

**Report to Council**  
**Treasury Management Strategy Statement**  
**2025/26**

**Including the Annual Investment Strategy, Borrowing**  
**Strategy and Prudential Indicators**

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**Reason for Decision**

To present to Council, the Treasury Management Strategy for 2025/26.

**Executive Summary**

The report outlines the Treasury Management Strategy for 2025/26, the Annual Investment Strategy, Borrowing Strategy, and Prudential Indicators.

The Council is required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code. It is required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Strategy for 2025/26 covers.

- Economic Update
- Prospects for Interest Rates

- The Current Balance Sheet and Treasury Position
- Liability Benchmark
- The Borrowing Strategy
- Debt Rescheduling
- The Investment Strategy
- Approved Counterparties, risk management and Investment Limits
- Treasury Indicators which limit the treasury risk and activities of the Council

The report therefore outlines the implications and key factors in relation to each of the above Capital and Treasury Management issues and makes recommendations with regard to the Treasury Management Strategy for 2025/26.

The report includes the most recently available economic background commentary which reflects the position at December 2024.

The proposed Treasury Management Strategy is presented to Cabinet to enable scrutiny of the report before its further consideration by Council. The report has been considered at the Audit Committee. Any comments from Cabinet will be incorporated into the report presented to Council.

### **Recommendation**

That Council considers and approves as appropriate, the:

1. Capital Financing Requirement (CFR) Projections as per paragraph 2.4.1;
2. Projected Balance Sheet position as at 31 March 2025 and future years as per paragraph 2.4.1;
3. Liability Benchmark as per section 2.5
4. Borrowing Strategy for 2025/26 as per section 2.6;
5. Annual Investment Strategy as per section 2.7 including counterparties and treasury limits
6. Treasury Management Prudential Indicators at section 2.8

## Treasury Management Strategy Statement 2025/26 Including the Borrowing Strategy, Annual Investment Strategy and Prudential Indicators

### 1. Background

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. Oldham Council 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 Council's prudent financial management.

1.2 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.

1.3 Treasury management is defined as:

*"The management of the local Council's borrowing, investments and cash flows, 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."*

Source: The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Service's Code of Practice.

1.4 Investments held for service purposes or for commercial profit, although affect investment balances they are not treasury management investments and are therefore not considered in this report.

### 1.5 Treasury Management Strategy for 2024/25

1.5.1 The strategy for 2024/25 covers the below areas:

Treasury management issues:

- Economic Background & Interest Rate Forecasts
- The current and forecast balance sheet position;
- The Liability Benchmark;
- The Borrowing Strategy;
- The policy on borrowing in advance of need;
- Debt rescheduling;
- The Investment Strategy;
- Approved Counterparties;
- Treasury indicators which limit the treasury risk and activities of the Council;
- Treasury Related Matters.

## 1.6 Training

- 1.6.1 The CIPFA Code requires the responsible officer (in Oldham the Director of Finance) to ensure that Members with responsibility for treasury management receive adequate training to enable them to discharge their duties. This especially applies to Members responsible for scrutiny.
- 1.6.2 The training needs of treasury management officers are periodically reviewed. The team is staffed by professionally qualified accountants with extensive Local Government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. During 2024/25 these have all been held both remotely via zoom or another online platform and in person. All staff follow a Continuous Professional Development (CPD) Plan as part of their individual accountancy body accreditation. The overall responsibility for capital and treasury activities lies with the Council's Section 151 Officer (Director of Finance) who, in accordance with statute, is professionally qualified and is suitably experienced to hold the post.

## 1.7 Treasury Management Consultants

- 1.7.1 The Council uses Arlingclose as its external treasury management advisors.
- 1.7.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.
- 1.7.3 It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 1.7.4 When looking at a commercial element within a particular capital scheme that has a main focus on public services, housing, regeneration, preventative objectives or treasury management investments, the Council may require specialist advice that Arlingclose may not provide. As part of the evaluation process and if required, appropriate external advice will be sought, and an extensive due diligence exercise will be undertaken.

## **2. External Context**

### 2.1 Economic Background

- 2.1.1 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.
- 2.1.2 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 0.25% 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%.

- 2.1.3 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).
- 2.1.4 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.
- 2.1.6 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.
- 2.1.7 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.
- 2.1.8 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.

## 2.2 Credit Outlook

- 2.2.1 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.
- 2.2.2 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.

2.2.3 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.

2.2.4 Overall, the institutions on our adviser Arlingclose's 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.

### 2.3 Interest Rate Forecast

2.3.1 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.

2.3.2 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.

2.3.3 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix 1.

2.3.4 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 4.75%, and that new long-term loans will be borrowed at an average rate of 4.7%.

### 2.4 Local Context

2.4.1 On 31 December 2024, the Council held £226.7m of borrowing and £34.435m of treasury investments. This is set out in further detail at Appendix 2. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

**Table 1: Balance sheet summary and forecast**

|  | 31.3.24<br>Actual<br>£'000 | 31.3.25<br>Estimate<br>£'000 | 31.3.26<br>Estimate<br>£'000 | 31.3.27<br>Estimate<br>£'000 | 31.3.28<br>Estimate<br>£'000 |
|--|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Capital financing requirement                              | 488,980                    | 525,040                      | 551,535                      | 554,025                      | 555,022                      |
| Less: Other debt liabilities *                             | -194,041                   | -188,935                     | -183,676                     | -178,229                     | -172,515                     |
| <b>Loans CFR</b>   | <b>294,939</b>             | <b>336,105</b>               | <b>367,859</b>               | <b>375,795</b>               | <b>382,506</b>               |
| Less: External borrowing **                                | -181,110                   | -181,110                     | -181,110                     | -181,110                     | -181,110                     |
| <b>Internal (over) borrowing</b>                           | <b>113,829</b>             | <b>154,995</b>               | <b>186,748</b>               | <b>194,685</b>               | <b>201,396</b>               |
| Less: Balance sheet resources                              | -155,354                   | -132,736                     | -122,736                     | -117,736                     | -112,736                     |
| <b>Treasury investments (or New borrowing requirement)</b> | <b>-41,525</b>             | <b>22,259</b>                | <b>64,012</b>                | <b>76,949</b>                | <b>88,660</b>                |

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

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

2.4.2 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 Council's current strategy is to maintain borrowing and investments below their underlying levels, also known as internal borrowing.

2.4.3 The Council has an increasing CFR due to the capital programme and is forecasting a significant reduction in reserves and balances over the next three years. The consequence of this is that the Council moves from a position whereby it has funds available for investment to a position where it needs to borrow. The Council will be required to borrow up to £109m over the forecast period.

2.4.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25.

## 2.5 Liability Benchmark

2.5.1 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 £20m at each year-end to maintain sufficient liquidity but minimise credit risk.

2.5.2 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.

2.5.3 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.

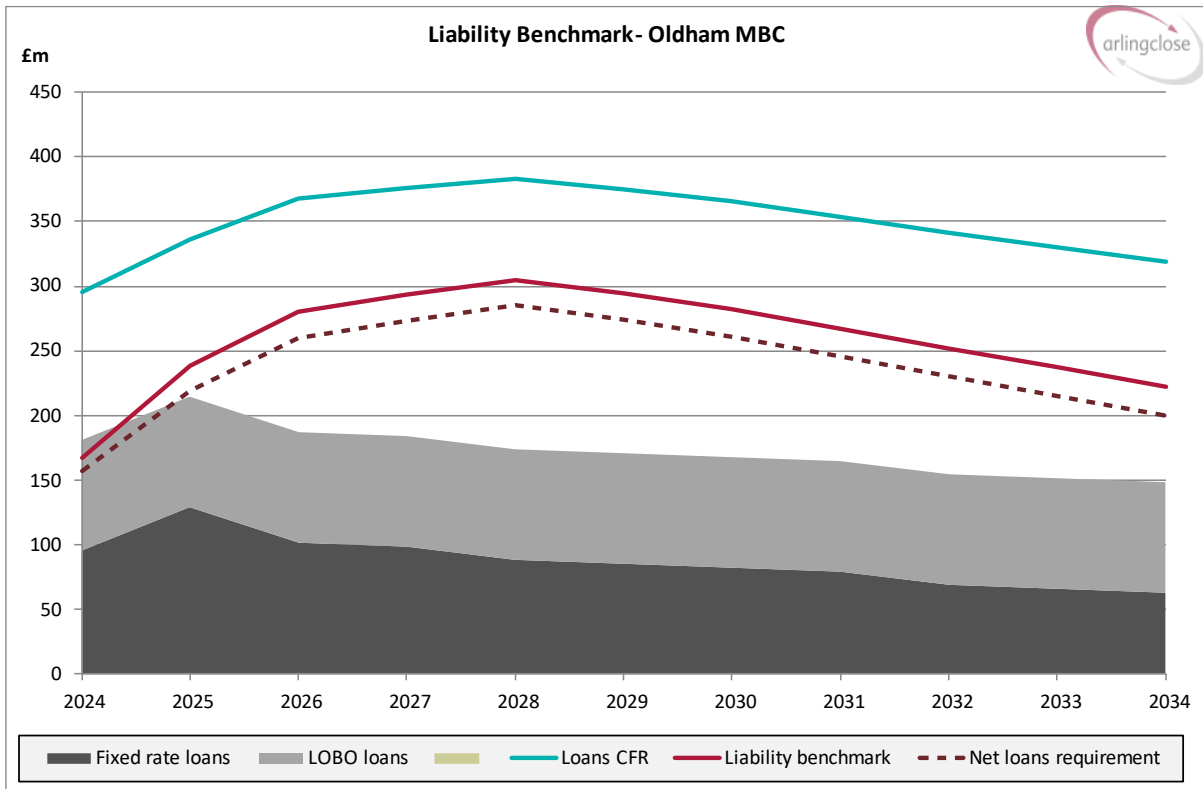
**Table 2: Prudential Indicator: Liability benchmark**

|                               | 31.3.24<br>Actual<br>£'000 | 31.3.25<br>Estimate<br>£'000 | 31.3.26<br>Estimate<br>£'000 | 31.3.27<br>Estimate<br>£'000 | 31.3.28<br>Estimate<br>£'000 |
|-------------------------------|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Loans CFR                     | 294,939                    | 336,105                      | 367,859                      | 375,795                      | 382,506                      |
| Less: Balance sheet resources | (155,354)                  | (132,736)                    | (122,736)                    | (117,736)                    | (112,736)                    |
| <b>Net loans requirement</b>  | <b>139,585</b>             | <b>203,369</b>               | <b>245,123</b>               | <b>258,059</b>               | <b>269,770</b>               |
| Plus: Liquidity allowance     | 10,000                     | 20,000                       | 20,000                       | 20,000                       | 20,000                       |
| <b>Liability benchmark</b>    | <b>149,585</b>             | <b>223,369</b>               | <b>265,123</b>               | <b>278,059</b>               | <b>289,770</b>               |

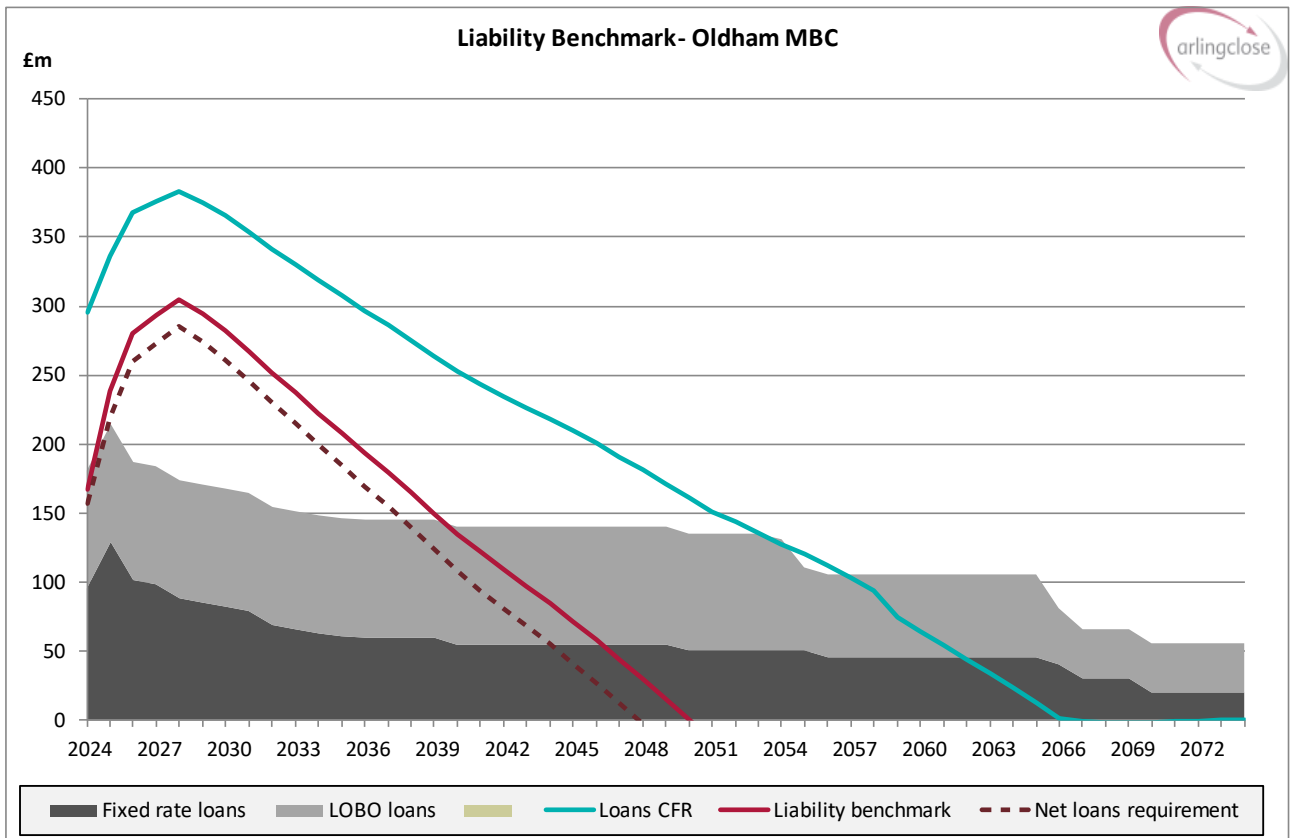
2.5.4 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £290m over the life of period 2025/26 to 2027/28, minimum revenue provision on new capital expenditure based on 5, 7, 10, 15, 25, 40 and 50 year asset lives.

2.5.5 The Liability Benchmark is required to be reported for a minimum period of 10 years, however CIPFA recommend that the liability benchmark is for a much longer period and covers the existing debt portfolio. This is shown in the two charts below together with the maturity profile of the Council's existing borrowing over a 10-year period and 50-year period:

## 10 Year Liability Benchmark Projection



## 50 Year Liability Benchmark Period



- 2.5.6 The graphs above show the liability benchmark (the middle line red line) rising from a point below the shaded area that represents existing loans for the period to March 2025. When the middle line (liability benchmark) is above the shaded grey area this indicates a need for the Council to raise new long-term loans. The Liability Benchmark is effectively the Net Borrowing Requirement of a Local Council plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves and cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.
- 2.5.7 The greater the gap between the shaded area and the middle line (liability benchmark) the greater the amount of new long-term loans required to fund the capital programme. It can be seen from the graph above that new loans are required up until the period 2039/40, with the maximum amount of new loans required peaking in 2028/29 and then gradually reduce up until 2039/40. This tool aids decision making on duration of new loans required. It should be noted that this analysis is based on the current 5-year capital programme: if the capital programme was extended, then the borrowing duration will almost certainly increase.
- 2.5.8 Due to Oldham Council's existing loan portfolio being long dated maturity dates, the above chart shows that any new loans taken should be shorter dated than existing loans and staggered over the period from 2025/26 to 2039/40. The timing of any new borrowing has been factored into other performance indicators.

## 2.6 Borrowing Strategy

- 2.6.1 The Council currently holds £190.742m million of loans, an increase of £20m during 2024/25. In addition, temporary short-term borrowing of £35m has been undertaken for cash flow purposes over the year, whilst we review longer term borrowing options. These loans represent borrowings undertaken as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows,- based on the current capital programme - that the Council is forecast to borrow up to £41.8m in 2025/26, a further £12.9m in 2026/27 and £11.7m in 2027/28 bringing total new borrowing in the 3 year period to £66.4m if the capital programme progresses as forecast. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £320m (see 2.8.13 below) and it is advantageous to do so in terms of reduced borrowing costs associated with borrowing early. A full appraisal will be carried out before any borrowing is undertaken.
- 2.6.2 The Council'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 Council's long-term plans change is a secondary objective.
- 2.6.3 The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but expect to fall in the coming year and it is therefore likely to be more cost effective over the medium term to either use internal resources, or to borrow short term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasure management prudential indicators as in section 2.8.

- 2.6.4 By doing so, the Council 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, Oldham Council's Treasury Management Advisor, will assist with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 2.6.5 The Council has previously raised long-term borrowing from the PWLB and banks but will consider long-term loans from other sources including pension funds and other local authorities. It will also 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.
- 2.6.6 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for investment yield purposes; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 2.6.7 The Council may also 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.
- 2.6.8 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 2.6.9 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - any other UK public sector body
  - UK public and private sector pension funds (except Greater Manchester Pension Fund)
  - capital market bond investors
  - retail investor via a regulated peer to peer platform
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- 2.6.10 Capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities.
- leasing
  - hire purchase
  - Private Finance Initiative (PFI)
  - sale and leaseback

Oldham Council currently holds £194.041m of PFI debt over 7 schemes and £0.302m of finance leases.

- 2.6.11 The 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.

- 2.6.12 The Council holds £85.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £39m of these LOBOs have options during 2025/26, and with interest rates having risen recently, lenders may seek to exercise their options. If they do, the Council will look to take the option to repay LOBO loans to reduce refinancing risk in later years. No further borrowing via LOBO loans is proposed for 2025/26.
- 2.6.13 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

#### Debt rescheduling

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

#### 2.7 Treasury Investment Strategy

- 2.7.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £15.7million and £51.3 million. This has reduced since previous years as was expected as reserves were utilised and capital expenditure has been incurred. Similar levels are expected to be maintained in the forthcoming year.
- 2.7.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. This is referred to as the SLY model.
- 2.7.3 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 2.7.4 The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 2.7.5 As demonstrated by the liability benchmark above, the Council 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.

- 2.7.6 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council 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.
- 2.7.7 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 Council'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 Council 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
- 2.7.8 Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### Approved counterparties

2.7.9 The Council 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    | £10m per local council /fire /police authority  | Unlimited    |
| Secured investments *                         | 3 years    | £10m  | Unlimited    |
| Banks (unsecured) *                           | 13 months  | £5m with the exception of the Council's banking provider (currently Barclays Bank) £10m | Unlimited    |
| Building societies (unsecured) *              | 13 months  | £5m   |              |
| Registered providers (unsecured) *            | 3 years    | £5m   |              |
| Money market funds *                          | n/a        | £15m per individual fund  | Unlimited    |
| Strategic pooled funds                        | n/a        | £15m per individual fund  | £20m         |
| Other investments *                           | 3 years    | £10m  | £10m         |

This table must be read in conjunction with the notes below

- 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.

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 £5 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments 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.

- **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.
- **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), 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.
- **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying 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 Council's investment objectives will be monitored regularly.
- **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- **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 Council's investment at risk

### Risk assessment and credit ratings

- 2.7.10 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 2.7.11 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.
- 2.7.12 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 2.7.13 The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.
- 2.7.14 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

### Investment limits

- 2.7.15 The Council's revenue reserves are forecast to be £71.405 million on 31<sup>st</sup> March 2025 and £61.405 million on 31<sup>st</sup> March 2026. In order that no more than 25% 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 £15 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes. This limit will not be deemed to have been breached if the addition of interest or a re-invested dividend briefly takes the balance over £15million.

2.7.16 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       | £15m per manager |
| Negotiable instruments held in a broker's nominee account | £10m per broker  |
| Foreign countries   | £5m per country  |

Liquidity management:

2.7.17 The Council produces a cash flow forecast at the start of the year to determine the maximum period for which funds may prudently be invested, or to identify times and amounts which may need to be borrowed. This cash flow forecast is updated throughout the year. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

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

2.8 Treasury Management Prudential Indicators

2.8.1 The Council has adopted a number of voluntary measures in 2024/25 to manage its exposures to treasury management risks using the indicators detailed below.

Security

2.8.2 The Council has adopted the below measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. Arlingclose calculate and report this as part of the Investment Benchmarking service. Unrated investments are assigned a score based on their perceived risk.

| Credit risk indicator           | Target |
|---------------------------------|--------|
| Portfolio average credit rating | A      |

Liquidity

- 2.8.3 The Council has introduced an indicator for 2024/25 to measure 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 | £20m   |

Interest rate exposures

- 2.8.4 This indicator is set to control the Council'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 £'000 |
|--|-------------|
| Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates | 505         |
| Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates | (505)       |

- 2.8.5 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. For the purpose of this indicator this has been based on LOBO's with option dates in 2025/26 and new borrowing associated with the capital programme.

Maturity structure of borrowing

- 2.8.6 This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

| Interest rate risk indicator   | Lower Limit | Upper Limit |
|--------------------------------|-------------|-------------|
| Under 12 months                | 0%          | 35%         |
| 12 months and within 24 months | 0%          | 35%         |
| 24 months and within 5 years   | 0%          | 35%         |
| 5 years and within 10 years    | 0%          | 35%         |
| 10 years and within 20 years   | 0%          | 50%         |
| 20 years and within 30 years   | 0%          | 50%         |
| 30 years and within 40 years   | 0%          | 50%         |
| 40 years and within 50 years   | 0%          | 50%         |
| 50 years and within 60 years   | 0%          | 50%         |

- 2.8.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. LOBO loans have been treated using the option date as there is a potential that they may be called, and repayment will be required.

### Long-term treasury management investments

- 2.8.8 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The 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 | £10m    | £5m     | £5m     | £15m          |

- 2.8.9 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.
- 2.8.10 The Council is required to determine its Operational Boundary and Authorised Limit for external debt for the next three financial years.

### Operational Boundary

- 2.8.11 The forecast Operational Boundary for 2024/25 together with the proposed operational boundaries for 2025/26 to 2027/28 are set out in the table below. The boundary reflects the maximum anticipated level of external debt which is not expected to be exceeded. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on levels of actual debt and the ability to fund under-borrowing by other cash resources. This boundary will be used as a management tool for ongoing monitoring of external debt and may be breached temporarily due to unusual cash flow movements. However, a sustained or regular trend above the Operational Boundary should trigger a review of both the Operational Boundary and the Authorised Limit.

| Operational Boundary        | 2024/5<br>Forecast<br>£'000 | 2025/26<br>Estimate<br>£'000 | 2026/27<br>Estimate<br>£'000 | 2027/28<br>Estimate<br>£'000 |
|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| Borrowing                   | 305,000                     | 356,000                      | 387,000                      | 395,000                      |
| Other long term liabilities | 194,750                     | 195,000                      | 190,000                      | 185,000                      |
| <b>Total</b>                | <b>499,750</b>              | <b>551,000</b>               | <b>577,000</b>               | <b>580,000</b>               |

### Authorised Limit

- 2.8.12 A further key Prudential Indicator, the Authorised Limit controls the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit may only be determined by full Council. It reflects the level of external debt which, while not desirable, is affordable in the short term, but is not sustainable in the longer term. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

- 2.8.13 Members are asked to consider the proposed Operational Boundary for each financial year from 2024/25 to 2027/28 as set out in the table above and Authorised Limit as set out in table below:

| Authorised Limit            | 2024/25<br>Forecast<br>£'000 | 2025/26<br>Estimate<br>£'000 | 2026/27<br>Estimate<br>£'000 | 2027/28<br>Estimate<br>£'000 |
|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Borrowing                   | 320,000                      | 371,000                      | 402,000                      | 410,000                      |
| Other long term liabilities | 199,50                       | 200,000                      | 195,000                      | 190,000                      |
| <b>Total</b>                | <b>519,750</b>               | <b>571,000</b>               | <b>597,000</b>               | <b>600,000</b>               |

## 2.9 Related Matters

- 2.9.1 The CIPFA Code requires the Council to include the following in its treasury management strategy regarding financial derivatives.
- 2.9.2 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).
- 2.9.3 The Council 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 Council 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.
- 2.9.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 2.9.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### Housing Revenue Account

- 2.9.6 On 1st April 2012, the HRA became self-financing. This meant for Oldham Council that all loans that formed part of the HRA capital financing requirement (CFR) were subsequently paid off by Government due to the Council notionally splitting each of its existing long-term loans into General Fund and HRA pools.

- 2.9.7 Any new long-term loans borrowed after this date will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative.
- 2.9.8 This balance will be measured annually, and interest transferred between the General Fund and HRA at an appropriate interest rate with respect to the balances held by the HRA.

#### Markets in Financial Instruments Directive (MIFID)

- 2.9.8 The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and money market funds allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Director of Finance believes this to be the most appropriate status.

### **3 Options/Alternatives**

- 3.1 In order to comply with the CIPFA Code of Practice on Treasury Management, Cabinet has no option other than to consider and commend the content of the report to Council. Therefore, no options/alternatives have been presented.

### **4 Preferred Option**

- 4.1 The preferred option is that the contents of this report are approved by Council.

### **5 Consultation**

- 5.1 There has been consultation with Arlingclose, the Council's Treasury Management Advisors. The Audit Committee was presented with the Treasury Management Strategy and was content to commend the report to Cabinet which subsequently commended the report to Council.

### **6 Financial Implications**

- 6.1 Financial Implications are detailed within the report.

### **7 Legal Services Comments**

- 7.1 There are no legal implications.

### **8 Equality Impact, including implications for Children and Young People**

- 8.1 N/A

### **9 Human Resources Comments**

N/A

### **9 Key Decision**

- 9.1 Yes

**10 Key Decision Reference**

10.1 FCR-24-24

**11 Risk Assessments**

11.1 There are a wide range of issues which could impact on the assumptions and projections. A regular review of these will ensure that any key changes are highlighted immediately.  
Victoria Gallagher (Head of Insurance & information Governance)

**12 IT Implications**

N/A

**13 Property Implications**

N/A

**14 Background Papers**

14.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are provided in Appendices 1 - 2  
Officer Name: Paula Buckley Finance Manager  
Contact Email: paula.buckley@oldham.gov.uk

**15 Appendices**

Appendix 1 Economic and Interest Rate Forecast  
Appendix 2 Existing Investment and Debt Portfolio

## Appendix 1 - Arlingclose Economic & Interest Rate Forecast - November 2024

### 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 |
|----------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Official Bank Rate</b>        |         |        |        |        |        |        |        |        |        |        |        |        |        |
| 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  |
| <b>3-month money market rate</b> |         |        |        |        |        |        |        |        |        |        |        |        |        |
| 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  |
| <b>5yr gilt yield</b>            |         |        |        |        |        |        |        |        |        |        |        |        |        |
| 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  |
| <b>10yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| 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  |
| <b>20yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| 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  |
| <b>50yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| 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%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

## Appendix 2 - Existing Investment and Debt Portfolio

The Council's current external borrowing, long term liabilities and investments are detailed in the table below.

|  | 31/12/2024<br>Actual<br>Portfolio £'000 | 31/12/2024<br>Average Rate<br>% |
|--|---|---------------------------------|
| <b>External borrowing:</b>               |   |                                 |
| Public Works Loan Board                  | 65,241                                  | 3.40%                           |
| LOBO loans from banks                    | 85,500                                  | 4.33%                           |
| Other Bank loans                         | 40,000                                  | 4.03%                           |
| Other Loans                              | 255                                     | 4.00%                           |
| Temporary Short Term                     | 25,000                                  | 5.11%                           |
| <b>Total external borrowing</b>          | <b>215,996</b>                          |                                 |
| <b>Other long-term liabilities:</b>      |   |                                 |
| Private Finance Initiative               | 189,243                                 | 7.98%                           |
| Leases                                   | 302                                     | 5.10%                           |
| Transferred Debt                         | 27                                      | 2.82%                           |
| <b>Total other long-term liabilities</b> | <b>189,572</b>                          |                                 |
| <b>Total gross external debt</b>         | <b>405,568</b>                          |                                 |
| <b>Treasury investments:</b>             |   |                                 |
| Local authorities                        | 0                                       |                                 |
| Money market funds                       | 34,435                                  | 5.30%                           |
| Strategic pooled funds - CCLA Property   | 13,127                                  | 5.29%                           |
| <b>Total treasury investments</b>        | <b>47,562</b>                           |                                 |
| <b>Net debt</b>                          | <b>358,006</b>                          |                                 |