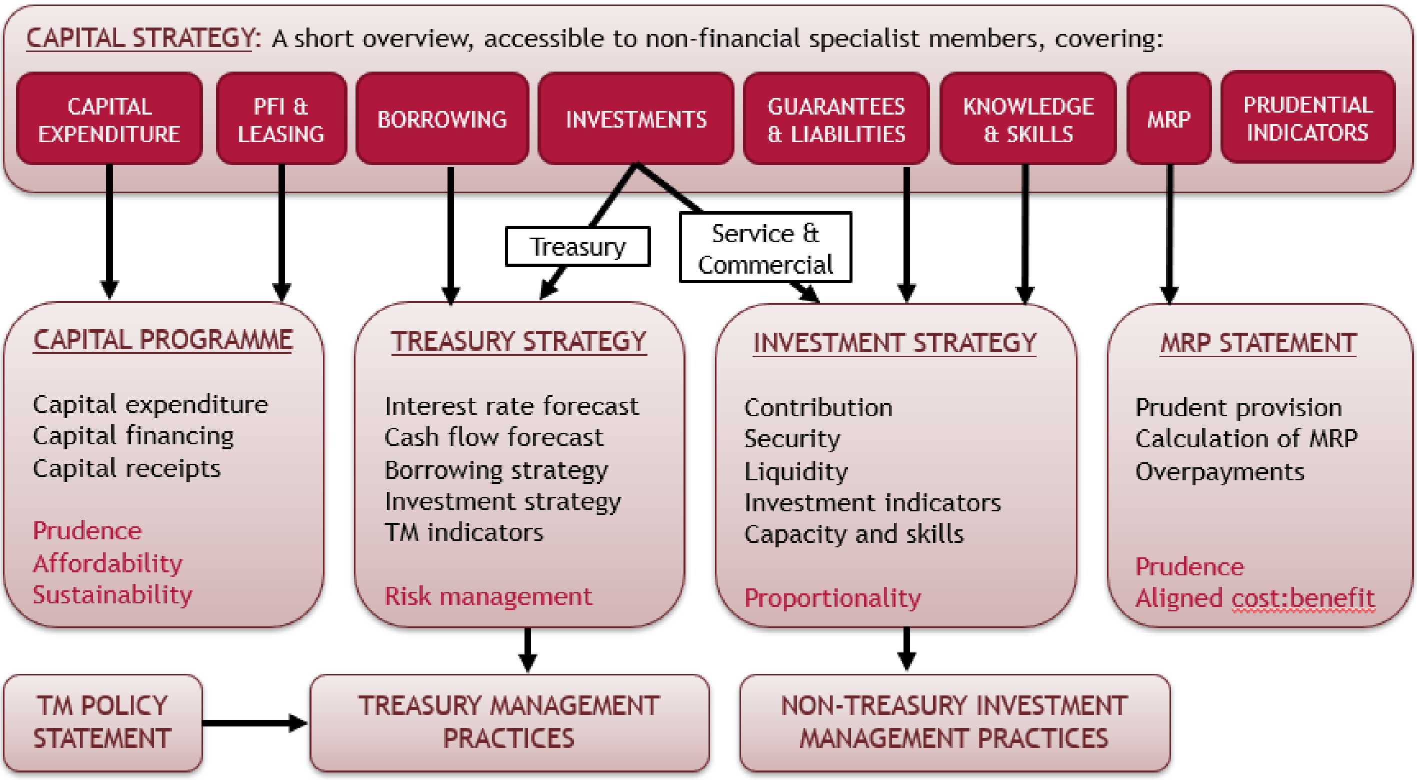
| | **Sources of Finance** - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale & Lease back<br><br>**LOBOs** With interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years<br><br>**Municipal Bonds Agency** Council will use where appropriate as this is a more complicated source of finance. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.<br><br>**Debt Restructuring** A present value calculation based on current rates for the same period of loan may result in a discount or premium.<br>• Council will re-schedule if it reduces cost or risk |

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

# Strategy Reports: England




The diagram above shows how the requirements of the Ministry Housing, Communities and Local Government (MHCLG) Guidance and The CIPFA Code interact with the Capital and Treasury Management. There is a new Capital Strategy (presented in a separate document) 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 as at September 2024:** As expected, the MPC held Bank Rate at 5.0% in September. While the "no change" majority of eight to one was unexpectedly strong, the minutes suggested some policymakers believed a gradual approach to loosening policy was warranted given the persistence of services inflation, rather than no loosening at all. This is in line with our long-held view that Bank Rate will initially reduce gradually before a more rapid decline in 2025 as services inflation eases.

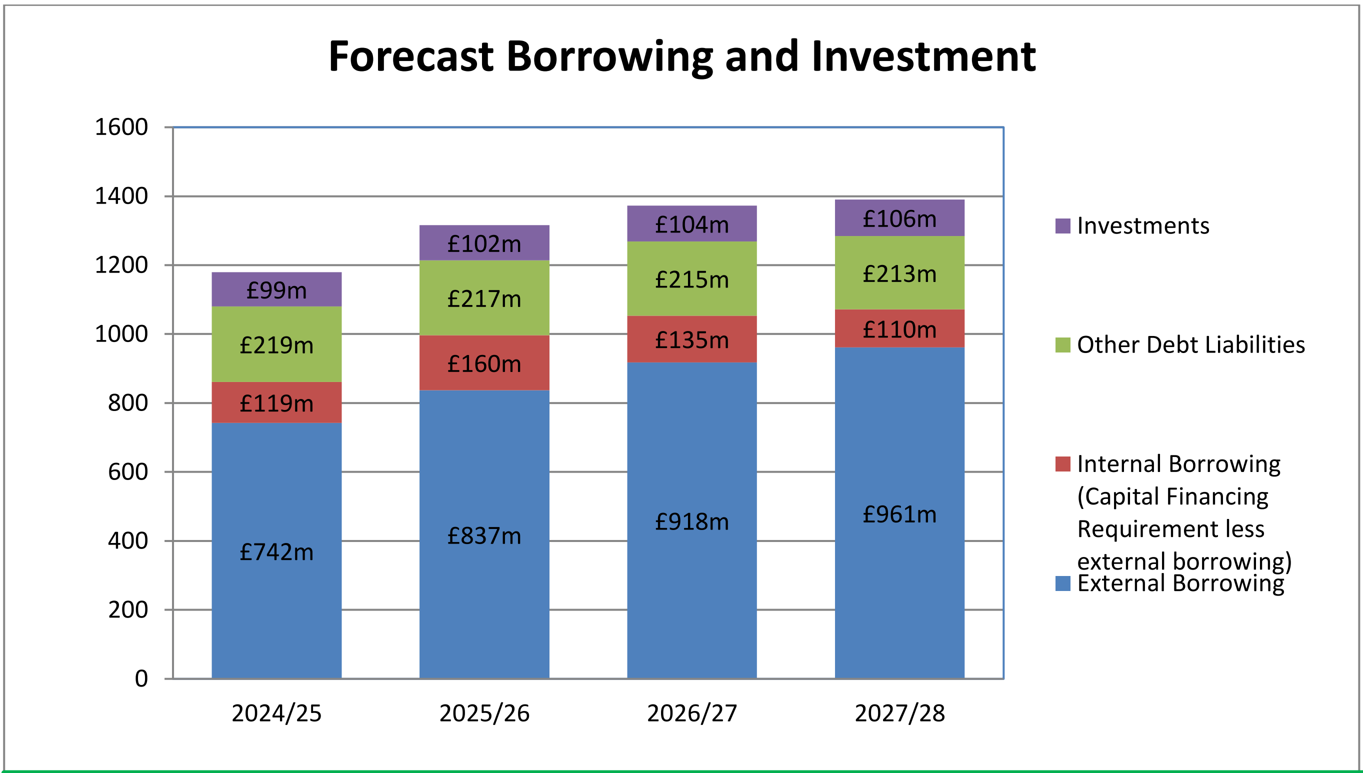
The final Treasury Management Strategy for 2025/26 taken to full council in February 2025 will reflect later and more timely updates.

**Interest Rate Forecast**

The Authority's treasury management adviser Arlingclose have indicated following the Monetary Policy Committee (MPC) decision to hold the bank rate at 5 % in September. The MPC will continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. We see another rate cut in 2024 (Q4), but more significant monetary easing in 2025, with Bank Rate falling to a low of around 3%

## Part 2 – Technical Detail for Analysis

**This is how much debt and investments we expect to have in the next three 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. Usable reserves and working capital are the underlying resources available for investment. The current strategy is not to borrow to the full underlying need. Some internal resources are used instead of external borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* sets a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.

The Council held £649.5 million of loans in as at 31 March 2024. This was an increase of £97 million on the previous year. This reflected the need to fund borrowing to support the capital programme offset by use of Treasury Management working balances to limit draw on external funding where possible.

The Council expects to hold borrowing up to £ 743m in 2024/25. The total borrowing must not exceed the authorised limit set by the Council of £1,130m which includes estimated long term liabilities of £219m. This is subject to review once the full impact of IFRS16 is known which although will be fully implemented for the Statement of Accounts for 2024/25 there will be implications for the authorised borrowing limits.

**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 renegotiate loans or to reschedule debt should the Council's long-term plans change.

**It is much cheaper to borrow for a short period now we will look for opportunity to fix borrowing over long term where affordable.**

**Borrowing Strategy**

Given the significant cuts to public expenditure and 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. The previous differential with short-term interest rates being much lower than long-term rates has disappeared as Local Authorities seek to maximise a return on their investments. It is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead in order to be in a position to secure interest savings as rates reduce.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. 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. 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 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has taken the opportunity to refinance some of it short-term borrowing with long term fixed rate borrowing from PWLB. This has reduced the Council's short-term borrowing and therefore reduced the interest rate risk (risk of interest rates rising).

There will be additional costs for taking the additional PWLB borrowing but it gives the Council certainty over more of its fixed costs. Long-term fixed rate loans remove the interest rate risk by fixing the rate for the term of the loan. These are popular among local authorities but are relatively expensive.

The Council will continue to review its portfolio of borrowing and may refinance its debt dependant on the market conditions. The benefits of short-term borrowing will continue to 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.

Short term borrowing is the cheapest option but leaves the Council exposed to refinancing risk, which can be divided into interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council).

The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk to reduce the overall long-term costs of the loan portfolio.

The Council will only borrow from approved sources.

**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)
- The UK Infrastructure Bank
- 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 Devon Local Government Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues and short term borrowing
- Any other counterparty that is recommended by the Council's TM advisors
- A Plymouth City Council bond or similar instruments

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

The Council continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

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

### Lender's Option Borrower's Option (LOBOs)

The Authority holds £59m 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.

There has been a £5m call in so far in 2024/25. Opportunities to repay any LOBO obligations will be considered when it can be demonstrated to be cost effective.

A further £5m of these LOBOs have options during 2024/25, it is currently held at a rate below BoE rate and is at a lower rate than the one called in earlier this year. If the option is exercised then the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years.

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

**Municipal Bond Agency (MBA)**

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 authorities.

This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities 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.

**Short-term and Variable Rate 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. Financial derivatives may be used to manage this interest rate risk.

**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.

The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

## Prudential Indicators 2025/26

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 Authorities (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 authorities 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 Plymouth Plan**

The Council's planned capital expenditure and financing forecast at September 2024 is summarised as follows.

This incorporates reprofiling assumptions for current and future years based on a trend analysis using past years.

| Capital Expenditure and Financing | 2024/25 Forecast £m | 2025/26 Forecast £m | 2026/27 Forecast £m | 2027/28 Forecast £m |
|---|---|---|---|---|
| General Fund | 158.927 | 109.513 | 72.995 | 18.065 |
| **Total Expenditure** | **158.927** | **109.513** | **72.995** | **18.065** |
| Capital Receipts | 3.230 | 1.763 | 9.368 | 0.180 |
| Grants and Contributions | 91.734 | 37.694 | 6.945 | 0.105 |
| Revenue | 2.541 | 0.831 | 0.043 | 0.000 |
| Borrowing | 61.422 | 69.225 | 56.639 | 17.780 |
| Leasing and PFI | 0.000 | 0.000 | 0.000 | 0.00 |
| **Total Financing** | **158.927** | **109.513** | **72.995** | **18.065** |

**Estimates of Capital Financing Requirement**

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

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

| Capital Financing Requirement | 31 Mar 24 Actual £m | 31 Mar 25 Forecast £m | 31 Mar 26 Forecast £m | 31 Mar 27 Forecast £m |
|---|---|---|---|---|
| General Fund | 866.405 | 927.827 | 997.051 | 1,053.690 |
| **Total CFR** | **866.405** | **927.827** | **997.051** | **1,053.690** |

The Council has an increasing CFR and is forecast to rise by £187.285m over the next three years for the capital programme and therefore will require additional borrowing.

### Gross Debt and the Capital Financing Requirement

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.

**This is how much we expect to borrow over the next three years**

| Debt | 31 Mar 24 Actual £m | 31 Mar 25 Forecast £m | 31 Mar 26 Forecast £m | 31 Mar 27 Forecast £m |
|---|---|---|---|---|
| Borrowing | 655.532 | 742.422 | 836.646 | 918.285 |
| PFI liabilities & Finance Leases* | 118.500 | 219.000 | 217.000 | 215.000 |
| **Total Debt** | 774.032 | 961.422 | 1,053.646 | 1,133.285 |

* A provision has been made for IFRS 16 to allow for operating leases being brought onto the balance sheet as a debt liability with effect from 1 April 2024. Working is ongoing to assess the impact

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

### 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.

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

| Operational Boundary | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|
| Borrowing | 742.422 | 836.646 | 918.285 | 961.065 |
| Other long-term liabilities | 219.000 | 217.000 | 215.000 | 213.000 |
| **Total Debt** | 961.422 | 1053.646 | 1133.285 | 1174.065 |

### 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.

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

| Authorised Limit | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|
| Borrowing | 887.000 | 969.000 | 1011.000 | 1047.000 |
| Other long-term liabilities | 217.000 | 215.000 | 213.000 | 211.000 |
| **Total Debt** | **1104.000** | **1184.000** | **1224.000** | **1258.000** |

**Ratio of Financing Costs to Net Revenue Stream**
This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

**This measure demonstrates that our proposed borrowing is affordable.**

| Ratio of Financing Costs to Net Revenue Stream | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate |
|---|---|---|---|---|
| General Fund | 19.24% | 21.33% | 21.35% | 22.5% |

**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 Management Investment Strategy

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

### Introduction

The Authority 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 second and third 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 £20m and £60m during the financial year.

### 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 its treasury management funds is to have the monies available at short notice for unexpected payments.

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.

**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 Counterparty Limits**

| Sector | Time Limit | Counterparty Limit | Sector limit |
|---|---|---|---|
| The UK Government | 50 Years | Unlimited | n/a |
| Local authorities & other government entities | 25 years | £25m | Unlimited |
| Secured investments * | 25 years | £25m | Unlimited |
| Banks (unsecured) * | 13 months | £10m | Unlimited |
| Building Societies (unsecured) * | 13 months | £5m | £10m |
| Registered providers (unsecured) * | 5 years | £5m | £10m |
| Money Market Funds * | n/a | £12m | Unlimited |
| Strategic pooled funds | n/a | £25m | £60m |
| Real estate investments trusts | n/a | £5m | £10m |
| Loans and investments to unrated corporates | n/a | £5m | £20ml |
| Other investments, unrated investments in equity, quasi-equity, debt or otherwise | n/a | £5m | £20m |

This table must be read in conjunction with the notes below:

**Liquidity Management**

The Council uses a cash flow forecasting spreadsheet to determine the amount of cash required on a day to day basis 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.

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

**Council Budget Assumptions for 2025/26**

- Investments will make an average rate of 4.0%
- New long-term loans will cost an average rate of 4.5%

**Strategy**

Given the increased risk and very low returns from short-term unsecured bank investments, the Council holds non-treasury management investment in diversified managed funds which offer a higher yielding. The Council holds £55m as a long-term investment (CCLA Property Fund, CCLA Diversified Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund) and these give a higher return than the short term investments. Although there is a higher return there is an increased risk that of capital values falling. The purpose of having medium to long-term investments is to generate income that supports the revenue budget and the provision of local services.

The majority of the Council's surplus cash is currently invested in short-term money market funds which offer very low rates but allows immediate withdrawal. The Council will continue to look for investment opportunities that give a good return whilst being a secure investment.

**Business models:**

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed 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.

**Approved Counterparties**

The Council may invest its surplus funds with any of the counterparty types in counterparty table above, subject to the cash limits (per counterparty) and the time limits shown.

**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 £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

**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.

**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.

**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). As providers of public services, they retain the likelihood of receiving government support if needed.

**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.

**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 Council to diversify into asset classes other than cash without the need to own and manage the underlying assets. 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 Council's investment objectives will be monitored regularly.

**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. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

**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 Council's investment at risk.

**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 AAA- 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 should be kept below £5m 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 "rating watch negative" or "credit watch negative") 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 and 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 Authority 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, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

## Treasury Management 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.

| | Target |
|---|---|
| Portfolio average credit rating | A |

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

### Liquidity:

The Council does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities.

**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 fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|
| Upper limit on fixed interest rate exposure | 85% | 90% | 90% | 95% |
| Upper limit on variable interest rate exposure | 45% | 35% | 30% | 25% |

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**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 fixed rate borrowing will be:

| | Upper | Lower |
|---|---|---|
| Under 12 months | 50% | 20% |
| 12 months and within 24 months | 25% | 0% |
| 24 months and within 5 years | 25% | 0% |
| 5 years and within 10 years | 25% | 0% |
| 10 years and above | 80% | 50% |

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.

### Principal Sums Invested for Periods Longer than 365 days

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 limits on the long-term principal sum invested to final maturities beyond the period end will be:

| | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|
| Limit on principal invested beyond one year | £10m | £20m | £20m |

# 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 second and third 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

The Council holds reserves that are not required for the day-to-day treasury management cash flow activities so can be invested in non-treasury management investments.

The surplus cash reserves can be invested in accordance with the CIPFA guidance. The balance reserve available for non-treasury investments is expected to fluctuate between £60m and £80m during the financial year.

### 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

### 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. For example the

Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle.

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.

**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 will 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.

**<u>Shares</u>**

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.

**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 authorities.

**Property and Regeneration Fund**

Commercial Investment Strategy: From 1 April 2021 the Council does not invest in commercial property if it is held primarily to generate income.

From the 1 April 2021 the Council will invest in the commercial property only where the main purposes are to regenerate areas of the City, encourage private investment and to create or retain local jobs.

**The Property and Regeneration Fund**

The Property and Regeneration Fund invests in commercial property for the purposes of regenerating areas of the city that the council wants to improve, encourage private investment and to create or retain local jobs.

The Council has historical commercial investment portfolio that it had built up over many years. The local and regional, commercial and residential property provides a return to the council, after paying the borrowing costs and this can be spent on local public services.

Property and Regeneration Fund

| Property and Regeneration Fund | Actual 2023/24 | Estimate 2024/25 | Forecast 2025/26 |
|---|---|---|---|
| Commercial Property Net Income | £3.258m | £3.283m | £3.382m |
| Net Return | 1.56% | 1.44% | 1.48% |

**Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its development cost including taxes and transaction costs.

| Analysis of Movement in Investment Properties | 2022/23 | 2023/24 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **271,065** | **238,435** |
| Additions | 61 | |
| Disposals | 0 | (80) |
| Net gains/(losses) from fair value adjustments | (15,198) | (12.946) |
| **Transfers:** | | |
| (to)/from Property, Plant and Equipment | (17,493) | (1,685) |
| **Balance at 31 March** | **238,435** | **223,724** |

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

Where the fair value of the Council's investment property portfolio is no longer sufficient to provide security against loss, and the Council will take mitigating actions to protect the capital invested. These actions include enhancing or refurbishing the assets and reviewing the rents agreements.

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out the evaluation process described below. 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. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan.

Table 4: Property Regeneration Fund

| | 2025/26 Forecast |
|---|---:|
| Revenue Resources (estimate) | £244.744m |
| Net Investment income | £3.383m |
| Proportion | 1.38% |

### Borrowing in Advance of Need

Government guidance is that local authorities 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 authorities since the Localism Act of 2011.

### Investment Evaluation Process for the Property and Regeneration Fund

The Council's due diligence assessment processes are consistent and robust evaluation process and is set out below:

1. Proposed development opportunities are reviewed by Land and Property in areas of the City which require redevelopment or regeneration of brown and green field sites or areas where the Council want to stimulate inward private investment and to create or retain local jobs. A report is prepared by

suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.

2. This assessment provides analysis of a set of key criteria against which every prospective development is evaluated. The presentation of information highlights fundamental matters such as tenant covenant strength, lease length and location, in a transparent and consistent format, to support clear scrutiny and decisions.

3. The assessment provides a basis for scoring and weighting risk, to support the analysis of potential development and qualify overall suitability for inclusion in the portfolio.

4. The score threshold is not an absolute but helps guide decisions.

5. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice, in the context of the Capital Finance Strategy, to support the evaluation and internal reporting process.

6. Since tenant default is a significant threat to the performance of the property investment financial checks are made on the proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.

7. With all the additional information a detailed model is produced. The model is tailored for each prospective development, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support the regeneration and job creation to cover the cost modelling.

8. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms.

   - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by RICS as part of their commitment to promoting and support high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.
   - A Building Survey report is produced, as part of the proposed development, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.

9. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed.

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

## Property and Regeneration Governance

Clear, robust and transparent governance is critical to the Capital Finance Strategy and meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly to changes in the market. For example if there is a commercial company failure in the city the officers would be able to respond quickly to help retain local jobs and look for alternative purchasers.

The Council to acquire or dispose of land is vested in the Head of Land and Property and where the land is purchased through the Property and Regeneration Fund a proposal is presented to the Officers and Members with a recommended for authorisation by the relevant Leader, Legal and the Section 151 Officer.

**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. For example, the Service Director of Finance is a qualified accountant with over 25 years' experience.

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

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. 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.

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

**How investments are funded:**

Property and Regeneration Fund commercial property developments are funded by borrowing and repaid by the service from rental income from the development.  The borrowing is not directly taken out against each property but is managed through our Treasury Management function.

The rental income generated from the development of commercial property is used to repay the borrowing before any net income is used in the supporting of services.

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

**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 2025/26

Where the Authority 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 Authority to have regard to 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 funded from revenue with an option that part or all of the payment could be funded from capital receipts to repay debt.

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 Authority 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 Authority'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 50 years.

**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.

# Other Items

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

**Policy on use of 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). The Council has no plans to make use of derivative instruments at the present time but does not discount the possible use of these in the future dependent on the existence of appropriate operating conditions, the acquisition and analysis of specialist advice and thorough consultation with stakeholders.

This approach is in line with the CIPFA Code, which encourages the Council to seek external advice and to consider such advice before entering into financial derivatives to ensure that it fully understands the implications.

**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.

**Markets in Financial Instruments Directive**

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing 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 Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

# Other options considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, 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 – (when published) Arlingclose Economic and Interest Rate Forecast November 2024

**Underlying assumptions:**

**Forecast:**

## Appendix B - Existing Investment and Debt Portfolio Position

| | 30 Sept 2024 Actual Portfolio £m | 30 Sept 2024 Average Rate % |
|---|---|---|
| PWLB – Fixed Rate | 483 | 3.32 |
| Short-term borrowing | 85 | 0.97 |
| LOBO Loans | 59 | 4.36 |
| Long Term Borrowing | 18 | 4.37 |
| **Total borrowing** | **645** | **3.16** |
| Short-term Money Market funds | 31 | 4.99 |
| Other Pooled Funds | 54 | 5.30 |
| Cash and cash equivalents | 1 | 1.88 |
| **Total investments** | **86** | **5.17** |
| **Net borrowing** | **559** | |

**Treasury Management Strategy 2025-26**

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