Treasury Management Strategy 2025/26 Appendices

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Appendix A

2025/26 Minimum Revenue Provision (MRP) Policy Statement

Introduction

1. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to "*charge to a revenue account a minimum revenue provision (MRP) for that year".* The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources (substantially the repayment of debt). Regulation 28 of the 2003 Regulations requires full Council to approve a Minimum Revenue Provision (MRP) Policy Statement setting out the policy for making a MRP which the Council considers to be prudent.

2. Local authorities are required to set a prudent level of MRP and "have regard to" guidance issued by the relevant government department. The latest version of the guidance was issued by Ministry of Housing, Communities and Local Government (MHCLG) in April 2024 (Capital finance: guidance on minimum revenue provision (5th edition) - GOV.UK). The aim of the Guidance is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

Minimum Revenue Provision (MRP) Policy Statement

3. Based on the latest guidance issued by government, the Council is recommended to approve the following MRP policy from 1 April 2025 on the basis that this represents 'prudent provision'.

MRP Stream	Policy	Rationale
All pre-2007/08 capital expenditure	MRP will be calculated on a straight-line to repay this element over 25 years.	This complies with Option 3: Asset Life Method (paragraph 58 of the Guidance). This repays the debt in full in 25 years. Options 1 and 2 never fully repay the debt as they both work on a reducing balance method. The 25-year period is the conversion of the 4% charge under Options 1 and 2 into years.
All operational capital expenditure incurred since 2007/08	MRP will be calculated on a straight-line using the expected useful asset lives of the assets subject to a maximum useful asset life of 50 years.	This complies with the Option 3: Asset Life Method (paragraph 58 of the Guidance) and the requirement for a normal maximum asset life of 50 years (paragraph 65 of the guidance).
All capital expenditure on commercial assets incurred since 2007/08	MRP will be calculated on an annuity basis using the expected useful asset lives of the assets subject to a maximum useful asset life of 20 years and discounted using the PWLB new loan annuity rate applicable on 30 September in the year prior to MRP commencing.	This complies with Option 3: Asset Life Method (paragraph 58 of the Guidance).
Expenditure capitalised by virtue of a capitalisation direction under section	MRP on any expenditure capitalised by way of a capitalisation direction will be charged over 20 years using the asset-	This complies with Option 3: Asset Life Method (paragraph 58 of the guidance). 20 years as per paragraph 80 of the Guidance.

MRP Stream	Policy	Rationale
16(2)(b) of the Local Government Act 2003	life method using a straight-line approach.	
Loans to third parties	MRP will be charged on a straight-line basis over the expected useful life for which the loan is to be used, subject to a maximum useful asset life of 50 years	This complies with the Option 3: Asset Life Method (paragraph 58 of the guidance) and the requirement for a normal maximum asset life of 50 years (paragraph 65 of the guidance).
Expenditure on the acquisition of share capital	MRP will be charged on a straight-line over 20 years	This complies with Option 3: Asset Life Method (paragraph 58 of the guidance). 20 years as per paragraph 80 of the Guidance.
MRP for service concession contracts	The amount of the MRP charge will be equal to the amount by which the balance sheet liability is written by the unitary charge (i.e. the principal element of the unitary charge)	This complies with paragraph 66 of the MRP Guidance
Asset lives	Asset lives used for MRP calculations will be determined by the Council's RICS-registered valuers and consistent with the depreciation policies set out in the Council's annual Statement of Accounts, and will be subject to regular review. If no life can reasonably be attributed to an asset such as freehold land the estimated useful life will be taken to be a maximum of 50 years	The requirement for a normal maximum asset life of 50 years (paragraph 65 of the Guidance).
Discount rate for use when applying the annuity method for calculating MRP under Option 3	MRP will be discounted using the PWLB new loan annuity rate applicable on 30 September in the year before MRP commences	The Guidance does not suggest what discount rate(s) to use. By specifying the PWLB new loan annuity rate at 30 September in the year before MRP aligns the discount rate to the middle of the year in which the expenditure is incurred and provides a clearly evidenced trail to the discount rate to be used and reflects the type of borrowing undertaken by the Council.
MRP commencement	MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational	This approach complies with paragraphs 63 and 64 of the Guidance.
Use of capital receipts to reduce indebtedness	Capital receipts may be applied to reduce the CFR. This means that subsequent year's MRP charges will reduce by the value of capital receipts applied. The MRP reduction will be on a straight-line basis over 20 years [unless the capital receipt relates to identifiable MRP charges in which case the Section 151 officer may determine the annual	This complies with paragraphs 69/70 of the Guidance.

	MRP reduction consistent with those MRP charges.]	

4. The Council's estimated MRP for 2025/26 – calculated based on the policy above - is £104 million. The Council's 2025/26 MRP as calculated is unaffordable and cannot be met in full by the Council. Discussions between officers, the Commissioners and government on the nature, quantum and timing of support are ongoing and depend on the Council's ongoing work on asset disposals and service efficiencies. Government has not provided a commitment to the value and form of support but recognises that the Council will need external support to repay its debt and has committed to working with the Council on a long-term solution.

5. The short-term approach - which was agreed with Government in 2024/25 - is that the level of MRP which the Council will provide will be a 'business as usual' value which for 2025/26 is estimated at £8 million (2024/25 £8 million). The balance of the MRP (as calculated) forms part of the Council's request for Exceptional Financial Support (EFS) for 2025/26 from the Government and, if approved, effectively deferred to future years until a long-term solution is found. Consequently, the CFR will be reduced by only £8 million in 2025/26 rather than the calculated £104 million. This is in line with paragraph 48 of the Guidance.

Appendix B

Treasury Management Governing Documents

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as the management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the organisation and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.

Treasury Management clauses adopted by the Council

4. The Council will create and maintain, as the cornerstones for effective treasury and investment management:

   - a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities;

   - suitable treasury management practices (TMPs) setting out how the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;

   - investment management practices (IMPs) for investments that are not for treasury management purposes.

   The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the Treasury Management Code subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the organisation materially deviating from the Treasury Management Code's key principles.

5. The Council (i.e. full council) will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.

6. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to The Executive, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement, TMPs

and IMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.

7. The Council nominates the Scrutiny Committee to be responsible for ensuring effective scrutiny of the strategy and policies for treasury management and for non-treasury investments.

Treasury Management Practices and Investment Management Practices

The Council confirms that it has adopted the Treasury Management Practices (TMPs) set out in the Treasury Code. It intends to review its operational procedures and notes in support of these TMPs. The TMPs are set out under the following headings:

1. Treasury risk management
2. Performance measurement
3. Decision-making and analysis
4. Approved instruments, methods and techniques
5. Treasury management organisation, clarity and segregation of responsibilities, and dealing arrangements
6. Reporting requirements and management information
7. Budgeting, accounting and audit arrangements
8. Cash and cash flow management
9. Money Laundering
10. Training and qualifications
11. Use of external service providers
12. Corporate governance

The Treasury Management Code requires authorities to maintain Investment Management Practices (IMPs) which perform a similar function in relation to its non-treasury investments. The Council's investment portfolio is currently under comprehensive review with a view to disposing of most or all of them in order to reduce the Council's debt. This is a major part of the Improvement and Recovery Plan's Commercial workstream and is being overseen by the Commercial and Finance Governance Board. Operational procedures for non-treasury investment administration and management will be reviewed and documented in the light of the workstream's outcomes.

Appendix C

Interest Rate Forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11 November 2024. These are forecasts for bank rate, average earnings and Public Works Loan Board (PWLB) certainty rates.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes from Link Group interest rate forecast:

- Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

- If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

- The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

- There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

- Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).

Appendix D

Policies and Criteria for Treasury Management Investments

Investment Policy

1. The Council will have regard to the latest versions of the government‘s (Ministry of Housing, Communities and Local Government, MHCLG) guidance on local government investments (“the guidance”) and the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the Code”).

2. 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 are be security first, liquidity second and then return.

3. 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 external companies and other organisations which is carried out in order to achieve the Council’s strategic objectives.

4. Part of the Council’s investments may be managed on the advice of local authority investment managers. Investments will reflect the manager’s views of market and the future for interest rates. Subject to the availability of funds, managers may be asked to manage up to £10 million. TUK are currently 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.

5. 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.

6. 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.

7. 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

8. The Council uses Fitch ratings to derive its investment criteria (as set out in the table at the end of this 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.

9. 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.

10. 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.

11. 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. 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.

13. 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 earlier in the report, the risk appetite of the Council is low, and the priority for investment is security, followed by liquidity, then return.

Country Limits

14. 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 a rating). 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.

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

16. 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).

Environmental, Social and Governance (ESG) policy in relation to treasury investments

17. The Council's treasury investments are held in short term deposits with financial institutions or in pooled funds of such deposits. Whilst considerable attention has been given to ESG investment considerations in relation to longer term investments such as equities and bonds, ESG criteria are much less developed as yet in relation to shorter term deposits. The Council aims to be a responsible investor of its short term cash deposits. It will keep developing ESG analysis under review and may take ESG factors into account in its lending decisions.

Specified Investments

All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	N/A	In-house and fund managers
Term deposits – UK government	N/A	In-house and fund managers
Term deposits – other LAs	N/A	In-house and fund managers
Funds on deposit with the Council's main banker – Lloyds Bank – no limit	N/A	In-house
Term deposits to 4m– banks *	AAA or Aaa	In-house and fund managers
Term deposits to 2m– banks *	AA- or Aa3	In-house and fund managers
Term deposits up to 4m– building societies *	with gross assets in excess of £1,000m	In-house and fund managers
Term deposits up to 2m – building societies *	with gross assets between £500m and £1,000m	In-house and fund managers
Callable deposits	As above	In-house and fund managers
Certificates of deposits issued by banks and building societies	As above	In-house and fund managers
Money Market Funds – Constant Net Asset Value	AAA	In-house
Money Market Funds – Low Volatility Net Asset Value	AAA	In-house
UK Government Gilts	AAA	Fund Managers
Gilt Funds and Bond Funds	AAA	Fund Managers
Treasury Bills	N/A	Fund Managers

* If forward deposits are made by in-house managers, the forward period plus the deal period should not exceed one year in aggregate.

Changes to investment rules came into force on 3 January 2018 with the introduction of the MIFID (Markets in Financial Instruments Directive) II regulations. Under the new rules, all local authorities are classified as retail counterparties, and authorities had to consider whether to opt up to professional status and for which types of investments. Some investment options are not available to retail counterparties, and as a result the Council has opted up to professional status for three out of four of its existing money market funds (Federated, Standard Life and Deutsche). This has not been necessary for the remaining money market fund (LGIM), which would continue to deal with retail counterparties. A view will be taken going forward on any new investments on a case by case basis and the arrangements will be regularly reviewed as appropriate.

Non-Specified Investments

At the time of placing an investment, a maximum of 35% will be held in aggregate in non-specified investments (including in-house and externally managed funds).

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – UK government (with maturities in excess of 1 year)	N/A	In-house and fund managers	35%	5 years
Term deposits – other LAs (with maturities in excess of 1 year)	N/A	In-house and fund managers	35%	5 years
Term deposits – banks and building societies (with maturities in excess of 1 year)	As for specified investments	In-house and fund managers	35%	5 years
Callable deposits (with maturities in excess of 1 year)	As above	In-house and fund managers	35%	5 years
Certificates of deposits issued by banks and building societies	As above	In-house and fund managers	35%	5 years
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers	35%	5 years
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	35%	5 years
Bonds issued by a financial institution which is guaranteed by the UK government	N/A	In-house on a 'buy-and-hold' basis. Also for use by fund managers	35%	5 years
Sovereign bond issues (i.e. other than the UK govt)	AAA	Fund Managers	35%	5 years
Corporate Bonds : ***the use of these investments would constitute capital expenditure***	N/A	N/A	Nil	N/a
Floating Rate Notes : ***the use of these investments would constitute capital expenditure***	N/A	N/A	Nil	N/a

Guide to Ratings

Fitch	Moodys	Standard and Poor's
Rating Levels to be used in Treasury Management		
AAA AA+ AA	Aaa Aa1 Aa2	AAA AA+ AA
Fitch's individual ratings measure an institution's intrinsic safety and soundness on a stand-alone basis, and provide an assessment of the strength of the institution's financial structure, its performance and its credit (and therefore, risk) profile. The laws and accounting practices that govern the operations, reporting and disclosure of financial information in the country in which the institution operates, would have a bearing on the assessment. These ratings are divorced entirely from considerations of external support, from either parent or the government, and are, therefore, useful indicators of credit.	Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. In addition to commercial banks, Moody's BFSRs may also be assigned to other types of financial institutions such as multilateral development banks, government-sponsored financial institutions and national development financial institutions. BFSR's are a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group, or official institutions. BFSR's do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations. Factors considered in the assignment of BFSR's include bank specific elements such as financial	Long Term credit ratings are based, in varying degrees, on the following considerations: • Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation; • Nature of and provisions of the obligation; • Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and

At present, Fitch is the only agency which explicitly states its view of the likely presence of a lender of last resort, either government or parent, with the willingness and the resources to aid a failing financial institution.	fundamentals, franchise value, and business and asset diversification. Although BFSR's exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.	other laws affecting creditors' rights. Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default

Approved countries for investments

Investments will only be made in sterling and where a bank has a UK branch.

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- France
- **U.K.**

Approved countries for investment are based on the lowest rating from Fitch, Moody's and S&P.

Note: The UK is excluded from the minimum sovereign rating criteria (report paragraph 12.20 refers.

Appendix E

Debt Reduction Plan (DRP) Principles

Within the Council's Improvement and Recovery Plan (IRP), there is a key link between the Asset Rationalisation Plan (ARP) and options for disposal, developed by the Commercial workstream, and a clear Debt Reduction Plan worked on jointly with the Finance workstream.

This joint work will ensure that the asset disposal programme is underpinned by a detailed option appraisal considering the benefits and risks of disposals and, in the case of company assets, the impact on the companies' cash flow position. It will need to balance the imperative to reduce debt with the need to secure a managed exit from commercial arrangements, achieve best consideration and optimise value for the public purse.

Now that the ARP is identifying a programme of disposals and cash flows, it is important to reiterate the principles that inform how the Debt Reduction Plan (DRP) will use those cash flows to reduce debt. Set out below are the general principles as approved in last year's Treasury Management Strategy and then specific ones for each of the main categories of assets in the ARP.

General principles:

- The default assumption on General Fund capital receipts (not the Housing Revenue Account, HRA) is that they will be applied to debt reduction. Any exceptions should be agreed by the Council's Commercial Governance Board and any other relevant formal approval required. A key exception will be any capital receipts that the Ministry of Housing, Communities and Local Government (MHCLG) agree can be used to support transformation spending.

- In line with local authority accounting conventions, assets are not linked to individual loans, so any capital receipts will similarly be used on a programme basis and applied to reduce debt that maximises the revenue benefit of repayment.

- The timing of repayment of debt will also be judged on a programme basis and according to the Council's Treasury Management Policy and in-year cash flow and borrowing arrangements. This may mean that receipts may be used to defer borrowing for capital programme investment (internal borrowing) at a point in time, rather than repaying debt immediately. This will still reduce the CFR in year and hence reduce the Minimum Revenue Provision (MRP).

- Such internal borrowing will still reduce overall borrowing, but it will have to be tracked as part of the Council's Debt Reduction Plan to show the overall trajectory of borrowing reduction.

- The premium (or discount) payment required on PWLB loans will be calculated as part of any debt charge savings as it can be a disincentive to actual debt repayment so this should NOT be used in a decision on sale (i.e. as a reason for not selling). Discussions are underway with government on how a programme of repayment can be facilitated by reviewing these arrangements for the Council. In the short term, using receipts for internal borrowing will still produce revenue savings in debt charges so the short-term default is likely to be not to repay actual debt until this matter is resolved.

- Quarterly treasury management reports to members, as required by the CIPFA Code of Practice will provide close monitoring of:

- capital receipts received and their application
- the Capital Finance Requirement (CFR)
- the actual level of debt
- and impact on Minimum Revenue Provision (MRP).

Detailed templates supporting these reports and DRP will be maintained by the finance team. These will be reviewed at the Strategic Property Group and with Commissioners at the Commercial Governance Board prior to this as a means of monitoring the DRP.

- The finance team maintaining a log of receipts and their application will provide a forecast for the capital receipts reserve account, showing all incoming receipts and all applications of receipts to produce the forecast balance on the reserve each year end.

For each of the asset categories:

1. **Commercial estate**:

   a) Disposal criteria: the key metrics for decision making are capital receipt (and hence potential debt reduction) compared to revenue stream lost and potential savings in debt charges (based on applying the receipt to reduce debt). Any historic debt cost of an asset is useful information to track "overhanging" debt that will have to be written off but is NOT a key factor in the disposal decision.

   b) It is recognised in the above that the Council's revenue from its investment estate will reduce as assets are disposed of. The impact on the MTFP will need to be understood and planned for accordingly on a business case basis.
   c) Debt charge savings comprise interest saving; MRP saving; and any loan premium / discount arising. In accordance with the general principles, how receipts are applied to repay debt is a separate matter; however, we can agree a notional rate (say the 40 year PWLB annuity premature repayment rate) to estimate interest + premium / - discount in the calculations whilst the actual savings will depend on how the receipt is applied and this will also be tracked.

   d) the default assumption is that all capital receipts (except revenue lease surrender on Victoria Gate) will be applied to debt reduction.

   e) However, in relation to land disposals (not shares or loans), the costs incidental to General Fund disposals can be met from capital receipts up to a maximum of 4% of the value of the capital receipt from the disposal (Capital Finance Regulation 23).

2. **Group company receipts (Thameswey group of companies and Victoria Square Woking Limited and its subsidiaries)**:

   For the company assets, the Asset Rationalisation Strategy will set out the overall approach that will be taken to asset disposal.

   a) disposal criteria: the key metrics will (as with commercial estate) be capital receipt compared to revenue loss and debt charge saving. However, this assessment will also have to take cognisance of the impact on the company accounts (impact on viability). This will need separate work as the sale value v balance sheet holding

value will be a criteria, unlike Council assets (this needs further work by commercial workstream with Finance).

b) for the Council, default assumption again will be the repayment of debt, with the same application of the general principles on the timing on when debt is repaid. However, work will be needed on issues arising from the proceeds being transferred out of the companies (impact on viability).

3. **Housing Revenue Account (HRA) land**:

   a) For HRA assets the primary consideration will be the sustainability of the HRA. This will take into account the investment required to meet urgent fire safety and decency standards and the impact of the reduction in rental income if any HRA assets are disposed of. HRA land disposals are likely to be required to reinvest in stock to meet the regulatory requirements and ensure that the investment is affordable in accordance with the Prudential Code and HRA rules.

   b) work is needed to clarify ownership of land – i.e. which are completed Thameswey sites (which are sales under category 2 above), which are cleared Thameswey sites that the HRA has been paid for and therefore in category 2 (Group Company assets), and which is HRA land under this category.

4. **Other Operational Assets**

   Currently not included in the ARP. Any operational assets no longer required to deliver services would transfer to disposal programme and debt repayment would follow the same principles as for the commercial estate.

Appendix F

Treasury Management Scheme of Delegation

Council

- approval of the annual treasury management strategy.

Executive

- receiving and reviewing reports on treasury management policies, practices and activities.
- approval of/amendments to the organisation’s adopted clauses and treasury management policy statement.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.

Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix G

LONG TERM BORROWING MATURITY PROFILE AS AT 28 JANUARY 2025

	PWLB	LOBO	OTHER	ALL
	£'m	£'m	£'m	£'m
2024 /2025	95			95
2025 /2026	338			338
2026 /2027	20			20
2027 /2028	18			18
2028 /2029	18			18
2029 /2030	19			19
2030 /2031	24			24
2031 /2032	24			24
2032 /2033	20			20
2033 /2034	25			25
2034 /2035	31			31
2035 /2036	26			26
2036 /2037	27			27
2037 /2038	25			25
2038 /2039	28			28
2039 /2040	26			26
2040 /2041	29			29
2041 /2042	24			24
2042 /2043	28			28
2043 /2044	25			25
2044 /2045	26			26
2045 /2046	27			27
2046 /2047	27			27
2047 /2048	28			28
2048 /2049	28			28
2049 /2050	32			32
2050 /2051	30			30
2051 /2052	31			31
2052 /2053	35			35

	2110	15	15	2140
	PWLB	LOBO	OTHER	ALL
	£'m	£'m	£'m	£'m
2053 /2054	45			45
2054 /2055	48			48
2055 /2056	36	5		41
2056 /2057	50			50
2057 /2058	51			51
2058 /2059	71			71
2059 /2060	78			78
2060 /2061	63			63
2061 /2062	76			76
2062 /2063	47			47
2063 /2064	48			48
2064 /2065	70			70
2065 /2066	60			60
2066 /2067	92			92
2067 /2068	51			51
2068 /2069	48			48
2069 /2070	20			20
2070 /2071	16			16
2071 /2072	6			6
2072 /2073				
2073 /2074				
2074 /2075				
2075 /2076				
2076 /2077		10	10	20
2077 /2078			5	5
2078 /2079				
2079 /2080				
2080 /2081				
2081 /2082				

Annuity repayments of principal are included as they are made in the relevant financial year.