EXECUTIVE – 3 FEBRUARY 2022

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2022-23

1.0 Introduction

1.1 The Local Government Act 2003 and supporting regulations require the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

1.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as section 12); this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 Revised reporting was required from 2019/20 onwards 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 include 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.

1.4 CIPFA published updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft treasury reports for 2022/23. Full implementation is required for 2023/24.

1.5 The new changes require that the purpose, objectives, and management arrangements for commercial & service investments need to be defined in the Council’s treasury management strategies from 2023/24 onwards. The strategies will be expanded in the coming year to incorporate these changes.

2.0 Treasury Management Strategy 2022/23

2.1 The suggested strategy for 2022/23 in respect of the following aspects of the treasury management function is based upon the Treasury officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- borrowing rescheduling;
- the investment strategy;
- creditworthiness policy;
- policy on use of external service providers;
- the MRP strategy; and
- Council loans to Group Companies

2.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

2.3 This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2.4 The Council's reserves are set aside for specific purposes; in order to progress long term capital investment initiatives considered to be in the interests of residents where there are not sufficient reserves of capital or revenue, the Council needs to borrow. There is no absolute limit on what the Council can borrow; it can borrow what it considers it can afford to repay from its income sources such as council tax and service charges including rental income.

3.0 Treasury Limits for 2022/23 to 2025/26

3.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. In England and Wales the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

3.2 The revenue consequences of capital expenditure and financing decisions have been included in the General Fund and HRA reports (elsewhere on this agenda) and the assessment of the affordability of the Council's Investment Programme is made in the context of those reports. The Investment Programme is the subject of a separate report elsewhere on this agenda. The prudential limits contained in this report are therefore informed by the proposals in those reports.

3.3 The Authorised Limit for external borrowing is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years.

3.4 In setting the Authorised and Operational limits, it should be noted that the limits in 2021/22 cover the full project costs for Victoria Square to enable borrowing to be taken in advance of need if borrowing rates are sufficiently advantageous.

3.5 The Treasury limits also include an allowance above the planned long term borrowing requirement for the year. This enables short term cashflow requirements to be covered and provides some flexibility to facilitate borrowing in advance for known future requirements at advantageous interest rates. The allowance is particularly important considering the potential cashflow implications of the current economic climate.

4.0 Prudential Indicators for 2021/22 to 2022/26

4.1 The prudential indicators in table 1 below are relevant for the purposes of setting an integrated treasury management strategy. Non-treasury management prudential indicators are set out in Appendix 3 to the General Fund Service Plans, Budgets and Prudential Indicators report elsewhere on this agenda.

Treasury Management Strategy and Prudential Indicators 2022-23

PRUDENTIAL INDICATOR	2021/22	2022/23	2023/24	2024/25	2025/26
TABLE 1 - TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Estimate	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Authorised limit for external borrowing -					
Non - HRA					
Borrowing	£1,986,376	£2,150,314	£2,238,372	£2,299,385	£2,331,670
Other long term liabilities	£23,482	£22,242	£20,989	£19,660	£18,168
Total Non - HRA	£2,009,858	£2,172,556	£2,259,361	£2,319,045	£2,349,838
HRA					
Borrowing	£153,168	£155,923	£158,352	£159,852	£161,352
Other long term liabilities	£0	£0	£0	£0	£0
Total HRA	£153,168	£155,923	£158,352	£159,852	£161,352
Total authorised limit for external borrowing	£2,163,026	£2,328,479	£2,417,714	£2,478,897	£2,511,190
Operational boundary for external borrowing -					
Non - HRA					
Borrowing	£1,976,376	£2,140,314	£2,228,372	£2,289,385	£2,321,670
other long term liabilities	£23,482	£22,242	£20,989	£19,660	£18,168
TOTAL Non - HRA	£1,999,858	£2,162,556	£2,249,361	£2,309,045	£2,339,838
HRA					
Borrowing	£153,168	£155,923	£158,352	£159,852	£161,352
other long term liabilities	£0	£0	£0	£0	£0
Total HRA	£153,168	£155,923	£158,352	£159,852	£161,352
Total operational boundary for external borrowing	£2,153,026	£2,318,479	£2,407,714	£2,468,897	£2,501,190
Housing Revenue Account Limit on Indebtedness *	n/a	n/a	n/a	n/a	n/a
Upper limit for fixed interest rate exposure	100%	100%	100%	100%	100%
Upper limit for variable rate exposure	70%	70%	70%	70%	70%
Upper limit for total principal sums invested for over 365 days (per maturity date)	£3,000	£3,000	£3,000	£3,000	£3,000

* The Housing Revenue Account Limit on Indebtedness (the 'Debt Cap') was scrapped by the Chancellor in the 2018 Autumn Budget.

Maturity structure of new fixed rate borrowing during 2022/23	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

PRUDENTIAL INDICATOR	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
	Estimate	Estimate	Estimate	Estimate	Estimate
Gross Borrowing : Capital Financing Requirement					
External Borrowing					
Borrowing at 1st April	£1,681,068	£2,062,308	£2,226,793	£2,340,556	£2,393,879
Expected change in borrowing	£356,563	£143,483	£94,027	£34,992	£53,447
Other long term liabilities	£23,482	£22,242	£20,989	£19,660	£18,168
Expected change in other long term liabilities	£1,194	-£1,240	-£1,253	-£1,329	-£1,492
Gross Borrowing at 31st March	£2,062,308	£2,226,793	£2,340,556	£2,393,879	£2,464,002
Capital Financing Requirement at 31st March *	£2,062,308	£2,226,793	£2,340,556	£2,393,879	£2,464,002
Under/(over) borrowing	£0	£0	£0	£0	£0

* The Capital Financing Requirement includes borrowing undertaken for group company activities.

5.0 Current Treasury Position

5.1 The Council's position at 31st December 2021 is set out below.

		Principal		Ave. rate
Borrowing		£m	£m	%
Long term borrowing:				
Fixed rate funding	PWLB	1,746.6		2.62
	Market	36.0		3.95
			1,782.6	2.65
Variable rate funding	PWLB	0.0		-
	Market	0.0		-
			0.0	
Other long term liabilities (PFI)			23.5	3.73
Total long term borrowing			1,806.1	2.66
Short term borrowing			55.0	0.34
Total Borrowing			1,861.1	2.59
Investments				
External Cash deposits				
- Long term on advice of TUK		0.0		-
- Short term on advice of TUK		0.0		
			0.0	
- Short term WBC Treasury			49.8	0.02
Long term investments in Group/External Companies			1,118.6	3.10
Total Investments			1,168.4	2.97

6.0 Borrowing Requirement

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate
New borrowing – Non – HRA	561,280	264,595	105,443	51,823	68,623
New borrowing – HRA	6,731	2,756	2,429	1,500	1,500
TOTAL	568,011	267,351	107,872	53,323	70,123

6.1 The borrowing requirement includes borrowing for the Investment Programme, Invest to Save schemes and advances to group companies and joint ventures, including the Victoria Square Development.

6.2 The replacement borrowing indicates the years in which the Council's loans mature and may need replacing. Replacement borrowing may also be required when LOBOs (Lender Option Borrower Option) reach a step up date, if circumstances dictate and the Council chooses to repay the LOBO.

7.0 Prospects for interest rates

7.1 The Council has appointed Link Asset Services as treasury adviser to the Council and part of their service is to assist the Council to inform our view on interest rates. Appendix B draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates.

7.2 Link Asset Services current Bank Rate forecast for financial year ends (March) is: -

- 2021/22 – 0.25%
- 2022/23 – 0.75%
- 2023/24 – 1.00%
- 2024/25 – 1.25%

8.0 Borrowing Strategy

8.1 The Link Asset Services forecast for the PWLB new borrowing rates for maturity loans is shown in the table below. These rates take into account the certainty rate discount of 0.20% but still include the premium of 0.80% over the actual cost of borrowing.

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-24	Mar-25
Bank rate	0.25%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5 yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.70%	1.90%	2.00%
10 yr PWLB rate	1.70%	1.80%	1.80%	1.90%	1.90%	2.10%	2.30%
25 yr PWLB rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.50%
50 yr PWLB rate	1.70%	1.80%	1.90%	1.90%	2.00%	2.10%	2.30%

8.2 The timing of new long term borrowing will depend on the borrowing requirements (including the term of the projects being undertaken and resulting asset lives), the cost of carrying long term funding compared to short term borrowing; and the projections on interest rates. The Link forecasts above will be used as a suitable trigger point for considering fixed rate long term borrowing during 2022/23.

8.3 As short term borrowing rates will continue to be cheaper than longer term rates, there are likely to be opportunities to generate savings by undertaking short term borrowing. Any short term borrowing will be considered in the light of the short term nature of the savings and the risk of adverse interest rate movements prior to refinancing.

8.4 Variable rate borrowing is expected to be cheaper than long term borrowing but given that interest rates are expected to rise in the medium to longer term, fixed rate borrowing is the Council's preferred option. In making a decision on the borrowing term and type of loan, consideration will be given to the purpose for which the borrowing is being taken and the market conditions at that time. Where a scheme being funded is relatively short term or tied to a specific funding decision, the borrowing will normally reflect this.

8.5 When undertaking new maturity borrowing, the Council looks to spread its loan maturity profile and this strategy will continue during the year ahead. Borrowing is likely to continue to be annuity loans for significant projects which ensure a consistent payment profile over the life of the loan. The current maturity profile is shown in Appendix I.

8.6 Consideration will be given to borrowing fixed rate market loans at 25 – 50 basis points below PWLB target rate.

8.7 It is possible that the Municipal Bond Agency will offer loans to local authorities in the future. The Council will review the options available through the Municipal Bond Agency for possible borrowing in the future if and when information is available.

PWLB Borrowing

8.8 On 25 November 2020, the Chancellor announced the conclusion to the review of PWLB borrowing terms. The margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

8.9 Officers will continue to review whether to bid for the local infrastructure rate through the Infrastructure bank. The rate available is only 20 bps less than the certainty rate (which the Council already has access to) and the cash has to be taken in one drawn down after a long application period. Therefore the 20 bps benefit could be offset by increases in interest rates and the cost of holding the funds before being spent.

Asset Lives

8.10 The length of borrowing taken will be linked to the asset lives of the underlying Council Investment Programme. Treasury management decisions, and individual loans, are not directly associated with individual assets. However, if there are significant long or short term assets being acquired or loans advanced in any year, consideration will be given to matching these asset lives/terms in the underlying borrowing secured.

8.11 In recent years, and in 2022/23, the majority of borrowing is applied to very long term assets and projects with a 50 year business case. It is likely that the majority of borrowing taken in 2022/23 will be 50 year annuity matching the modelling of these projects.

<u>Sensitivity of the forecast</u>

8.12 In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios below. The Council Treasury Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following approaches to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap, whilst taking into account the cost of carry of the borrowing until it is required.

9.0 External Borrowing v Investments

Comparison of gross and net borrowing positions at year end	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
External Borrowing - Non HRA	1,909.14	2,070.87	2,182.20	2,234.03	2,302.65
External Borrowing - HRA	153.17	155.92	158.35	159.85	161.35
Total	2,062.31	2,226.79	2,340.56	2,393.88	2,464.00
Cash Balances	- 2.00	- 2.00	- 2.00	- 2.00	- 2.00
Net Borrowing	2,060.31	2,224.79	2,338.56	2,391.88	2,462.00

9.1 The table above shows the Council's projected net external borrowing position (calculated as gross borrowing less cash balances including short term investments). As at 31 December 2021, cash balances totalled £49.8m giving a net external borrowing of £1,811.3m.

9.2 Treasury officers will monitor the interest rate market and report any decisions in the Monthly Performance and Monitoring Information ('Green Book').

10.0 Policy on borrowing in advance of need

10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance for known requirements will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of funds.

10.2 In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the investment programme and maturity profile of the existing portfolio which supports the need to take funding in advance of need;

- ensure the on going revenue liabilities created, and the implications for future plans and budgets have been considered, including the cost of carry of the borrowing until it is needed;

- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding; and
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

11.0 Borrowing Rescheduling

11.1 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of borrowing means that PWLB to PWLB restructuring is currently much less attractive. This was compounded in October 2010 by a considerable further widening of the difference between new borrowing and repayment rates as part of the Comprehensive Spending Review, through the addition of a premium on the cost of borrowing. In particular, consideration would have to be given to the costs which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. This still remains the case despite the recent changes to the margins discussed above. However, some interest savings may still be achievable by using LOBO (Lenders Option Borrowers Option) loans and other market loans in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

11.2 The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings;
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11.1 Should market conditions indicate there is an advantage to rescheduling borrowing, Officers will call a meeting of the Treasury Management Panel to consider the proposals. Any rescheduling will be reported to the Executive in the Monthly Performance and Monitoring Information ('Green Book').

12.0 Annual Investment Strategy

Investment Strategy

12.1 The Council's in house managed funds are mainly cash flow derived. Investments will accordingly be made with reference to cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Were there to be any core balance of funds up to £10 million available for investment over a 0-5 year period, these funds that would be managed on the advice of Tradition UK.

12.2 The Council currently holds no investments for which the remaining time to maturity is in excess of one year.

12.3 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

12.4 As shown in the forecast table above, the forecast for Bank Rate now includes three increases, one in quarter ending June 2022 to 0.50%, quarter 4 of 2022/23 to 0.75%, March 2024 to 1.00% and, finally, one in March 2025 to 1.25%.

12.5 For its cash flow generated balances, the Council will seek to utilise its Lloyds business reserve account, money market funds and short-dated deposits (overnight to three months) using secure counterparties in order to benefit from the compounding of interest.

12.6 The Council will receive monthly reports on its investment activity in the Green Book, an annual monitoring report to the Overview and Scrutiny Committee and at the end of the financial year as part of its Annual Treasury Report.

Investment Policy

12.7 The Council will have regard to the DLUHC's Guidance on Local Government Investments ("the Guidance"), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code") , and the CIPFA Treasury Management Guidance Notes 2018

12.8 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low – the Council's investment priorities will be security first, liquidity second and then return.

12.9 The borrowing of monies purely to invest or on-lend to external parties to make a return is unlawful and this Council will not engage in such activity. This excludes lending to group companies and other organisations which is carried out in order to achieve the Council's strategic objectives.

12.10 Part of the Council's investments may be managed on the advice of Tradition UK (TUK) and will reflect TUK's views of market and the future for interest rates. Subject to the availability of funds, TUK may be asked to manage up to £10m. TUK are the only external fund manager involved in the management of the Council's funds, although no funds are held with them at the present time.

12.11 All investments of the Council's funds will comply with the Annual Investment Strategy. The arrangements between the Council and TUK additionally stipulate guidelines and duration and other limits in order to contain and control risk.

12.12 Investment instruments identified for use in the financial year are listed in Appendix D under the 'Specified' and 'Non-Specified' Investments categories (determined by level of risk). Counterparty limits will be as set through the Council's Treasury Management Practices Schedules. The limits shown are maximum levels. The Chief Finance Officer in consultation with Treasury Officers has the scope to reduce these limits (below those shown) to minimise the level of cash at risk in the light of market conditions. As Money Market Funds (MMFs) are diversified by nature and AAA rated, the Chief Finance Officer, in consultation with Treasury Officers, will vary the limits of these funds in order to manage cash flows. These limits will be updated in the Treasury Management Practices.

12.13 When the Council has funds in excess of normal limits that it is not possible or economical to invest with a suitable counterparty, these will remain on deposit with Lloyds Bank, the Council's banker.

Credit Worthiness Policy

12.14 The Council uses Fitch ratings to derive its investment criteria (used in the table Appendix D). Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. The Council is alerted to all credit rating changes on a daily basis through its use of the Link

Asset Services creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

12.15 The Link Asset Services creditworthiness service uses a modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses credit watches, credit outlooks and other information in a weighted scoring system. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and give a recommended duration for investments.

12.16 When placing investments Treasury Officers will take account of this information, although it is not followed entirely such as in the use of building societies.

12.17 Treasury officers are of the view that credit rating agencies and Link Asset Services have underestimated the level of support within the building society sector. Consequently the Council will continue to use Building Societies based on asset value and market sentiment indicating that the risk is acceptable.

12.18 This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as this would leave the Council with few financial institutions on its approved lending list. The Link Asset Services creditworthiness service does use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

12.19 The Council's credit limits have historically been set at a sufficiently high level that none of the institutions that have not been able to meet their commitments in recent times, have been on the Council's lending list, or those that have got into difficulties have received government support. Similarly none of the building societies in which the Council has invested have failed to meet their commitments. On this basis the Council will continue to use Link Asset Services' creditworthiness service, credit ratings and asset value (for building societies) for determining eligibility for the lending list. As indicated in paragraph 12.8, the risk appetite of the Council is low, and the priority for investment is security, followed by liquidity, then return.

Country Limits

12.20 The Council will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this criteria are shown in Appendix E. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

12.21 The Executive resolved in June 2016 that the UK be excluded from the sovereign rating criteria, as it is not felt that there is additional risk to undertaking investments in the UK.

12.22 Should the level of the Council's investments increase it will seek to avoid a concentration of investments in too few counterparties or countries (although a concentration in the UK is not considered to be undesirable).

13.0 Use of External Service Providers

13.1 As previously stated the Council uses Link Asset Services as its external treasury management advisors in order to acquire access to specialist skills and resources. The services provided include the following:-

- Provision of interest rate forecasts and advice on borrowing and investment strategies;
- Regular updates on economic and political changes;

- Forecasts of movements in Public Works Loan Board rates;
- Advice on debt rescheduling, funding policy, volatility and maturity profile analysis;
- Advice on investment counterparty creditworthiness;
- Provision of annual template documents and advice on the various Treasury Management reports; and
- Treasury Management training.

13.2 Although external treasury management advisors are used, responsibility for treasury management decisions remains with the Council at all times and undue reliance is not placed upon the external service provider.

14.0 MRP Policy

14.1 As required by MHCLG regulations, the Council has adopted a policy for setting aside funds for the repayment of borrowing through the Minimum Revenue Provision. Appendix A contains the policy statement.

14.2 As referred to in the overarching report the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on MRP on 30th November 2021 which closes on 8th February 2022. The MRP policy will be updated to incorporate any new requirements following the consultation.

15.0 Council Loans to Group Companies

15.1 Council loans to Group Companies will continue to be structured to give a benefit to council tax payers.

15.2 The loans will be 'eliminated' on consolidation in to group accounts. Therefore, the prudential indicators set out in this report exclude these inter-group loans.

15.3 Where the Council finances loans to Group Companies by external borrowing, these external loans are taken account of in setting the borrowing limits. The limits set out in this report take into account the requirements set out in the approved Group Business Plans. The borrowing limits will need to be reviewed if the Council approves taking additional borrowing to fund new group company projects in the future. Borrowings by the Group Companies themselves do not count against the Council's borrowing limits.

REPORT ENDS