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James Ellis
Head of Legal and
Democratic Services

MEETING	**:**	JOINT MEETING OF SCRUTINY COMMITTEES
VENUE	**:**	COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE	**:**	WEDNESDAY 29 JANUARY 2025
TIME	**:**	7.00 PM

MEMBERSHIP OF AUDIT AND GOVERNANCE COMMITTEE
Councillors M Adams (Chair), B Deering, C Hart, S Nicholls, G Williamson, D Willcocks, D Woollcombe, Mr M Poppy and Mr N Sharman.

Substitutes:

Conservative Group:	Councillor J Wyllie
Liberal Democrat Group:	Councillors S Marlow and M Swainston
Labour Group:	Councillor D Jacobs
Green Group:	Councillor M Connolly and N Cox

MEMBERSHIP OF OVERVIEW AND SCRUTINY COMMITTEE:
Councillors D Jacobs (Chair), D Andrews, P Boylan, E Buckmaster, R Carter, N Clements, N Cox, C Horner, G McAndrew, S Nicholls, M Swainston, J Thomas, G Williams and D Woollcombe

Substitutes:

Conservative Group:	Councillors A Holt and G Williamson
Liberal Democrat Group:	Councillors S Marlow and R Townsend
Labour Group:	Councillor C Redfern
Green Group:	Councillors V Burt, V Smith and S Watson

(Note: Substitution arrangements must be notified by the absent Member to Democratic Services 24 hours before the meeting)

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   - must not participate in any discussion of the matter at the meeting;

   - must not participate in any vote taken on the matter at the meeting;

   - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;

   - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;

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AGENDA

1. Appointment of Chair

2. Apologies

   To receive apologies for absence.

3. Chair's Announcements

4. Declarations of Interest

   To receive any Members' declarations of interest.

5. Budget 2025/26 & Medium Term Financial Plan 2025-2035 (Pages 6 - 21)

6. Capital Strategy, Minimum Revenue Provision Policy & Treasury Strategy 2025/26 (Pages 22 - 69)

7. Urgent Business

   To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

East Herts Council Report

Joint Meeting of Scrutiny Committees

Date of meeting: 29 January 2025

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Budget 2025/26 & Medium Term Financial Plan 2025-2035

Ward(s) affected: (All Wards);

Summary – This report sets out the revised Medium Term Financial Plan (MTFP) and savings proposals to balance the 2025/26 budget. The Local Government Finance Settlement was published on 18th December, the impact of the finance settlement is included in the report. The MTFP is based on the latest intelligence around government funding for 2025/26.

The report presents a balanced budget for 2025/26 (with a small £6k surplus), there are a number of risks associated with this budget which will be discussed in the upcoming paragraphs. Delivery of the officer delegated and Executive recommended savings and income generation plans are key to balancing the budget.

The base case MTFP was shared with Executive in October 2024, this version showed a budget gap of circa £2m. Base budgets, statutory and non-statutory services have been reviewed and savings options considered and discussed at both Leadership Team meetings and joint meetings with Executive. Proposals to mitigate forecast budget gap of £2m are detailed within the report.

The 2025-2035 Capital programme reflects the Councils Capital strategy and the statutory guidance that debt should remain below the Capital Financing Requirement. The Council is compliant with this guidance, however there is no scope for further borrowing above the levels proposed in the current capital programme.

RECOMMENDATIONS FOR JOINT MEETING OF SCRUTINY COMMITTEES:

a) Scrutinise the savings and income generation proposals proposals and advise Executive of any significant issues they believe may arise;

b) Scrutinise the proposed capital programme.

1.0 2025/26 Budget & MTFP

1.1 The Medium Term Financial Plan (MTFP) approved by Council in February 2024 and amended in October 2024 has been updated to reflect the current known position following the draft Local Government Finance Settlement issued on 18th December 2024 and estimates of expected budget position. The MTFP is shown in Appendix A. Table 1 below shows the summary position

Table 1: Summary MTFP as at 10/01/2025	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£'000	£'000	£'000	£'000
Net Cost of Services	19,266	19,142	19,860	20,809
Corporate Budgets	4,440	4,001	3,987	3,886
Savings plans	(3,409)	(4,222)	(5,210)	(5,420)
Government funding	(7,008)	(3,564)	(3,619)	(3,621)
Council Tax	(13,131)	(13,625)	(14,138)	(14,669)
Contributions to/from reserves	(164)	-	-	-
Net Budget position	**(6)**	**1,732**	**880**	**984**

1.2 The updated MTFP shows a balanced budget for 2025/26, with a small surplus of £6k, the paragraphs that follow detail the updates that have been made to the 2025/26 position since October 2024. The updated MTFP also shows that further work will be required to bridge the identified gaps for 2026/27 onwards – this work is ongoing.

1.3 Leadership Team, in conjunction with senior managers, presented savings options to the Executive in joint meetings to address the budget gap forecast in the MTFP. At these meetings consideration was given to statutory and non- statutory services that the council provides and how services are delivered.

1.4 These savings options fall into 2 categories, those under officer delegation and those for Executive recommendation. The savings plans total, as per table 1, £3.4m. Of these £1.582m are under officer delegation as shown in table 2 and Appendix B.

Table 2: Savings implemented under officer delegation	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£'000	£'000	£'000	£'000
Approved as part of 2024/25 budget setting	*(122)*	*(1,335)*	*(1,985)*	*(1,985)*
Savings proposed by Leadership Team – Dec 2024				
- Contractual changes	(937)	(1,137)	(1,137)	(1,137)
- Vacancy management	(337)	(421)	(421)	(421)
- General efficiencies	(128)	(128)	(128)	(128)
- Transformation	(58)	(88)	(103)	(103)
Total officer delegated savings	**(1,582)**	**(2,125)**	**(2,140)**	**(2,140)**

1.4.1 The savings proposals in place under officer delegation have fully worked up proposals to support, which will be shared following consultation with officers.

1.5 A range of savings options and income generation proposals were presented for Member consideration, those proposed to be taken forward total £1.827m, of this total £492k are new proposals for 2025/26 with the balance already approved as part of the 2024/25 budget setting process. These are shown in table 3 and Appendix C.

Table 3: Executive recommended savings	**2025/26**	**2026/27**	**2027/28**	**2028/29**

& Income generation proposals				
	£'000	£'000	£'000	£'000
Approved as part of 2024/25 budget setting	*(1,335)*	*(1,335)*	*(1,985)*	*(1,985)*
Savings proposed 2025/26 budget setting				
- Retender of ground maintenance contract	-	-	(50)	(50)
- Increase Garden Waste charges by £10 to £59, then cpi increase per year	(300)	(330)	(360)	(390)
- Reduce contribution to HGGT	(15)	(15)	(15)	(15)
- Reduce member training budget	(10)	(10)	(10)	(10)
- Community grants - reduction	(30)	(30)	(30)	(30)
- Millstream property disposals	(63)	(190)	(253)	(253)
- New approach to partnerships	(74)	(147)	(147)	(147)
- Customer services, close receptions	-	(40)	(40)	(40)
- Transformation	-	-	(180)	(360)
Total Executive recommended savings & income generation	**(1,827)**	**(2,097)**	**(3,070)**	**(3,280**

1.5.1 All options for Executive consideration are shown in Appendix C, including those that have been rejected as part of the 2025/26 budget setting.

1.5.2 Delivery of all savings proposed is vital to ensure that the authority can meet is commitments. Robust monitoring of the savings plan, early identification of risks and proposals for future savings and transformation will be carried out by Leadership Team.

1.6 Net Cost of services - updated figures

1.6.1 Extended Producer Responsibility

Confirmation from government was received on 2nd December 2024 that East Herts would receive £1.4m in 2025/26 in respect of the extended producer responsibility scheme, this is to compensate councils for managing packaging waste collected from households. No assumption was made in the MTFP previously as the amounts were unknown.

1.6.2 BEAM budget contribution

A review of the business plan for BEAM has been undertaken by external consultants. The net cost of services has been updated with a reduced surplus position from £1.8m to £200k in 2025/26. Any overachievement against this base position will be transferred to reserves.

1.6.3 Pay award 2024/25 & Salaries

The 2024/25 pay award was agreed in October 2024 at a lower rate than was included in the budget. A reduction of £200k in the 2025/26 base budget has been accounted for in the net cost of services. All salary budgets have been updated in line with current scale point and appointments made in 2024/25. A 3% pay award has been assumed in 2025/26 and all future years.

1.6.4 Employers National Insurance

Following the announcement of an increase from 13.8% to 15% in employers national insurance contributions as part of the 2024 Autumn Budget an increase of £347k has been built into the net cost of services figures. The government has announced an additional £515m for local authorities in compensation of National Insurance Contributions as part of the 2025/26 local government finance settlement. The exact amount that East Herts will receive is still uncertain, included in the MTFP is an assumption of £179k (51% of the additional cost forecast). Officers are working with contractors to ascertain the impact that the increase in national insurance contributions will have on the cost of contracts.

1.6.5 Business Rates – Charringtons House

A budget has been built in to cover ongoing pressure in respect of business rates liability at Charringtons House, these are £300k in 2025/26 reducing to £150k in 2026/27.

1.6.6 Capital Expenditure charged to a revenue account

The previous version of the MTFP included a budget of £550k for capital expenditure charged to a revenue account, this has been reduced to £50k in line with the reduced capital programme.

1.7 Corporate Budgets

1.7.1 Minimum Revenue Provision (MRP)

The budget in the MTFP hasn't been adjusted at present as a review of the Councils MRP policy is currently underway. Any identified savings will be set aside to the interest equalisation reserve to cover reduction in principal amount invested in property funds.

1.7.2 Interest payable on loans & investment income

Both lines have remained the same in the MTFP as they are currently being reviewed, in line with MRP any savings identified will be set aside to the interest equalisation reserve to cover reduction in principal amount invested in property funds.

1.8 Government Funding & Council Tax increase

1.8.1 All assumptions regarding government funding have been reviewed and updated in line with latest guidance from LG futures and the Local Government Finance Settlement which was published on 18th December 2024.

1.8.2 The MTFP includes a 2.98% increase in council tax for 2025/26 and all future years. For 2025/26 this gives a band D council tax of £201.04.

1.9 Capital Programme

1.9.1 The 2025/26 – 2034/35 Capital programme and capital funding is shown in Appendix D and a summary in Table 4

Table 4: Capital Programme & Capital Funding	2024/25 Forecast Outturn	2024/25 Carry forward	2025/26 Estimate	2026/27 Estimate
Capital Expenditure	£'000	£'000	£'000	£'000
Land & Buildings	5,554	1,150	1,535	2,195
Infrastructure	262	-	-	-
Vehicles & Equipment	450	7,835	8,260	300
Community Assets	1,252	-	-	-
Transformation	-	-	500	500
Contingency	-	-	250	250
Total capital expenditure	**7,518**	**8,985**	**10,545**	**3,245**
Capital Funding				
External borrowing	(3,291)	-	(7,898)	-
Capital receipts	(206)	-	(1,400)	(3,245)
S106	(599)	-	(1,247)	-
Capital grants applied	(422)	-	-	-
Reserve funded	(3,000)	-	-	-
Total capital funding	**(7,518)**	**-**	**(10,545)**	**(3,245)**

1.9.2 The capital programme presented is much reduced from previous years in line with the completion of major schemes. The capital programme has been prepared by Leadership Team and is the maximum that is affordable for the authority, there is no scope within the councils Capital Financing Requirement for any additional unfunded schemes.

1.9.3 The majority of the carry forward budgets relate to the purchase of vehicles and equipment and adjustments to Buntingford Depot required for the new waste contract that commences in May 2025. The purchase of these is now scheduled to take place in quarter one of 2025/26.

1.9.4 The council has received section 31 grant from DEFRA to fund the purchase of food waste bins and food waste collection vehicles. In 2025/26 £1.2m will be utilised. The balance of the funding for these vehicles will come from external borrowing and capital receipts. The

Minimum Revenue Provision (MRP) in relation to these assets will, in line with the councils MRP policy, be straight line over the assets useful life, of 8 years. This gives a MRP requirement of c£838k per year.

1.9.5 The officer asset management group is reviewing assets that are proposed for disposal, with the view to accelerate disposal of assets in order to reduce the cost of borrowing and the future MRP charges to the council. For each £1m of borrowing the Council enters into there is a revenue cost of at least 8%

1.9.6 The only capital schemes that are proposed from 2027/28 onwards are for investment in operational assets and IT, both of these are currently under review and will form part of the 2026/27 budget and MTFP report.

2.0 Uncertainty

2.1 The figures in the current MTFP are based on the best information available at the time of writing the report. The Local Government Finance settlement was received on 18th of December, and increase to the Revenue Support Grant has been included in the MTFP. There is still uncertainty about the grant relating to Employees National Insurance contributions.

2.2 Although this appears to be a balanced budget the underlying need to deliver every saving cannot be stressed too much. There is a high risk that these savings may not materialise and there is a limited amount of reserves, that could be utilised to support any shortfall in savings.

2.3 In the MTFP 2026/27 onwards is showing a budget gap of £1.7m. Transformation and savings proposals will need to be developed to bridge this budgetary gap.

3.0 Reason(s)

3.1 The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 required the council to estimate revenue expenditure and income for the forthcoming year from all sources, together with contributions from reserves, in order to determine a net budget requirement to be met by government grant, Business Rates and Council Tax.

4.0 Options

4.1 Given the financial outlook there are limited options available to ensure a balanced budget. Any growth will need to be balanced with savings and any shortfall from the limited reserves the council holds.

5.0 Risks

5.1 Risk and known uncertainties are highlighted in the body of the report.

6.0 Implications/Consultations

6.1 The council is required to consult with Business Ratepayers under s.34 Local Government Finance Act 1988.
6.2 The budget papers will be available on line for residents to view.

Community Safety

The budget underpins delivery of the council's policies and priorities in relation to community safety.

Data Protection

None directly arising from this report.

Equalities

The Council has a statutory duty under the Equalities Act 2010, in particular s149. This includes the requirements on the Council to have due regard to the need to eliminate discrimination and harassment, to advance equality of opportunity, to foster good relations and to remove or minimise disadvantages suffered by persons who share protected characteristics. Compliance with these duties in the Equalities Act does permit the Council to treat some persons more favourably than others, but only to the extent that such conduct is not otherwise prohibited. In setting the budget, decisions on some matters may be particularly relevant to the discharge of this duty, particularly fees and charges concessions and an equalities impact assessment will be undertaken to assess and ensure compliance with this duty

Environmental Sustainability

The budget underpins delivery of the council's policies and priorities in relation to the environmental and sustainability areas.

Financial

All financial implications are contained within the report.

Health and Safety

None directly arising from this report.

Human Resources

The budget provides provision of a pay award for up to 3% in 2025/26, the actual award is subject to national NJC negotiations.

Human Rights

None directly arising from this report.

Legal

The council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a basic Council Tax Requirement.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates and adequacy of reserves to the council when it is considering the budget.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Budget 2025/26 and Medium Term Financial Plan – 28 February 2024 Council Meeting
7.2 Budget 2025-26 and Medium Term Financial Plan (MTFP) 2025-2035 Preparation – 1 October 2024 Executive
7.3 Draft Budget 2025-26 and Medium Term Financial Plan - 7 January 2025 Executive
7.4 Appendices

Appendix A	Medium Term Financial Plan
Appendix B	Savings implemented under officer delegation
Appendix C	Executive recommended savings & Income generation proposals
Appendix D	Capital Programme & Capital Funding

Contact Member Councillor Carl Brittain

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General Fund Revenue Budget and Medium Term Financial Plan

2025/26 to 2034/35

2024/25 £000	Cost of Services	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000
362	Chief Executive's Office	382	393	405	417	428	441	454	467	480	493
1,626	Communications, Strategy & Policy	2,060	2,111	2,164	2,218	2,273	2,330	2,388	2,447	2,507	2,568
2,400	Housing and Health	2,186	2,257	2,330	2,404	2,480	2,559	2,640	2,724	2,811	2,901
2,718	Operations	3,308	3,202	3,565	3,779	3,980	4,192	4,415	4,650	4,898	5,159
(548)	Hertford Theatre	(200)	(300)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
2,345	Planning & Building Control	2,456	2,535	2,615	2,698	2,783	2,871	2,962	3,056	3,153	3,253
995	Shared Revenues & Benefits Service	966	1,025	1,086	1,148	1,213	1,280	1,351	1,426	1,505	1,588
2,822	IT Shared Service	3,038	2,720	2,822	2,928	3,038	3,152	3,270	3,392	3,519	3,651
1,597	Legal & Democratic Services	1,523	1,570	1,619	1,668	1,719	1,771	1,825	1,881	1,939	1,999
595	Human Resources & Org Development	657	670	683	697	710	724	738	752	766	780
2,394	Strategic Finance & Property	2,730	2,718	2,812	3,062	3,324	3,608	3,917	4,252	4,616	5,011
1,019	Centrally Managed Costs	260	260	260	260	260	260	260	260	260	260
(150)	Revenue Costs Capitalised	(150)	(70)	(50)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
4,739	Capital Expenditure Charged to a Revenue Account	50	50	50	50	50	50	50	50	50	50
22,914	Net Cost of Services	19,266	19,142	19,860	20,809	21,738	22,718	23,750	24,837	25,984	27,193

2024/25 £000	Corporate Budgets	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000
(50)	Fees and Charges Annual Review	(100)	(150)	(200)	(250)	(300)	(350)	(400)	(450)	(500)	(550)
1,032	Minimum Revenue Provision	1,634	1,702	1,786	1,786	1,786	1,786	1,786	1,786	1,786	1,786
2,955	Interest Payable on Loans	3,269	2,612	2,514	2,463	2,351	2,239	2,127	2,015	1,903	1,903
(1,200)	Investment Income	(1,000)	(800)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)
637	Pension Fund Deficit Contribution	637	637	637	637	637	637	637	637	637	637
3,374	Total Corporate Budgets	4,440	4,001	3,987	3,886	3,724	3,562	3,400	3,238	3,076	3,026
(1,103)	Savings implemented under existing delegations	(1,582)	(2,125)	(2,140)	(2,140)	(2,140)	(2,140)	(2,140)	(2,140)	(2,140)	(2,140)
(83)	Executive Savings approved 2024/25 budget round	(1,335)	(1,335)	(1,985)	(1,985)	(1,985)	(1,985)	(1,985)	(1,985)	(1,985)	(1,985)
0	Executive Recommended savings proposals - 2025/26	(492)	(762)	(1,085)	(1,295)	(1,295)	(1,295)	(1,295)	(1,295)	(1,295)	(1,295)
25,102	**Total Costs**	**20,297**	**18,921**	**18,637**	**19,274**	**20,041**	**20,860**	**21,730**	**22,655**	**23,640**	**24,799**

2024/25 £000	Government Funding & Council Tax	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000
(4,294)	Retained Business Rates - Business Rates	(5,092)	(3,149)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)	(3,202)
(1,697)	New Homes Bonus Grant	(1,193)	0	0	0	0	0	0	0	0	0
(111)	Revenue Support Grant	(141)	(143)	(145)	(147)	(148)	(150)	(152)	(154)	(156)	(158)
(1,999)	General Government Grants	(403)	(272)	(272)	(272)	(272)	(272)	(272)	(272)	(272)	(272)
0	NI grant	(179)									
(1,501)	New Burdens Funding - food waste collection										
(12,652)	Council Tax Demand on the Collection Fund	(13,131)	(13,625)	(14,138)	(14,669)	(15,219)	(15,789)	(16,380)	(16,992)	(17,625)	(18,282)
(500)	Collection Fund (Surplus)/Deficit										
(22,754)	Total Government Funding & Council Tax	(20,139)	(17,189)	(17,757)	(18,290)	(18,841)	(19,413)	(20,006)	(20,620)	(21,255)	(21,914)
2,348	**Net Budget before Reserves movements**	**158**	**1,732**	**880**	**984**	**1,200**	**1,447**	**1,724**	**2,035**	**2,385**	**2,885**

2024/25 £000	Contributions to/(from) Reserves	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000
652	Contributions to Earmaked Reserves	0	0	0	0	0	0	0	0	0	0
(3,000)	Contributions (from) Earmarked Reserves	(164)	0	0	0	0	0	0	0	0	0
	Contributions to General Fund										
	Contributions (from) General Fund										
(2,348)	Total Contributions to/(from) Reserves	(164)	0	0	0	0	0	0	0	0	0
0	**Net Budget Position**	**(6)**	**1,732**	**880**	**984**	**1,200**	**1,447**	**1,724**	**2,035**	**2,385**	**2,885**

Savings implemented under existing delegations

Serivce	Description	2025/26	2026/27	2027/28	2028/29
		£'000	£'000	£'000	£'000
Approved as part of 2024/25 budget setting					
Corporate	Senior Management Restructure	- 250	- 250	- 250	- 250
Revenues & Benefits	Shared Revenues and Benefits Service Review	- 25	- 225	- 225	- 225
Communications, Strategy & Policy	Leisure Project Manager	- 30	- 30	- 30	- 30
Communications, Strategy & Policy	Avoidable contacts	- 24	- 24	- 24	- 24
Property	Wallfields	- 157	- 186	- 186	- 186
Total approved as part of 2024/25 budget setting		**- 486**	**- 715**	**- 715**	**- 715**

Adjustments required following unachievement of savings built in to base budgets 2024/25					
Corporate	Ban on overtime	164	164	164	164
Property	Wallfields	200	200	200	200
Total adjustments		**364**	**364**	**364**	**364**

Budget Adjustments & Savings proposed by Leadership Team - December 2024					
	Contractual changes	- 937	- 1,137	- 1,137	- 1,137
	Vacancy management	- 337	- 421	- 421	- 421
	General efficiencies	- 128	- 128	- 128	- 128
	Transformation	- 58	- 88	- 103	- 103
Total Officer delegated savings - Dec 2024		**- 1,460**	**- 1,774**	**- 1,789**	**- 1,789**

Total 2025/26 officer delegated savings	**- 1,582**	**- 2,125**	**- 2,140**	**- 2,140**

Executive recommended savings & income generation proposals

Service	Description	2025/26	2026/27	2027/28	2028/29
		£'000	£'000	£'000	£'000
Approved as part of 2024/25 budget setting					
Corporate	Innovation Corridor	- 10	- 10	- 10	- 10
Corporate	Digital Innovation Zone	- 10	- 10	- 10	- 10
Corporate	Visit Herts	- 5	- 5	- 5	- 5
Corporate	Advertising	- 20	- 20	- 20	- 20
Corporate	Asset Disposals	- 528	- 528	- 528	- 528
Operations	Invest to Save - Refuse Contract Vehicle Financing	- 200	- 200	- 200	- 200
Operations	Civil Parking Enforcement	- 1,750	- 1,750	- 1,750	- 1,750
Total approved 2024/25		**- 2,523**	**- 2,523**	**- 2,523**	**- 2,523**

Reductions to 2024/25 approved savings					
Planning	HGGT joint Committee	10	10	10	10
Corporate	Asset Disposals	528	528	528	528
Operations	Civil Parking Enforcement	650	650	-	-
Toal reductions		**1,188**	**1,188**	**538**	**538**

Total savings approved by Executive 2024/25		**- 1,335**	**- 1,335**	**- 1,985**	**- 1,985**

2025/26 Executive recommended savings

Operations	Retender of ground maintenance contract	-	-	- 50	- 50
Planning	Reduce contribution to HGGT	- 15	- 15	- 15	- 15
Legal & Democratic	Reduce Member training budget	- 10	- 10	- 10	- 10
Housing & Health	Community grants - reduction	- 30	- 30	- 30	- 30
Corporate	Millstream property disposals	- 63	- 190	- 253	- 253
Corporate	New approach to partnerships	- 74	- 147	- 147	- 147
Communications, Strategy & Policy	Customer Services - review receptions	-	- 40	- 40	- 40
Communications, Strategy & Policy	Transformation	-	-	- 180	- 360
2025/26 Executive Recommended savings		**- 192**	**- 432**	**- 725**	**- 905**

2025/26 Income generation proposals

Operations	Increase Garden Waste charges by £10 to £59, then cpi increase per year	- 300	- 330	- 360	- 390
2025/26 Income generation proposals		**- 300**	**- 330**	**- 360**	**- 390**

2025/26 Executive Rejected savings

Planning	Limited the planning enforcement resource to compliance	-233	-233	-233	-233
Planning	Reduce Enforcement officer resource from 3 to 1	-140	-140	-140	-140
Planning	Reduce Enforcement officer resource from 3 to 2	-67	67	67	67
Housing & Health	Citizens Advice - stop grant	-100	-100	-100	-100
Housing & Health	Citizens Advice - reduce grant	-30	-30	-30	-30
Housing & Health	Citizens Advice - reduce grant	-60	-60	-60	-60
Housing & Health	Delete Licensing Enforcement function	-63	-63	-63	-63
Housing & Health	Reduction current 1.3 FTE Licensing Enforcement Officers to 1 FT	-15	-15	-15	-15
Communications, Strategy & Policy	Communications - reduce service to minimum	-103	-103	-103	-103
Housing & Health	Staff paying for car park	-3	-5	-5	-5
Legal & Democratic	Land charges searches - charge for fast track service	-2	-2	-2	-2

EAST HERTS DISTRICT COUNCIL CAPITAL PROGRAMME 2025/26 TO 2034/35

APPROVED SCHEMES	2023/24 Unaudited Outturn £000	2024/25 Forecast Outturn £000	Carry forward	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £000	2031/32 Estimate £(000)	2032/33 Estimate £(000)	2033/34 Estimate £(000)	2034/35 Estimate £(000)	Scheme Total from 2025/26 £000
Land and Buildings														
Investment in operational assets	57	589	-	350	350	*	*	*	*	*	*	*	*	700
Buntingford Depot	-	-	800	800	-	-	-	-	-	-	-	-	-	800
BEAM	-	4,815	-	-	-	-	-	-	-	-	-	-	-	-
ORL - Main Scheme	-	150	-	175	175	-	-	-	-	-	-	-	-	350
Town Centre Regeneration - Public Square	-	-	-	30	1,500	-	-	-	-	-	-	-	-	1,530
URC Church Hall	-	-	170	-	170	-	-	-	-	-	-	-	-	170
Pinehurst Community Hall	-	-	180	180	-	-	-	-	-	-	-	-	-	180
Total Land and Buildings	**57**	**5,554**	**1,150**	**1,535**	**2,195**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,730**
Infrastructue														
Bridge	-	262	-	-	-	-	-	-	-	-	-	-	-	-
	-	**262**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Vehicles and Equipment														
ICT Rolling programme	116	450	-	450	300	*	*	*	*	*	*	*	*	750
Refuse & Recycling - Cleansing vehicles	-	-	6,155	6,130	-	-	-	-	-	-	-	-	-	6,130
Refuse & Recycling - containers	-	-	1,680	1,680	-	-	-	-	-	-	-	-	-	1,680
Total Vehicles and Equipment	**116**	**450**	**7,835**	**8,260**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,560**
Community Assets														
Replacement play equipment across the district	-	50	-	-	-	-	-	-	-	-	-	-	-	-
Bishops Stortford Castle Park - HLF	-	633	-	-	-	-	-	-	-	-	-	-	-	-
Hertford Castle Grounds - Development Phase - H	-	363	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Open Spaces	-	206	-	-	-	-	-	-	-	-	-	-	-	-
Total Community Assets	**-**	**1,252**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transformation	-	-	-	500	500	-	-	-	-	-	-	-	-	1,000
Contingency	-	-	-	250	250	-	-	-	-	-	-	-	-	500
TOTAL CAPITAL EXPENDITURE	**173**	**7,518**	**8,985**	**10,545**	**3,245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,290**
FUNDED BY:														
Borrowing (Internal)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing (External)	-	(3,261)	-	(7,898)		-	-	-	-	-	-	-	-	(11,159)
Capital Receipts	-	(236)	-	(1,400)	(3,245)	-	-	-	-	-	-	-	-	(4,881)
Capital Grants Applied	-	(599)	-	(1,247)	-	-	-	-	-	-	-	-	-	(1,846)
S106	-	(422)	-	-	-	-	-	-	-	-	-	-	-	
Reserve funded	-	(3,000)	-	-	-	-	-	-	-	-	-	-	-	
Capital Expenditure Charged to a Revenue Accoun	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL PROGRAMME FUNDING	**-**	**(7,518)**		**(10,545)**	**(3,245)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21,308)**

*Note: Investment in operational assets and ICT rolling programme are currently under review and will form part of the 2026/27 MTFP and budget

East Herts Council Report
Joint Meeting of Scrutiny Committees

Date: 29th January 2025

Report by: Councillor Carl Brittain, Executive Member for Financial Sustainability

Report title: Capital Strategy, Minimum Revenue Provision Statement and Treasury Management Strategy 2025/26

Ward(s) affected: All

Summary

The report contains the Capital Strategy, Minimum Revenue Provision (MRP) statement and Treasury Management Strategy for 2025/26.

RECOMMENDATIONS FOR JOINT MEETING OF SCRUTINY COMMITTEES:

(a) That Members examine and comment on the Capital Strategy, Minimum Revenue Provision Statement and the Treasury Management Strategy 2025/26 including the Prudential Indicators contained within the reports.

1.0 Proposal(s)

1.1 This report presents the Executive's recommended Capital Strategy, the Minimum Revenue Provision statement, and Treasury Management Strategy 2025/26 for Full Council to approve.

2.0 Background

2.1 The East Herts Council Capital Strategy provides a valuable opportunity for engagement with Full Council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.

2.2 The East Herts Council Capital Strategy is intended to be a strategic corporate document which will both be influenced by and in turn influence policy and decision making in respect of capital investment.

2.3 The Strategy will continue to develop and evolve as external influences do and will be updated as required in order that this Strategy is responsive to the challenges, opportunities, priorities, and objectives that the Council must consider.

2.5 As the council continues to deliver, review, and update the capital programme, it will do so within the context of the council's Climate Change commitments, most notably the commitment to the council itself becoming carbon neutral by 2030. To that end, the council has devised a carbon assessment tool which it is now beginning to use to assess its existing major projects. As new proposals for capital funding come forward, a carbon assessment will be included as an integral part of the business case to inform decision-making.

2.6 The 2025-2035 Capital programme reflects the Councils Capital strategy and the statutory guidance that debt should remain below the Capital Financing Requirement. The Council is compliant with this guidance, however there is no scope for further borrowing above the levels proposed in the current capital programme.

2.7 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested with low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing security and adequate liquidity always before considering investment return.

2.8 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

2.9 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

2.10 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

2.11 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.12 This activity is currently supported by the council's appointed independent advisors – Arlingclose Limited.

3.0 Reason(s)

3.1 Revised reporting was required from the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

3.2 Following consultation with the sector and other stakeholders new MRP regulations were published in April 2024 most of which take effect from 1 April 2025. The amendments to the regulations seek to ensure that local authorities are not applying practices which result in an underpayment of MRP. The councils' advisors Arlingclose have reviewed the new MRP regulations and do not expect these to have a significant impact on the Council.

4.0 Options

4.1 Endorse the updated strategy or suggest amendments because of the scrutiny process.

5.0 Risks

5.1 Risks are discussed in detail, within the Capital Strategy, including the uncertainty around future funding.

5.2 The tighter regulations for MRP mean that the Council needs to calculate the capital financing requirement to ensure that there is no underpayment of MRP, and that borrowing is affordable. Noncompliance with the Local Authorities (Capital Finance and Accounting) (England) Regulations as amended 2024 will be treated as unlawful.

5.3 A review of the councils MRP position and Capital Financing Requirement has been undertaken in December 2024 by Arlingclose. The implications from this review are currently being reviewed by officers. Updates to the MRP position will be presented to members as part of updates to the 2024/25 financial reporting and 2025/26 budget setting.

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

6.0 Implications/Consultations

6.1

Community Safety

Building and refurbishment schemes design out crime and safety issues and public realm works are required to ensure that the community feel safe.

Data Protection

All investment in IT systems is required to check where data is held and that systems comply with data protection legislation.

Equalities

All capital schemes meet the necessary legislation and are subject to access audits. Design also considers dementia friendly design elements particularly around colour.

Environmental Sustainability

The council has established a carbon assessment tool that it is beginning to apply to existing capital projects. In the future, a carbon assessment of proposed capital projects will be included within the overall business case so as to inform decision-making. To date, individual schemes have sustainability features designed into them and may include, for example: meeting BREEAM ratings for buildings and refurbishments; flood resilience and sustainable underground drainage systems; opportunities for renewable energy generation; and carbon reduction such as replacement of the council's internal combustion engine vehicles with battery electric vehicles.

Financial

The strategy guides the capital programme and detailed financial implications are included with that in the budget report

Health and Safety

All contractors are required to have compliant health and safety policies. Where a health and safety issue require capital expenditure it will be fast tracked to deal with the issue

Human Resources

None

Human Rights

None

Legal

A Capital Strategy is a requirement of the Prudential Code which the council is required to follow under the Local Government Act 2003.

Specific Wards

None

7.0 Background papers, appendices, and other relevant material

- 7.1 Appendix A - East Herts District Council Draft Capital Strategy and Minimum Revenue Statement 2025/26 Onwards
- 7.2 Appendix B - Minimum Revenue Statement 2025/26 Onwards
- 7.3 Appendix C – Treasury Management Strategy 2025/26

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Appendix A

Capital Strategy

2025/26

www.eastherts.gov.uk

1. Introduction

1.1. Purpose of this strategy

1.1.1. This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

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

2. Capital Expenditure and Financing

2.1. Capital Expenditure

2.1.1. Capital expenditure is where the Authority spends money on assets, such as property, plant, equipment or vehicles, that will be used for more than one year.

2.1.1.1. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

2.1.2. In 2025/26, the Authority is planning capital expenditure of £10.545m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2023/24 actual £(000)	**2024/25 forecast £(000)**	**2025/26 budget £(000)**	**2026/27 budget £(000)**	**2027/28 budget £(000)**
General Fund services	25,563	7,518	10,545	3,245	-*
Capital investments	-	-	-	-	-
TOTAL	**25,563**	**7,518**	**10,545**	**3,245**	**-***

*2027/28 Capital programme is yet to be confirmed.

2.1.3. The main General Fund capital budgets include capital expenditure on refuse vehicles and bins for the new waste contract, existing operational asset spend, rolling replacements and upgrades to our IT infrastructure and the remaining spend on the Old River Lane site in Bishops Stortford including a new public square.

3. Governance

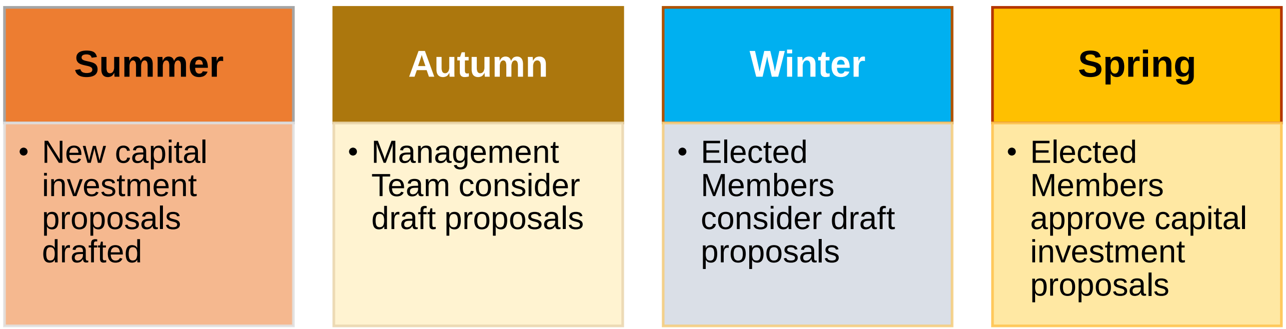
3.1. Governance

3.1.1. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Strategic Finance and staff, who must act in line with the treasury management strategy approved by Council. An annual and mid-year report on treasury management activity is presented to committee. The Audit & Governance Committee is responsible for scrutinising treasury management decisions.

3.2. Business planning process

3.2.1. The current business planning process for developing investment proposals to be included within the Council's future financial plans is summarised in the diagram below.

Figure 1 Business Planning Process



3.2.2. New proposals are developed by individual Project Managers, approved for consideration at service level by the Head of Service following which, the proposals will be considered by the Corporate Assets Group, then Leadership Team and successful proposals will progress for consideration and approval as part of the annual budget cycle.

3.3. Developing capital investment proposals

3.3.1. Project and Service Managers are encouraged to consider a range of options in developing individual proposals to determine an appropriate way forward, and to capture project details as a business case.

3.3.2. A standardised capital project bid form has been introduced and is required, to support Officers in recording and maintaining project information and inform decision making. The bid forms must include estimates of capital costs, revenue implications, funding and how the individual proposal aligns with Council plans and strategies and any partnership or external plans and strategies as relevant. Risks should also be documented as part of developing the proposal, along with mitigating actions and relevant timescales.

3.3.3. Capital project bid forms should then be maintained throughout the lifecycle of a project to maintain accurate information relating to delivery and lessons learned should be captured as part of project closure reports.

3.4. Prioritising capital investment

3.4.1. The intention for the standardised capital project bid forms referenced above is that they are subject to a standardised evaluation process, the outcome of which will be the prioritised capital investment programme. Local authorities continue to face financial challenges and as a result, the need to prioritise and target investment is ever present and the future capital programme will be greatly reduced compared with previous years.

3.4.2. The Council has identified that to effectively assess investment proposals against one another, a standardised evaluation process and scoring mechanism would be beneficial to help aid decision making and prioritise investment.

3.5. Financing

3.5.1. All capital expenditure must be financed, either by using the Authority’s own resources (revenue, reserves and capital receipts), external sources (government grants and other contributions), or from debt (borrowing, leasing or via Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2023/24 actual £(000)	**2024/25 forecast £(000)**	**2025/26 budget £(000)**	**2026/27 budget £(000)**	**2027/28 budget £(000)**
External sources	3,458	1,021	1,247	-	-
Capital receipts	1,615	236	1,400	3,245	-
Revenue resources	33	3,000	-	-	-
Debt	20,457	3,261	7,898	-	-
TOTAL	**25,563**	**7,518**	**10,545**	**3,245**	*****

* 2027/28 Capital programme is yet to be confirmed.

3.5.2. Debt is only a temporary source of finance since loans and leases must be repaid. Charges to revenue over the life of the asset which is known as minimum revenue provision (MRP), are required to be made were borrowings have supported the creation or purchase of an asset.

3.5.2.1. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to repay debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of prior years' debt finance

	2023/24 actual £(000)	**2024/25 forecast £(000)**	**2025/26 budget £(000)**	**2026/27 budget £(000)**	**2027/28 budget £(000)**
Minimum revenue provision (MRP)	636	1,032	1,634	1,702	1,786
Capital receipts	-	-	-	4,230	2,000
TOTAL	**636**	**1,032**	**1,634**	**5,932**	**3,768**

3.5.3. The figures in table 3 and 4 are provisional and are subject to approval as part of the 2025/26 budget setting.

3.5.3.1. A review of the councils MRP Policy is currently under way, these figures may be updated following this review (in early 2025).

3.5.4. The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase during 2025/26. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Capital Financing Requirement (CFR)

	2023/24 actual £(000)	**2024/25 forecast £(000)**	**2025/26 budget £(000)**	**2026/27 budget £(000)**	**2027/28 budget £(000)**
Capital Financing Requirement (CFR)	60,522*	62,899*	69,163*	63,231*	59.445*

*CFR is currently under review.

3.6. Asset Management

3.6.1. To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. The council's assets are being reviewed to identify assets for disposal to repay borrowing.

3.7. Asset Disposals

3.7.1. Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Authority expects to receive £2.4m of capital receipts from Asset sales in the coming financial year as shown in table 5.

3.7.2. The officer asset management group are reviewing the councils' assets to produce a list of potential asset disposals, options will be presented to members for approval. The figures shown in table 5 are provisional and subject to change.

Table 5: Capital receipts receivable

	2023/24 actual £(000)	**2024/25 forecast £(000)**	**2025/26 budget £(000)**	**2026/27 budget £(000)**	**2027/28 budget £(000)**
Asset sales	790	30	1,400	7,475	2,000
Preserved Right to Buy Receipts	825	206	200	200	200
Loans etc repaid	-	-	800*	1,700*	2,400*
TOTAL	**1,615**	**236**	**2,400**	**9,375**	**4,600**

*Millstream Disposals as per Exec recommended savings

3.7.3. A proportion of the Asset Sales (£200k) a year from 2025/26 to 2027/28 along with the receipts from the capital loans and Equity Investments have been set aside for utilisation as Flexible use of Capital resources.

Table 6: Flexible use of Capital Resources

	2023/24 actual £(000)	**2024/25 forecast £(000)**	**2025/26 budget £(000)**	**2026/27 budget £(000)**	**2027/28 budget £(000)**
Asset sales			200	200	200
Loans etc repaid	-	-	800*	1,700*	2,400*
TOTAL			**1,000**	**1,900**	**2,600**

*Millstream Disposals as per Exec recommended savings

4. Treasury Management

4.1. Introduction

4.1.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's liquidity requirements, while managing the risks involved.

4.1.2. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

4.1.3. Due to decisions taken in the past, as at 30th November 2024 the Authority had £45m in short term borrowing at an average interest rate of 5.06% , £14.8m invested in property funds (excluding an anticipated loss, not yet realised from one of the funds winding down) and £13.3m short term treasury investments (excluding Property Funds) at an average rate of 4.93%.

4.2. Borrowing Strategy

4.2.1. The Authority's main objectives when borrowing is to achieve as low a rate as possible for the set duration that it is needed for, whilst ensuring flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.

4.2.2. The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

4.2.3. Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown in table 7, compared with the capital financing requirement (see in table 4):

Table 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.3.2024 actual £(000)	**31.3.2025 forecast £(000)**	**31.3.2026 budget £(000)**	**31.3.2027 budget £(000)**	**31.3.2028 budget £(000)**
Debt (incl. PFI & leases)	46,500	60,500	66,000	60,000	53,500
Capital Financing Requirement	60,522	62,751	68,015	60,183	53,797

4.2.4. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 7, the Authority expects to comply with this in the medium term.

4.3. Liability benchmark

4.3.1. To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level. While there was major project spend the minimum level was set at £10m. This has now reduced to £5m. This benchmark is currently under review.

Table 8: Borrowing and the Liability Benchmark

	31.3.2024 actual £(000)	**31.3.2025 forecast £(000**	**31.3.2026 budget £(000**	**31.3.2027 budget £(000**	**31.3.2028 budget £(000**
Forecast borrowing (External)	46,500	60,500	66,000	60,000	53,500
Liability benchmark	**49,378**	**49,695**	**55,195**	**59,000**	**52,500**

4.3.2. The table shows that the Authority expects to borrow above its liability benchmark. This is because of the long-term investment in property funds which we cannot exit until property is sold to cover the redemptions and therefore the long-term investments are skewing our figures against the liability benchmark. The council moves closer to the benchmark once the property funds have been redeemed.

4.4. Affordable Borrowing Limit

4.4.1. The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 9: Prudential Indicators: Authorised limit and operational boundary for external debt

	2024/25 limit £(000)	2025/26 limit £(000	2026/27 limit £(000	2027/28 limit £(000
Authorised limit – total external debt	100,000	100,000	100,000	100,000
Operational boundary – total external debt	75,000	75,000	75,000	75,000

4.5. Investment Strategy

4.5.1. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

4.5.2. The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns.

4.5.2.1. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation.

4.5.2.2. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy, and the Authority may request its money back at short notice.

Table 10: Treasury management investments

	31.3.2024 actual £(000)	31.3.2024 forecast £(000)	31.3.2025 budget £(000)	31.3.2026 budget £(000)	31.3.2027 budget £(000)
Near-term investments	12,575	6,000	6,000	6,000	6,000
Longer-term investments	17,840	9,805	9,805*	-	-
TOTAL	**30,415**	**15,805**	**15,805**	**6,000**	**6,000**

*Being the Property Fund NAV value as at 31st December 2024. NAV is reset monthly.

4.6. Risk Management

4.6.1. The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

5. Revenue Budget Implications

5.1. Implications

5.1.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. Note investment income has been removed from the definition of financing costs. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
Financing costs (£m)	£1.6	£2.9	£3.3	£2.6	£2.5
Proportion of net revenue stream	8.3%	13.3%	16.2%	15.2%	14.2%

5.2. Sustainability

5.2.1. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Head of Strategic Finance is satisfied that the proposed capital programme is prudent, affordable, and sustainable because it has been reduced to a level where the borrowing remains affordable.

5.3. Knowledge and Skills

5.3.1. The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA, CIMA, AAT.

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

Annual Minimum Revenue Provision Statement 2025/26

1. When the council finances capital expenditure by debt, it must set 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.

    a. The Local Government Act 2003 requires the council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024.

2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

3. The MHCLG Guidance requires the council to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

4. MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding.

    a. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.

5. For capital expenditure, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset, in equal instalments (on the straight-line method), starting in the year after the asset becomes operational. In line with the useful economic life (UEL) of the asset, up to a maximum of 50 years.

6. The useful life of assets for individual assets will be set by the Head of Strategic Finance with advice from the Council's surveyor for property and

from guidance from manufacturers or other specialists in relation to vehicles, plant, and equipment. The UEL for individual assets will not exceed the outlines below: -

a. MRP on purchases of freehold land will be charged over 50 years.

b. MRP on Buildings will be charged over the anticipated UEL up to a maximum of 50 years

c. Computer equipment and Intangibles are anticipated to be charged between 3 and 10 years.

d. MRP on Vehicles including refuse, recycling and street cleansing vehicles will be payable over the UEL of the individual vehicle (ranging from 3 – 12 years).

e. MRP on Infrastructure will be charged over the estimated UEL up to a max of 50 years.

f. For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

    i. Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

g. MRP on expenditure not related to fixed assets, which have been capitalised by regulation or direction will be charged over a period up to 25 years.

Capital Loans

7. Capital expenditure loans to Millstream Property Investments Limited (which is wholly owned by the council), No MRP will be set aside, unless an expected credit loss is identified or increased in-year. Instead, capital

receipts arising from principal repayments will reduce the capital financing requirement. 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.

a. This option was proposed by the government in its recent MRP consultation and in the council's, view is consistent with the current regulations.

b. The council further believes this is prudent as the loans were financed by a reduction in the negative CFR, which arose from the large-scale voluntary transfer of council housing in 2001, and therefore was financed in full at the time the money was lent to the company.

c. The loans are secured by a charge over domestic property assets of the company and the loans were on average 60% of the property purchase price.

    i. Given that there is a 40%+ share of equity in excess of the loans and domestic property, the council believes there is sufficient equity in each domestic property to fully repay the loans to the company in most foreseeable downside risk events.

8. The council may make additional payments over and above MRP to reduce the CFR and these payments are known as Voluntary Payments.

    a. The council intends to utilise receipts from planned disposal as voluntary Payments. These additional voluntary payments will enable the council to reduce MRP charges to the Comprehensive Income & Expenditure Statement (CIES) in future years.

9. Capital expenditure incurred during 2025/26 will not be subject to a MRP charge until 2026/27 for completed projects or later for any Assets Under Construction.

10. Based on the council's latest estimate of its Capital Financing Requirement on 31st March 2025, the budget for MRP has been set as follows:

TABLE 1 MINIMUM REVENUE PROVISION BUDGET 2025/26

Estimated MRP	2025/26 £m	2026/27 £m	2027/28 £
Opening CFR	**62.899**	**69.163**	**63.231**
Capital expenditure	10.545	3.245	-
Receipts to reduce CFR	-1.247	-	-
MRP charged in Year	-1.634	-1.702	-1.786
Forecast Capital receipts - to reduce MRP charge	-1.400	-7.475	-2.000
Capital Expenditure to which MRP applies	**69.163**	**63.231**	**59.445**
MRP Charges in year	1.634	1.702	1.786
VRP (Voluntarey MRP - asset disposals)	1.400	7.475	2.000
Total Reduction in CFR - due to MRP and VRP	**3.034**	**9.177**	**3.786**

11. The council intends to dispose of assets and to apply the capital receipts to reduce the CFR. As the use of the capital receipts constitutes a Voluntary Payment the following table summarises planned VRP that will reduce the CFR.

TABLE 2 VOLUNTARY PAYMENTS 2025/26 – 2027/28

Planned Voluntary Payments	**£m**
Actual balance 31.03.2025	0
Planned payment 2025/26	1.400
Planned payment 2026/27	7.475
Planned payment 2027/28	2.000
Total Planned VRP to 31.03.2028	**10.875**

12. Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure.

13. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

a. Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.

b. Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.

c. Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

d. Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.

Appendix C

Treasury Management Strategy

2025/26

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Contents

Introduction

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.

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 2021 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.

Economic Background

3. The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

4. The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced Bank Rate to 4.75% at its meeting in November 2024, having previously cut by 25bp from the 5.25% peak at the August MPC meeting. At the November meeting, eight Committee members voted for the cut while one member preferred to keep Bank Rate on hold at 5%.

5. The November quarterly Monetary Policy Report (MPR) is forecasting Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be 0.5% between April and June 2024, a downward revision from the 0.6% rate previously reported by the Office for National Statistics (ONS).

6. Office for National Statistics (ONS) figures reported the annual Consumer Price Index (CPI) inflation rate at 1.7% in September 2024, down from 2.2% in the previous month and lower than the 1.9% expected. Core CPI also declined further than expected to 3.2% against a forecast of 3.4% and the previous month's 3.6%. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

7. The labour market appears to be easing slowly however, but the data still requires treating with some caution. The latest figures reported the unemployment rate fell to 4.0% in the three months to August 2024, while economic inactivity also declined. Pay growth for the same period was reported at 4.9% for regular earnings (excluding bonuses) and 3.8% for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

8. The US Federal Reserve has also been cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its November 2024 monetary policy meeting to a range of 4.5%-4.75%. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an annual rate of 2.8% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

9. Euro zone inflation fell below the European Central Bank (ECB) 2% target in September 2024, the first time in over three years. This allowed the ECB to continue its rate cutting cycle and reduce its three key policy rates by 0.25% in October. Inflation is expected to rise again in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

Credit Outlook

10. Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again. On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

11. Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

12. Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury adviser.

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

Interest rate forecast (November 2024)

14. The Authority's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates during 2024 and through 2025, taking Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

15. Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

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

17. Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.

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

19. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 4.25% and that new long-term loans will be borrowed at an average rate of 5.0%.

Local context

20. On 30th November 2024, the Authority held £46.5m of borrowing and £28.3m of treasury investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast.
CFR and Balance Sheet resources figures are under review and this table will change once the figures have been received.

	31.3.24 Actual £(000)	31.3.25 Estimate £(000)	31.3.26 Forecast £(000)	31.3.27 Forecast £(000)	31.3.28 Forecast £(000)
Capital financing requirement	**60,522**	**62,899**	**69,163**	**63,231**	**59,445**
Less: Other debt liabilities *	-	-	-	-	-
Loans CFR	**60,522**	**62,899**	**69,163**	**63,231**	**59,445**
Less: External borrowing **	(46,500)	(60,500)	(66,000)	(60,000)	(53,500)
Internal borrowing	**14,022**	**2,399**	**3,163**	**3,231**	**5,945**
Less: Balance sheet resources	(21,144)	(18,204)	(18,968)	(9,231)	(11,345)
Treasury investments	**7,122**	**15,805**	**15,805**	**6,000**	**5,400**

* 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

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

22. The Authority has an increasing CFR due to the capital programme, but with minimal investments and will therefore be required to borrow up to £66.0m over the forecast period.

23. 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 1 shows that the Authority expects to comply with this recommendation during 2024/25.

Liability Benchmark

24. To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £5m at each year-end to maintain sufficient liquidity but minimise credit risk.

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

Table 2: Prudential Indicator: Liability benchmark

	31.3.24 Actual £(000)	**31.3.25 Estimate £(000)**	**31.3.26 Forecast £(000)**	**31.3.27 Forecast £(000)**	**31.3.28 Forecast £(000)**
Loans CFR	**60,522**	**62,899**	**69,163**	**63,231**	**58,857**
Less: Balance sheet resources	(21,144)	(18,204)	(18,968)	(9,231)	(11,345)
Net loans requirement	39,378	44,695	50,195	54,000	47,512
Plus: Liquidity allowance	10,000	5,000	5,000	5,000	5,000
Liability benchmark	**49,378**	**49,695**	**55,195**	**59,000**	**52,512**

CFR and Balance Sheet resources figures are under review and this table will change once the figures have been received.

Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of a maximum £51.9m, minimum revenue provision on new capital expenditure based on the Useful Economic Lives of the individual assets ranging from 3 years to 50 years with income, expenditure reserves all increasing by inflation of 2.5% a year.

Borrowing Strategy

26. The Authority currently holds £46.5 million of loans, an increase of £15 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £60.5m in 2024/25. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £100 million.

27. **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.

28. **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. 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.

29. 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.

30. The Authority has previously raised all of its long-term borrowing from the HM Treasury PWLB Lending Facility (PWLB) (formerly the Public

Works Loans Board) but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

31. 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.

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

33. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

a. HM Treasury's PWLB Lending Facility (formerly the Public Works Loan Board)
b. National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
c. any institution approved for investments (see below).
d. any other bank or building society authorised to operate in the UK.
e. any other UK public sector body.
f. UK public and private sector pension funds (except the Hertfordshire Local Government Pension Scheme).
g. capital market bond investors.
h. UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

34. **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:

a. Leasing.
b. Hire purchase.
c. Private Finance Initiative.
d. Sale and leaseback.
e. Similar asset based finance.

35. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends

the proceeds to local 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.

36. **LOBOs:** The Authority holds no 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. Borrowing via LOBO loans will not be undertaken unless a separate report requesting authority is approved by Full Council.

37. **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).

38. **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.

Treasury Investment Strategy

39. 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 £28 and £38 million (including long term property investments), these levels are expected to reduce by year end and the forthcoming year, due to the redemptions of the property funds.

40. **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. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

41. **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

42. The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio. As a result we are in the process of ending a long term investment of £10 million in the Lothbury Property Fund. The £10 million in the Hermes Property Fund will be held until the redemption restrictions on the fund are lifted in the next few years.

43. **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority’s ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

44. **Business models:** Under the 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.

45. **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: 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	3 years	£20m	Unlimited
Secured investments *	3 years	£20m	Unlimited
Banks (unsecured) *	13 months	£20m	Unlimited
Building societies (unsecured) *	13 months	£20m	£60m
Registered providers (unsecured) *	3 years	£5m	£30m
Money market funds *	n/a	£20m	Unlimited
Strategic pooled funds	n/a	£20m	£20m
Real estate investment trusts	n/a	£20m	£20m
Other investments *	3 years	£1m	£5m

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

46. *** 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.

47. 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 £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

48. **UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional

currency and therefore may be made in unlimited amounts for up to 50 years.

49. **Local Authorities and other Government entities:** 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.

50. **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 secured deposits 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.

51. **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.

52. **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.

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

54. **Strategic pooled funds:** Bond, equity and property funds including exchange traded 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 can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

55. **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.

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

57. **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 except the council's banker, Nat West, where the balance will be kept below £20 million. 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.

58. **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:

   a. no new investments will be made,

b. any existing investments that can be recalled or sold at no cost will be, and
c. full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

59. 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.

60. **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.

61. **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 considered when making investment decisions.

62. 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 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.

63. **Investment limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £18 million on 31st March 2025 and £18 million on 31st March 2026. In order that no more than 60% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

64. Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £10k in operational bank accounts count against the relevant investment limits.

65. 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 4: Additional investment limits

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

66. **Liquidity management:** The Authority uses a spreadsheet-based cash flow forecasting model 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.

67. The Authority will spread its liquid cash over at least three providers (e.g. UK Government, bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

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

69. **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.

Credit risk indicator	Target
Portfolio average credit score	6.0

70. **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 within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£5m

71. **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 or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£640,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£640,000

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

73. **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:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%

10 years and within 20 years	75%	0%
20 years and within 30 years	75%	0%

74. **Long-term treasury management investments:** 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 prudential limits on the long-term treasury management investments will be:

Price risk indicator	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£0m	£0m	£0m	£10m

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

Related Matters

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

77. **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).

78. 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.

79. 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.

80. 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.

81. **Markets in Financial Instruments Directive (MFID):** The Authority 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 Authority's treasury management activities, the Head of Strategic Finance and Property believes this to be the most appropriate status.

Financial Implications

82. The budget for investment income in 2025/26 is £1.0 million, based on an average investment portfolio of £24.0 million at an interest rate of 4.25%. The budget for debt interest paid in 2025/26 is £3.3 million, based on an average debt portfolio of £65.0 million at an average interest rate of 5.0%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

83. Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then [50%] of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

Appendix A - Arlingclose Economic & Interest Rate Forecast

Underlying assumptions:

- As expected, the Bank of England Monetary Policy Committee (MPC) cut Bank Rate to 4.75% in November in an 8-1 vote. However, the outlook for monetary policy has changed following the new government's fiscal plans, as delivered in the recent Budget.
- The Budget contained measures that will boost demand, in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects of the Budget require a change to our Interest Rate Forecast.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth appears relatively subdued. However, the Budget will significantly boost government spending over the short-term, with few offsetting measures to subdue household demand, so GDP growth is likely to rise relatively steeply.
- Private sector wage growth has eased to 4.8% yet remains high, while services inflation continues to hold above pre-pandemic levels. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation was below the 2% target in September but will rise a little by year-end as energy price declines from the previous year fall out of the annual comparison. The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% by year end 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back to and then below target by this point.
- The MPC re-emphasised the gradual move to easing monetary policy, and we now believe the Budget measures have both reduced the pace of Bank Rate cuts and increased the low for this loosening cycle (although downside risks remain in the medium term).
- The increase in borrowing, rise in inflation and shallower path for Bank Rate projected by the Office for Budget Responsibility (OBR) raised gilt yields. The material change in rate expectations means that yields will be generally higher in the post-Budget world.

- US government yields have risen following Donald Trump's and Republican victories in the US elections. Trump has run on a platform of policies that appear inflationary, calling into question the extent of policy loosening required from the Federal Reserve (which was already uncertain given continued solid US growth data). Higher US yields could also support higher UK yields.

Forecast:

- In line with our forecast, Bank Rate was cut to 4.75% in November 2024.
- The MPC will continue to lower Bank Rate to reduce the restrictiveness of monetary policy, but more slowly and to a higher level. We see another rate cut in February 2025, followed by one cut per quarter, in line with Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility is likely to remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- Upside risks to inflation over the next 12 months could limit the extent of monetary easing, but we see the risks as broadly balanced over the medium term.

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.95	4.80	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.30	4.20	4.10	4.05	3.95	3.90	3.90	3.90	3.95	4.00	4.05	4.05	4.05
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.41	4.40	4.35	4.35	4.35	4.30	4.30	4.30	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.84	4.80	4.75	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.35	4.50	4.45	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65

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

Appendix B – Existing Investment & Debt Portfolio Position

	30/12/2024 **Actual portfolio** **£m**	30/12/2024 **Average rate** **%**
External borrowing:		
Public Works Loan Board	**1.5**	**8.875%**
Local authorities	**45.0**	**4.020%**
LOBO loans from banks	**-**	**-**
Other loans	**-**	**-**
Total external borrowing	**46.5**	
Other long-term liabilities:		
Private Finance Initiative	-	-
Leases	-	-
Transferred Debt	-	-
Total other long-term liabilities	-	
Total gross external debt	**46.5**	
Treasury investments:		
The UK Government		
Local authorities		
Other government entities		
Secured investments		
Banks (unsecured)	7.0	5.140%
Building societies (unsecured)		
Registered providers (unsecured)		
Money market funds	5.6	5.240%
Strategic pooled funds		
Real estate investment trusts		
Other investments	17.8	3.405%
Total treasury investments		
Net debt	**16.1**	

Appendix C – Treasury Management Scheme of Delegation

Full Council

1. Receiving and reviewing reports on treasury management policies, practices and activities.
2. Approval of annual strategy.

Executive

1. Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
2. Budget consideration and approval.
3. Approval of the division of responsibilities.
4. Receiving and reviewing regular monitoring reports and acting on recommendations.
5. Approving the selection of external service providers and agreeing terms of appointment.

Audit & Governance Committee

1. Reviewing the treasury management policy and procedures and making recommendations to the responsible body.
2. Receiving and reviewing reports on treasury management policies, practices and activities

Appendix D – The Treasury Management Role of the Section 151 Officer

1. Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
2. Submitting regular treasury management policy reports.
3. Submitting budgets and budget variations.
4. Receiving and reviewing management information reports.
5. Reviewing the performance of the treasury management function.
6. Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
7. Ensuring the adequacy of internal audit, and liaising with external audit.
8. Recommending the appointment of external service providers.
9. Preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
10. Ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
11. Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
12. Ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
13. Ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources.
14. Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities.

15. Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.

16. Ensuring that members are adequately informed and understand the risk exposures taken on by the Authority.

17. Ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above

18. Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -

    a. Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.

    b. Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments.

    c. Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.

    d. Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken.

    e. Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.