Rochford District Council

REPORT TITLE:	**Capital and Investment Strategy 2025/26**
REPORT OF:	**David Dickinson – Strategic Director Finance (S151 Officer)**

REPORT SUMMARY

The Capital and Investment Strategy sets out the framework for the forthcoming financial year for the Capital and Treasury activities of the Council. It sets the Prudential Indicators against which the performance of the Council in these areas can be monitored throughout the year.

RECOMMENDATIONS

R1 - Recommend approval of the Capital and Treasury Management Strategy 2025/26 to Full Council on 18 March 2025.

SUPPORTING INFORMATION

1.0 BACKGROUND INFORMATION

1.1 This document has been prepared in accordance with the 2021 CIPFA Prudential Code, which requires a capital strategy to be approved at a meeting of the Council ahead of the 2025/26 financial year.

1.2 This strategy sets out proposals for the council's capital and treasury management arrangements for 2025/26. The proposed arrangements are in accordance with both statutory requirements, non-statutory guidance published by Government and best practice as identified by the Chartered Institute of Public Finance and Accountancy.

1.3 The strategy gives an overview of how capital expenditure, capital financing and treasury management activity will contribute to the provision of public services in Brentwood and sets out how the associated risks will be managed.

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

1.5 <u>Draft General Fund Capital programme for 2025/26 to 2029/30</u>

1.5.1 The draft General Fund capital programme for 2025/26 to 2029/30 is provided below. The capital programme has been prepared using the principles set out in the capital strategy and is included in the Capital and Investment Strategy (Appendix A).

	2025/26	2026/27	2027/28	2028/29	2029/30
Capital Programme 2025/26 to 2029/30	Budget £	Budget £	Budget £	Budget £	Budget £
Commercial, Business, Local Economy and Leisure					
HQ relocation	0	1,500	0	0	0
Mill Hall	576	150	0	80	80
Windmill works	38	10	10	10	10
Rayleigh Grange Community Centre	33	0	0	0	0
Street Lighting	30	20	20	20	20
Responsive Capital works	20	20	20	20	20
Total	**697**	**1,700**	**50**	**130**	**130**
Environment & Place					
Play Spaces	117	84	59	59	59
Open Spaces	84	117	117	117	117
Leisure Centres	500	281	5	0	0
Waste Bins	70	70	70	70	70
Vehicle Fleet	0	0	60	0	0
Cemeteries Groundworks	20	20	20	20	20
Total	**791**	**572**	**331**	**266**	**266**
IT, Tourism, Housing & Parking					
Car Parks	100	100	100	100	100
Mobile Working	50	50	50	50	50
Disabled Facilities Grant	670	670	670	670	670
Private Housing Renewal Programme	20	20	20	20	20
Total	**840**	**840**	**840**	**840**	**840**
Growth					
Kendall Park	64	0	0	0	0
Vehicle replacement	70	113	70	45	0
Play equipment replacement	300	305	230	190	0
Heritage & Cultural Assets Programmed Works	100	0	0	0	0
Priorities	90				
Total	**624**	**418**	**300**	**235**	**0**
Total programme	**2,952**	**3,530**	**1,521**	**1,471**	**1,236**
Capital resources					
Grant funding - DFGs	670	670	670	670	670
Capital receipts	366	1,176	100	100	100
UKSPF	200	0	0	0	0
Section 106	30	30	30	30	30
Community Investment Fund	290	0	0	0	0
Infrastructure reserve	0	0	0	0	221
Investment reserve	1,396	1,350	307	307	307
Total	**2,952**	**3,226**	**1,107**	**1,107**	**1,328**
Unfunded	0	-304	-414	-364	92

1.6 Treasury Management Strategy Statement

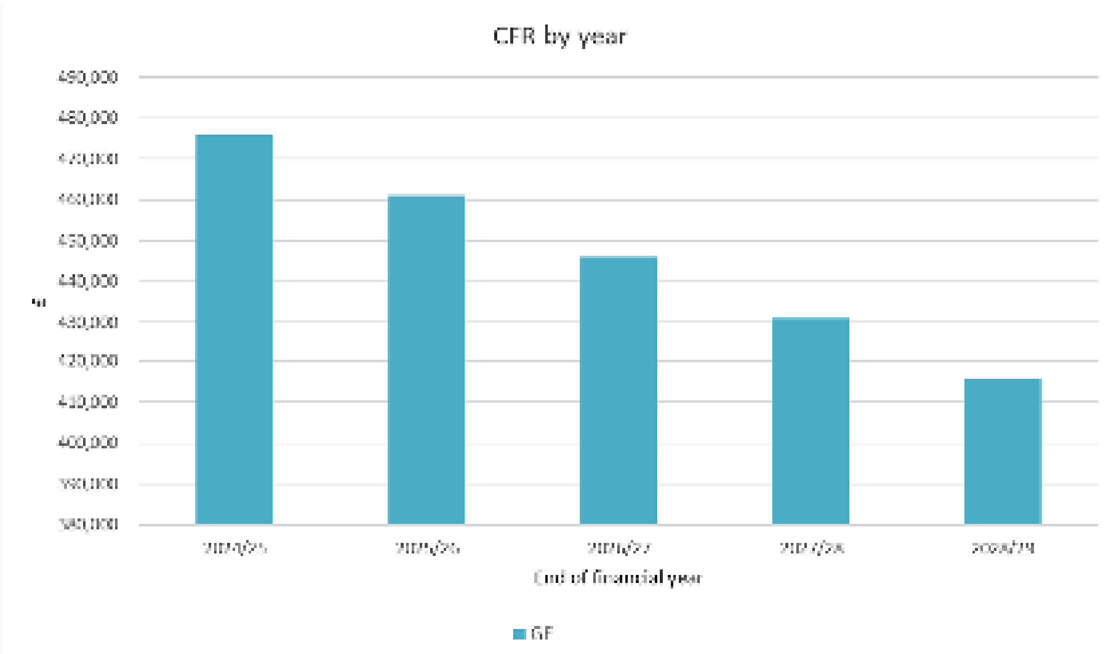
1.6.1 Treasury management is a key element of the Council's overall financial management arrangements. It relates to the Council's borrowing and investment activities and the effective management of the associated risks. These activities are strictly regulated by statutory requirements and professional codes of practice, which require authorities to set local parameters for their Officers to work within. This Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services and, as required by the Code, has an approved Treasury Management Policy Statement and associated Treasury Management Practice Statements (TMPs).

1.6.2 Under these arrangements, Council approves an annual strategy for the expected treasury management activity in the forthcoming financial year. A further report is made after the year-end on the actual activity for the year and a mid-year report will also be made comparing performance with the approved strategy.

1.6.3 The main driver of the Council's treasury activity is its capital expenditure plans. The tables in the 'Capital Programme' section set out the quantum of proposed capital expenditure over the next 5 years and how that expenditure is to be financed.

1.7 Capital Financing Requirement

The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource and, therefore, has been financed by borrowing, will increase the CFR. The chart below shows the forecast CFR each year to 2028/29.



1.8 Leases

The Section 151 Officer may enter into finance leasing agreements to fund capital expenditure on behalf of services. However, a full option appraisal and comparison of other funding sources must be made, and the Section 151 Officer must be certain that leasing provides the best value for money method of funding the scheme. Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

1.9 There is still no intention to borrow based on existing capital programme for 2025/26. However, with capital receipts only remaining through slippage of previous capital programmes, and limited revenue, this may need to be reconsidered, however it will be a consideration as part of individual projects, including the additional revenue costs that this would generate.

1.10 Interest rate forecasts

The table below sets out the interest rate assumptions used in the modelling of the strategy. They are derived from the forecast provided by Link.

	2024/25	2025/26	2026/27	2027/28	2028/29
Bank Rate	5.00%	4.00%	3.63%	3.50%	3.50%
Temporary Loans	5.50%	4.50%	4.13%	4.00%	4.00%
Investment Rate	5.00%	4.00%	3.63%	3.50%	3.50%
Overdraft	5.50%	4.50%	4.13%	4.00%	4.00%
5 year PWLB	5.00%	4.80%	4.40%	4.20%	4.20%
10 year PWLB	5.30%	4.90%	4.60%	4.50%	4.50%
25 year PWLB	5.90%	5.00%	4.70%	4.80%	4.80%
50 year PWLB	5.71%	5.10%	4.70%	4.60%	4.60%

- Bank Rate was reduced to 4.5% following the February monetary policy committee meeting. It is not expected to fall significantly until 2026/27.
- PWLB rates are falling from their peak though, following the October budget yields have risen and, as consequence, so have PWLB rates.

1.11 As with all forecasts, there are a few risks (both downside and upside) to interest rate forecasts.

1.12 Debt Limits

The prudential code requires authorities to determine appropriate limits for their external debt. These are the operational boundary and the authorised limit. Whilst this Council are currently debt free, these indicators are still required to ensure that should any borrowing be taken out in year, we operate within the levels of these indicators.

Operational Boundary For External Debt
This is the borrowing limit above which borrowing would not normally be expected to rise. It will not normally be a matter of concern if the Operational Boundary is breached temporarily due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would require investigation and appropriate action.

Authorised Limit For External Debt
The Authorised Limit is the limit placed by the Council on the absolute level of its gross debt. The Local Government Act 2003 stipulates that it must not be breached at any time. The indicator is split between limits for external borrowing and for other long-term liabilities (for example, leases). As the two limits are set locally, the Council may review and amend either or both during the year. The proposed limits for 2025/26 and the following four years are below:

Year end	2024/25 Budget £000	2025/26 Budget £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000
Operational boundary	10,000	10,000	10,000	10,000	10,000
Authorised limit for borrowing	11,000	11,000	11,000	11,000	11,000
Authorised limit for other long term liabilities	3,000	3,000	3,000	3,000	3,000
Total authorised limit	14,000	14,000	14,000	14,000	14,000

2.0 OTHER OPTIONS CONSIDERED

2.1 All the issues, options and analysis are detailed in Appendix A.

3.0 RELEVANT RISKS

3.1 Several Risks are identified within the Capital and Investment Strategy Report (Appendix A).

3.2 Internal and external financial and service-related risks are assessed in line with the Council's Risk Management Strategy. Future costs are estimated using interest rate forecasts and projections. Operational risks are identified, and mitigating controls are applied wherever possible.

3.3 Any proposed project requires a full financial appraisal to identify the impact on the Council's General Fund Revenue Account. Understanding how these projects can be funded will determine the affordability of the projects.

3.4 Projects that require borrowing will have a revenue implication to the General Fund which currently is not forecast into the MTFS.

3.5 As a rule of thumb each additional £1 million borrowed will result in a charge to revenue of approximately £62k at current interest rates and assuming straight line MRP over 50 years.

4.0 ENGAGEMENT/CONSULTATION

4.1 The Council undertook a Consultation on the budget during 2024.

5.0 FINANCIAL IMPLICATIONS

5.1 The financial implications are discussed in detail in this report.

6.0 LEGAL IMPLICATIONS

6.1 It is a statutory requirement under the Local Government Finance Act 1992 for the Council to set out what the Council has to base its budget calculations upon.

6.2 The Local Government Act 2003 (the "Act") requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council must 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

6.3 The Act requires the Council to each year set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments these to be approved before the next municipal financial year.

7.0 ECONOMIC IMPLICATIONS

7.1 None.

8.0 EQUALITY & HEALTH IMPLICATIONS

8.1 None.

9.0 ENVIRONMENTAL IMPACT

9.1 None

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APPENDICES
Appendix A: Capital and Investment Strategy

Rochford District Council

Capital and Investment Strategy

2025/26

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Introduction

This strategy sets out proposals for the council's capital and treasury management arrangements for 2025/26. The proposed arrangements are in accordance with both statutory requirements, non-statutory guidance published by Government and best practice as identified by the Chartered Institute of Public Finance and Accountancy (CIPFA)

The strategy gives an overview of how capital expenditure, capital financing and treasury management activity will contribute to the provision of public services in Rochford and sets out how the associated risks will be managed.

Interest rate environment

In August 2024 the Bank of England (BOE) reduced the bank rate by 0.25% from the high of 5.25% that was reached in August 2023. This followed the continuing fall in inflation (as measured by the Consumer Prices Index (CPI)) from 6.8% in July 2023 to 2.2% in July 2024. On the 7 November 2024 the BOE reduced the bank rate a further 0.25% to 4.75%.

The current forecast (11 November 2024) from the Council's treasury advisers is as set out in the table below.

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

Capital Expenditure

All council expenditure incurred must be categorised as either revenue or capital. The categorisation is determined by the nature of the spend, with revenue being costs involved in the day-to-day provision of services, such as staffing and building running costs. This is opposed to capital, which are costs involved in the creation or maintaining of assets used in the delivery of services, such as major repairs to properties or the purchase of dwellings. The definition is identical regardless of whether the expenditure relates to the General Fund or HRA. This distinction is more important in a local authority setting because of the way each type of expenditure can be financed. The table below outlines the differences between how revenue and capital can be financed by the council:

Revenue	Capital
Council Tax	Capital Receipts
Retained Business Rates	Grants
Grants	Contributions (inc. S106)
Fees & Charges	Revenue Financing (DRF)
Reserves	Borrowing

The options that are available for capital cannot be used to fund revenue, therefore capital receipts and borrowing can only be used to fund capital costs, meaning that all of the debt, in the form of loans, belonging to the council, will have originated because of the need to finance capital expenditure. Although there is not an absolute definition of capital spend, the following outlines what should be considered when making the distinction between capital and revenue.

In terms of the regulations, the Local Government and Housing Act 1989 requires all expenditure to be charged to revenue unless an exemption can be found, the main exemption being that the expenditure is for capital purposes.

The Local Government Act 2003 extends the definition of capital expenditure to allow expenditure on computer software and on the making of loans or grants for capital expenditure by another body to be treated as capital expenditure of the local authority.

These Statutory Regulations have been absorbed into CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and, where appropriate, form the basis of statutory overrides to International Financial Reporting Standards (IFRS) used within company accounts. This means that there will be other activities that the council will need to account for as capital expenditure, over and above the approved capital programme. These additional activities are included as part of this strategy for completeness.

Treasury Management

The Council is required to have regard to the CIPFA Prudential Code and Treasury Management Code when it prepares the Treasury Management Strategy, the Annual Investment Strategy and related reports during the financial year.

All decisions on overall Treasury Management (TM) policy and the setting of the annual Capital and Investment Strategy are determined by Ordinary Council. The same process will apply to any changes required to the relevant policy or strategy during the year. Thus, all matters relating to borrowing, investments and debt repayment are determined by Ordinary Council. The Audit, Governance and Appointments Committee is responsible for scrutiny of the proposed arrangements and the Finance Resources Committee is responsible for monitoring performance and recommending the proposed strategy to Ordinary Council.

The objective of the strategy is to establish a framework under which officers can carry out treasury activities. The control framework is established initially by what is permitted within the approved strategy, but further levels of control exist within the operational aspects of the activities. This means that just because something is permitted by the strategy, it does not necessarily follow that the activity will take place. The Section 151 Officer has the responsibility for this day-to-day decision making with the primary objective of acting in the best interest of the Council's finances at all times.

The council defines its treasury management activities as the management of its borrowing (if any), 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.

The council 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 their risk implications for the organisation and any financial instruments entered into to manage these risks. Security and liquidity of funds invested are given a greater priority than the yield.

The council 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.

The Local Government Act 2003 gives a local authority power to invest "for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs."

There is no provision in the Act for the Secretary of State to regulate the way in which an authority exercises its investment powers. It does however require authorities to "have regard" to such guidance as the Secretary of State may issue and to such guidance issued by others as he may specify. For this purpose, the Secretary of State has formally endorsed CIPFA's TM Code of Practice and has supplemented the Code with additional guidance. Local authorities are therefore required by statute to have regard to both sets of guidance in their investment activities.

Capacity, Skills and Culture

Capital accounting and treasury activities are highly technical areas of local authority accounting and are covered by regulations over and above those used for regular accounting functions. In respect of property investment, the knowledge and expertise necessarily goes beyond that which would be required for just carrying out the accounting; a knowledge of asset management within a commercial environment is also required.

Accessing suitable sources of information, especially in relation to credit risk, are essential elements of an effective TM operation. The Section 151 Officer retains the services of MUFG (Mitsubishi UFJ Financial Group) (formally Link Asset Services) for this purpose, as well as advice on borrowing, regulation and other technical aspects of capital finance. The quality of the service is controlled through regular monitoring and feedback, as well as through dialogue at periodic review meetings.

So that Members can scrutinise these areas appropriately, briefings and training sessions will be provided from time to time. The council has senior officers who are qualified accountants and receive regular training as part of continuing professional development requirements, and they are supported by the council's specialist advisers.

Reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are

a) The Capital and Investment Strategy (this report), which includes

    1. the capital plans (including prudential indicators);
    2. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
    3. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
    4. an investment strategy (the parameters on how investments are to be managed).

b) The Mid-Year Capital and Investment Report which will update Council with the progress of the capital position, update prudential indicators as necessary, and consider whether the Treasury Strategy is delivering its objectives or whether any policies require revision.

c) Annual Report (reported to Council in June/July). This provides details of actual performance of prudential and treasury indicators compared to the estimates within this report.

Each report will be considered by the committee with responsibility for audit function and by the committee with responsibility for recommending the strategy to council before consideration by council.

In addition, the treasury position is reported quarterly to both Members and officers.

Revisions

The strategies have been prepared considering the statutory guidance and rules currently applicable. Any changes to these or to wider economic circumstances may require a revision to be made to the strategy.

Revised strategies will be prepared and submitted to Full Council where the Section 151 Officer considers that circumstances have changed sufficiently to require a variation to any of the provisions of this initial strategy.

Otherwise, the Section 151 Officer is free to work within the limits determined by the strategies without reference to Full Council.

The council is reviewing its asset base and this may lead to the disposal of assets deemed to be surplus to the council's requirements. Capital receipts generated by any such disposals will be managed within this capital and investment strategy and it is considered that the strategy as drafted provides sufficient flexibility for such receipts to be managed in an optimal manner.

Risk

Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully. Given the scale of the council's capital and investment activity it is imperative that the associated risks are management effectively.

The risks in the delivery of capital, treasury and investment strategies and mitigations are referred to throughout this report. They are summarised in the table on the following pages.

In addition to the specific mitigations set out in the table the Council uses a number of other mechanisms to reduce risks in this area, including the following:

a) A business case approach utilising a net present value approach – in this exercise, the income and expenditure cash flows for the life of a project are modelled. These are based on a number of assumptions which may include borrowing, the term of any borrowing and rate of inflation. These costs are then converted into a 'present value' (taking out the impact of inflation and the opportunity cost of income that could be generated if the funds had simply been invested for a return), using an appropriate discount rate, the effect being as though all of the costs and income generated by the project occurred on day 1. Other investment appraisal techniques are also used including:

    a. Payback
    b. Internal rate of return

b) Use of specialist advisors – as part of these activities, the Council employs the use of specialist advisors, who know and understand the market in which the activities operate and provide the Council with appropriate advice and data on which to base many of the assumptions used within the modelling.

c) Use of earmarked reserves – these activities are rarely consistent in terms of costs and income and while these are modelled as accurately as possible, there will be fluctuations that are unknown at the outset. One of the methods that will be used by the Section 151 Officer to protect the Council from these fluctuations is the use of Earmarked Reserves. In this instance any surpluses above projections, may be transferred into a reserve to offset any future deficits that may be experienced. In this way, the Section 151 Officer can take a view annually of the extent to which surpluses generated can be used to fund services whilst being mindful of the risk to future budget setting of any negative events in any of these commercial areas.

Description of Risk	Potential Impact	Impact	Likelihood	Initial Risk Score	Mitigating Actions	Revised Impact	Revised/ current Likelihood	Revised Risk Score
Treasury risks								
Liquidity - that the council does have funds available to meet its liabilities as they become due	Failure to meet liabilities would adversely affect the council's reputation, ability to access credit and potentially put partners and suppliers at financial risk	4	4	16	Maintain forward cashflow forecast that accommodates all known liabilities as they fall due. Maintain a minimum balance of £10 million available at same day value. Should this not be sufficient the council has access to the local to local market and the PWLB as a lender of last resort.	2	1	2

Description of Risk	Potential Impact	Impact	Likelihood	Initial Risk Score	Mitigating Actions	Revised Impact	Revised/ current Likelihood	Revised Risk Score
Interest rates - the risk (or opportunity) that interest rates move from the council's central assumptions meaning that investment (and potentially borrowing) decisions were sub optimal	Interest rates higher than assumed increase the cost to the council of activities and these activities may have to be paused or stopped completely. This could impact service delivery. Equally investment returns might be lower than was possible due to locking in to long term rates at a less opportune time. Should interest rates be 0.5% lower across the forecast period the cost to the council would be approximately, on average, £85k a year by arising through reduced investment income.	4	5	20	Retain treasury advisers and keep abreast of general macro economic forecasts and commentary. Have a portfolio of investments (and potentially borrowing) with a balanced maturity profile	3	4	12
Credit - the risk that an investment counter-party fails	In this event the council may simply lose the interest accrued on the investment but could also lose the principal sum (or part thereof)	4	5	20	Have a suitable treasury investment strategy that sets minimum measures of credit worthiness and determines appropriate durations for investments. Have access to daily updates on such ratings. Maintain a general awareness of the market.	2	2	4

Description of Risk	Potential Impact	Impact	Likelihood	Initial Risk Score	Mitigating Actions	Revised Impact	Revised/ current Likelihood	Revised Risk Score
Regulatory - the risk that changes in laws and regulations adversely impact the council's capital and investment strategy and plans	This has been a live issue for several years with many changes to regulation and statutory guidance.	4	4	16	Keep up to date with government thinking in respect of the activities of local authorities. Participate in consultations to ensure that the council's perspective is heard. To the extent possible anticipate changes in strategies and plans	3	3	9
Regulatory - that the council or a third party fails to act in accordance with its legal powers or contractual obligations	The council, or a third party, could act ultra vires and the resulting transactions voided. The council could become involved in lengthy and costly legal proceedings	4	2	8	The council's treasury practices and procedures are designed to comply with both its statutory duties and its own self-regulation. Appropriate due diligence is undertaken on third parties.	2	1	2

Description of Risk	Potential Impact	Impact	Likelihood	Initial Risk Score	Mitigating Actions	Revised Impact	Revised/ current Likelihood	Revised Risk Score
Operational - that the council is the victim of fraud, error or corruption.	Such activity could have a significant impact on the council's financial position through loss of funds	5	3	15	As required by the Treasury Management Code of Practice, policy and strategies are determined by Full Council and scrutinised regularly by the Audit Committee. Compliance with approved Treasury Management and Investment Strategies. The Section 151 Officer has defined Treasury Management Practices (TMP) relating to design and operation of procedures to ensure as far as possible that any circumstances that may expose that council to such risks are identified and managed. A specific TMP deals with risk management and follows the advice in the Code. The training of management and staff involved in TM decisions and their implementation is kept under regular review. Reviews of TM arrangements by Internal Audit.	3	2	6

Description of Risk	Potential Impact	Impact	Likelihood	Initial Risk Score	Mitigating Actions	Revised Impact	Revised/ current Likelihood	Revised Risk Score
Capital programme delivery risks								
General - there are many risks associated with the delivery of the capital programme and these are more appropriately captured during the planning stage. They include but are not limited to cost increases, delivery delays, overspends arising from foreseeable issues, overspends arising from unforeseeable issues.	Increased costs resulting in greater demand on budgets than anticipated, delivery but at a lower standard than planned meaning service outcomes might be compromised	5	4	20	Management of capital project delivery by appropriately qualified professionals and effective monitoring of project spend.	3	3	9

Regulatory Framework and Powers to Act

The *Local Government Act 2003* and *Capital Finance Regulations 2003* that introduced the Prudential Code were a major step in freeing local government from the borrowing controls placed upon it by government and placed trust and reliance in local government's ability to manage its own affairs according to the sector's own professional standards.

Maintenance of the Code was delegated to the Chartered Institute of Public Finance and Accountancy (CIPFA) to enable an effective technical control framework to be set up.

The Prudential Code, along with the Treasury Management Code, form two parts of what is known as the Prudential Framework. In England, the other two parts are statutory guidance published by the Department for Levelling Up, Housing & Communities (DLUHC) - *Capital finance: guidance on local government investments (third edition) - GOV.UK* ("Investments Guidance") and the *Guidance on Minimum Revenue Provision* ("the MRP Guidance").

The council is required under regulations to 'have regard to' the Prudential Code and Treasury Management Code of Practice published by CIPFA when carrying out its duties under Part 1 of the Local Government Act 2003. One of the main aspects of these Codes is to bring together elements of capital expenditure with the treasury management strategy into a single Capital and Investment Strategy for approval by Full Council.

Changes to the Prudential and Treasury Management Codes of Practice

Changes to the Prudential and Treasury Management Codes of Practice, which came into effect from 1 April 2022 are factored into this Strategy. The changes were mainly designed to restrict local authorities' participation in debt-for-yield activity (i.e. commercial investments).

In the context of the strategy, the term 'investment' deals with any expenditure that generates a tangible benefit, either from the creation or improvement to an asset or a financial return. The revised Code requires all investments to be identified and separated into one of the following three categories:

Service Investments
Commercial Investments
Treasury Investments

Specific sections have been included in the strategy to deal with each of these, however it is important to set out what would be expected to be included within each of the investment types.

Service Investments

Typically, these will be investments that are permitted currently under the Code as they are activities that support the core functions of the council. Therefore, this will include the existing capital programme, but will also include certain investments in subsidiaries, provided that the activities undertaken represent an existing responsibility of the council (e.g. housing) and the purchase of assets for strategic purposes, which is defined as regeneration or to support regeneration. Although the latter may involve a degree of commercial activity e.g. a tenant in an existing commercial shop unit, or the building of some houses for market sale, these are secondary to the primary purpose of the investment.

Commercial Investments

This section captures all activity that is not currently permitted under the Code e.g. anything that is defined as 'debt for yield'. The council has no such investments.

Treasury Investments

These are very different to activities within the two sections above as these cover the typical treasury management investment of surplus cash balances. The nature of this type of investment is focused on the security of the sums invested to ensure that, at very least, the full principal amount is returned at the end of the investment period. It also focuses on the liquidity of the investment and investment portfolio i.e. ensuring that the council has funds available to meet liabilities as they fall due. It is only when these two elements are satisfied that the return is considered. These investment decisions therefore prioritise security, liquidity and yield in that order.

Environmental, Social and Governance Policy

The Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement.

Powers

Under Section 1 of the Local Government Act 2003, the council has the power to borrow money:

a) for any purpose relevant to its functions under any enactment, or
b) for the purposes of the prudent management of its financial affairs.

Under Section 12 of the Local Government Act 2003, the council has the power to invest:

a) for any purpose relevant to its functions under any enactment, or
b) for the purposes of the prudent management of its financial affairs.

When considering the acquisition of in district assets it will be seeking to meet economic development, regeneration and housing objectives. These activities are covered by general powers available to the council for such purposes.

The term treasury investment applies only to the temporary external investment of surplus funds under Section 12(b). It does not apply to loans or investments the council may make under any other enactment, e.g. financial assistance on economic development, house renovation or well-being grounds.

The strategy has been prepared having full regard to the above as well as any statutory guidance given by the Secretary of State and to CIPFA's Prudential Code and Treasury Management Code of Practice.

All the above makes clear that in order to continue to comply with the current regulations and statutory guidance the council can no longer invest in commercial assets that are purely 'debt for yield' in nature. In not undertaking any further investments of this type, the council also protects its option to access financing from the PWLB for future capital activities.

Minimum Revenue Provision (MRP)

Revised Statutory Guidance in respect of minimum revenue provision (MRP) were published by the government in April 2024. Amendments made to the guidance arose from the government's concerns that some local authorities were employing practices that resulted in under-payment of MRP including not making MRP with respect to debt that is associated with the financing of investment assets (or loans made for commercial purposes). The council makes MRP in respect of historic transactions but has no current capital financing requirement, or plans to borrow in the future for capital investment, so has no requirement to provide, or plan to provide, for MRP.

Capital Strategy

Principles

The purpose of the Capital Strategy is to ensure that the authority's capital expenditure is focused on supporting the delivery of the council's priority areas as set out in the Corporate Plan 2024 to 2028 as captured by the three identified areas of focus

- Providing good quality services to residents and businesses
- Strategic priorities and ambitions to enhance the district and the lives of residents
- Being a forward thinking and well managed authority.

The council will, therefore

- Have a clear framework for making capital expenditure decisions. Basic need must be funded. Other decisions require a business case that meet certain criteria to be approved

- Ensure capital expenditure is considered annually as part of the overall budget setting process, which underpins the financial planning process.

- Ensure investment decisions make best use of resources. A capital and treasury model is in place to ensure that the impact of capital expenditure and use of resources is understood and a holistic view taken;

- Ensure a corporate approach to generating capital resources is established.

- Have access to sufficient assets to provide services. The Council use statistical information, including population trends and housing development plans along with asset condition surveys and regular valuations of our assets to help plan long-term need.

Basic need

Basic need includes (but is not limited to)

- Ensuring the council's property assets are maintained to a level that allows effective service delivery and that meets all security, environmental and health and safety requirements.

- Ensuring that the council's dwellings are kept in a decent condition.

- Investing in IT hardware, software and infrastructure that supports effective and efficient service delivery.

Investment projects

The council will consider business cases for

- Schemes outside basic need that are fully funded from external sources and clearly align with the council's priorities.

- Schemes that will generate revenue and/or reduce costs. Such schemes must demonstrate a clear timeline for and the quantum of pay back.

- Strategic in district investments that clearly align with the council's priorities and demonstrate a clear timeline for and the quantum of pay back

Funding

The capital programme is funded from a range of sources including (in order of preferred application to capital expenditure)

- External grants. These may be for specific or non-specific purposes. The council should ensure that there are arrangements in place that ensure the council is aware of such sources when they become available.

- Section 106 contributions. These contributions can be function specific (e.g. housing), geographically specific (e.g. housing in Rochford and time bound (e.g. should be used by 31 December 2028 or returned to the developer). It is essential that a register of these contributions is maintained to ensure that all requirements for their use are met. Those responsible for negotiating Section 106 agreements with developers should be aware of the council's specific capital investment needs.

- Revenue contributions. Capital expenditure can be funded directly from revenue provided appropriate sums are set aside. The benefit of taking this approach is that minimum revenue provision is avoided.

- Capital receipts. The council can generate capital receipts through the sale of surplus assets such as land and buildings and an asset disposal programme should be considered. This funding source will be prioritised to fund assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost.

- Borrowing. In general borrowing should be used only to fund significant investment from which the district will benefit for a significant number of years. Borrowing brings with it financing costs that consist of interest payable on the borrowing and minimum revenue provision. The council currently has no plans to borrow to finance capital expenditure.

Partnership

Effective partnership working can assist the council in achieving its corporate priorities and this includes through capital investment by partners. Key partners in this respect are

Essex County Council
Neighbouring authorities
South Essex Councils
Local businesses (directly or through business improvement districts)
Developers
Local National Health Service providers
Other public sector organisations

It is essential that constructive dialogue that considers the capital investment needs of the District is maintained with these and other partners.

Capital Programme

Service Investments

The General Fund capital programme and the financing thereof for the period 2025/26 to 2029/30 is set out in the table below. It has been prepared using the principles set out in the capital strategy.

	2025/26	2026/27	2027/28	2028/29	2029/30
Capital Programme 2025/26 to 2029/30	Budget £	Budget £	Budget £	Budget £	Budget £
Commercial, Business, Local Economy and Leisure					
HQ relocation	0	1,500	0	0	0
Mill Hall	576	150	0	80	80
Windmill works	38	10	10	10	10
Rayleigh Grange Community Centre	33	0	0	0	0
Street Lighting	30	20	20	20	20
Responsive Capital works	20	20	20	20	20
Total	697	1,700	50	130	130
Environment & Place					
Play Spaces	117	84	59	59	59
Open Spaces	84	117	117	117	117
Leisure Centres	500	281	5	0	0
Waste Bins	70	70	70	70	70
Vehicle Fleet	0	0	60	0	0
Cemeteries Groundworks	20	20	20	20	20
Total	791	572	331	266	266
IT, Tourism, Housing & Parking					
Car Parks	100	100	100	100	100
Mobile Working	50	50	50	50	50
Disabled Facilities Grant	670	670	670	670	670
Private Housing Renewal Programme	20	20	20	20	20
Total	840	840	840	840	840
Growth					
Kendall Park	64	0	0	0	0
Vehicle replacement	70	113	70	45	0
Play equipment replacement	300	305	230	190	0
Heritage & Cultural Assets Programmed Works	100	0	0	0	0
Priorities	90				
Total	624	418	300	235	0
Total programme	2,952	3,530	1,521	1,471	1,236
Capital resources					
Grant funding - DFGs	670	670	670	670	670
Capital receipts	366	1,176	100	100	100
UKSPF	200	0	0	0	0
Section 106	30	30	30	30	30
Community Investment Fund	290	0	0	0	0
Infrastructure reserve	0	0	0	0	221
Investment reserve	1,396	1,350	307	307	307
Total	2,952	3,226	1,107	1,107	1,328
Unfunded	0	-304	-414	-364	92

The capital receipts are assumed to be realisable at this stage. Should this not be the case then projects will either be funded by borrowing, delayed until capital receipts become available or cancelled.

Commercial investments

The Council does not currently hold any investments for non-Treasury Management purposes.

Any project that is added to the Capital Programme will be for the purposes of delivering public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. No schemes will be added to the Capital Programme if their only purpose is to achieve a financial return.

Loans to Subsidiaries, Local Enterprises and Third Parties

Loans to subsidiaries (if any), local enterprises and third parties may be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

a) Such loans will be considered when all of the following criteria are satisfied:
b) The loan is given towards expenditure which would, if incurred by the Council, be capital expenditure;
c) The purpose for which the loan is given is consistent with the Council's corporate / strategic objectives and priorities;
d) Due diligence is carried out that confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term;
e) A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund, and takes appropriate account of subsidy control rules) and any other terms that will protect the Council from loss;

Such loans would be classified as capital expenditure and fall within the requirement to make an annual MRP charge to revenue (unless annual repayments of principal were being made).

Finance Leases

A finance lease gives rise to both an asset and a liability in the council's accounts. At the commencement of the lease, these amounts are recorded at the fair value of the leased asset or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease or, if that cannot be determined, the lessee's incremental borrowing rate.

Changes to accounting for leases brought about by International Financial Reporting Standard 16, implemented for local authorities from 1 April 2025, means that most leasing arrangements will now be accounted for as finance leases. Lease rentals which were charged directly to revenue will, therefore, become payments of principal (MRP) and interest.

Such arrangements will, therefore, be considered to be capital expenditure and have the effect of increasing the council's capital financing requirement and increasing the council's debt position. There is, however, no change to the underlying contractual cashflow and, therefore, no change to the council's revenue position as a result of this accounting change.

The figures in this strategy do not reflect this change since it is yet to be finalised. The 2026/27 strategy will, however, reflect this change.

Monitoring the Capital Programme

Once the detailed programme has been approved at Ordinary Council, the financial spend is monitored on a monthly basis. The monitoring cycle is summarised below

1. Budget mangers project the progress of each capital project and update the system with their current estimates.
2. Accountants review the updates and make any necessary challenges or amendments with discussion with the Budget Manager.
3. Corporate Leadership Team review the information to ensure the projects are on target at quarterly Budget Challenge sessions.
4. Members review overall delivery as part of Budget update reports taken to Policy Committees.

Revenue Implications of potential future capital investment

Any proposed project requires a full financial appraisal to identify the impact on the Council's General Fund Revenue Account. Understanding how these projects can be funded will determine the affordability of the projects.

Should delivery of future projects require borrowing, as a rule of thumb, each £1 million borrowed would result in a charge to revenue per annum of approximately £62k at current interest rates and assuming straight line MRP over 50 years.

Treasury Management Strategy Statement

Introduction

Treasury management is a key element of the Council’s overall financial management arrangements. It relates to the Council’s borrowing and investment activities and the effective management of the associated risks. These activities are strictly regulated by statutory requirements and professional codes of practice, which require authorities to set local parameters for their Officers to work within. This Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services and, as required by the Code, has an approved Treasury Management Policy Statement and associated Treasury Management Practice Statements (TMPs).

Under these arrangements, Council approves an annual strategy for the expected treasury management activity in the forthcoming financial year. A further report is made after the year-end on the actual activity for the year and a mid-year report will also be made comparing performance with the approved strategy.

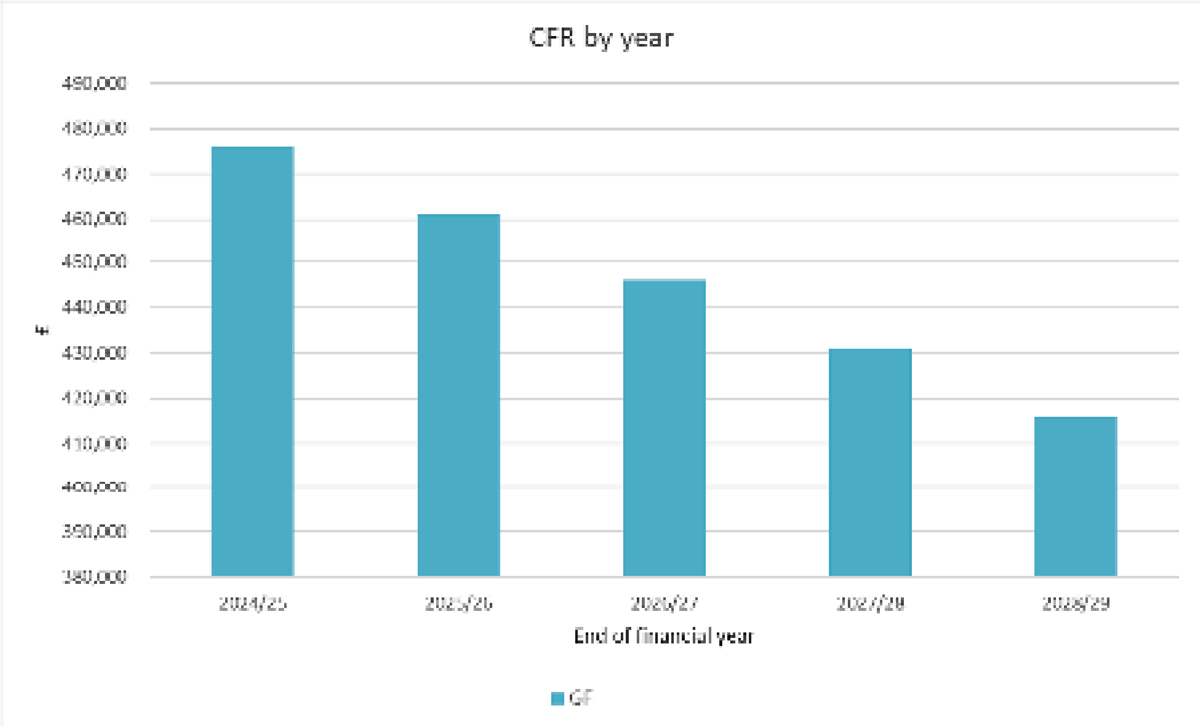
Capital Expenditure and Financing

The main driver of the Council’s treasury activity is its capital expenditure plans. The tables in the ’Capital Programme’ section set out the quantum of proposed capital expenditure over the next 5 years and how that expenditure is to be financed.

Capital Financing Requirement

The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s indebtedness and its underlying borrowing need. Any capital expenditure which is not immediately paid for through a revenue or capital resource and, therefore, has been financed by borrowing, will increase the CFR.

The chart below shows the forecast CFR each year to 2028/29



The table below analyses the changes by financial year

	2024/25 £	2025/26 £	2026/27 Forecast £	2027/28 Forecast £	2028/29 Forecast £
Opening CFR	491,000	476,000	461,000	446,000	431,000
Movement represented by:					
Minimum Revenue provision (General Fund only)	-15,000	-15,000	-15,000	-15,000	-15,000
Closing CFR	476,000	461,000	446,000	431,000	416,000

Liability Benchmark

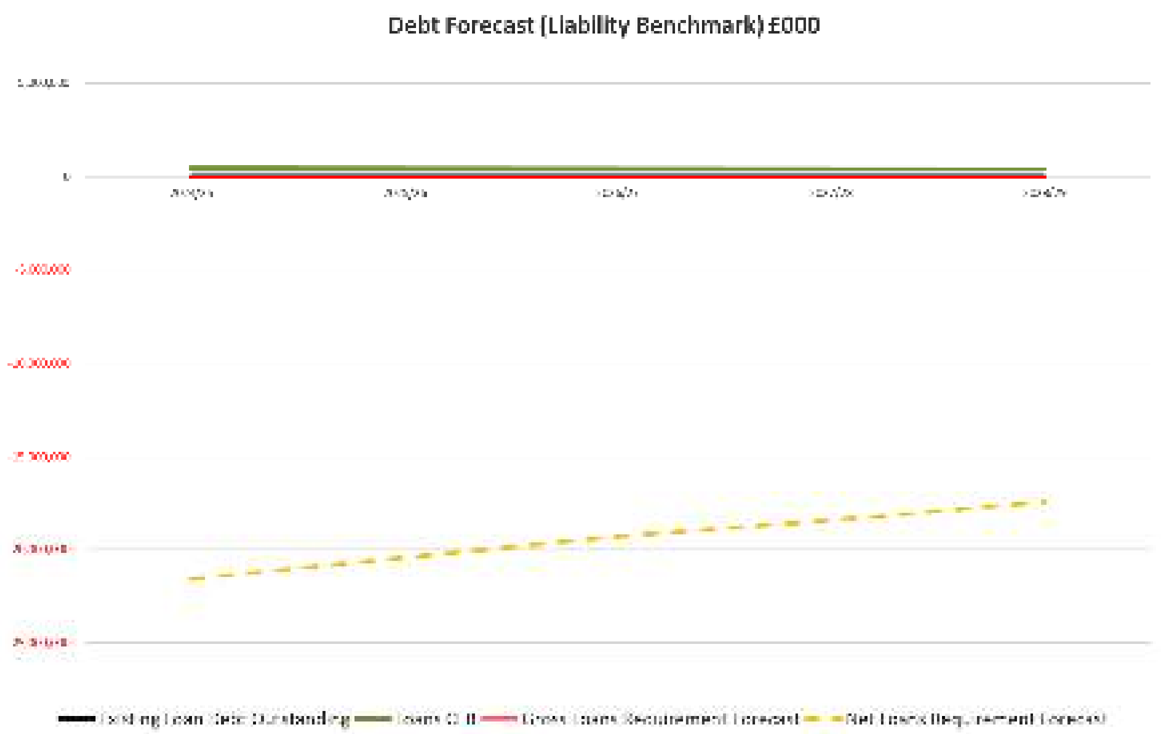
In its simplest form, the liability benchmark is intended to highlight whether external borrowing is required and if so when, how much and for how long:

- If existing external loans are less than the indicated liability benchmark, this indicates a new borrowing requirement, and the Council would need to take on new loans to meet the shortfall.
- If existing external loans exceed the indicated liability benchmark, this indicates more debt is being carried than necessarily needed, and so the surplus increases investment balances.

The liability benchmark has four components:

1. Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.
2. Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code (it excludes liabilities created by finance leases) and is projected into the future based on approved prudential borrowing and planned MRP.
3. Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance

The Council's Liability Benchmark is as follows:



The council has no loan debt outstanding. The Loans CFR is a consequence of historic transactions. The net loans requirement in these circumstances represents an approximation of the cash balances available to the council. The key point to note is that should capital investment continue at current rates and continue to be funded entirely from cash resources unless those resources are replenished the council will have to consider borrowing to finance capital expenditure in the future.

Borrowing Strategy

Although the council has no current expectation to borrow to finance capital expenditure consideration should still be given to an appropriate strategy should this expectation change in the future.

In general, capital schemes that incur expenditure related to long-term investment will generally be funded from long-term borrowing. However, there may be instances where capital schemes will be funded through short-term borrowing while they are in progress, and to replace this with long borrowing once the schemes are complete. Long term borrowing supports medium term financial planning by providing certainty around interest costs, and maintaining some short-term borrowing enables the Council to take advantage of lower interest rates.

The decision to fund capital expenditure is reserved to members. Should it be necessary in the future permission will be sought either through the presentation of specific business cases or be included in the annual capital programme presented to members for approval.

Internal borrowing

An alternative to external borrowing is internal borrowing. This is a technical variation to simply using cash resources to finance capital expenditure in that a capital financing requirement is created and the need to make an MRP arises. The cash still flows out of the organisation but the immediate charge to revenue is not the entire cost but a proportion of that cost depending on the life of the asset and the MRP method used.

In this scenario the council borrows less than its implied need to as expressed by the CFR. This is due to sound and proactive treasury management activity where surplus cash resources available are used to finance capital expenditure rather than investing them externally on the money markets.

Sources of borrowing

Should borrowing be considered there are various sources the councl can access

- Public Works Loan Board and any successor body
- any other UK local authority or other public sector body
- any UK bank or building society
- capital market bond investors
- other market loans (e.g. life and pension companies)

Projected Portfolio Position

The projected position for the Council's treasury arrangements is set out in the table below.

Year end	2024/25 Budget £000	2025/26 Budget £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000
Borrowing					
- PWLB	0	0	0	0	0
- Market Lender	0	0	0	0	0
- Transferred Debt	0	0	0	0	0
- Temporary borrowing	0	0	0	0	0
Total Borrowing	0	0	0	0	0
Investments	-21,163	-19,682	-19,248	-19,065	-18,570
Net Borrowing	-21,163	-19,682	-19,248	-19,065	-18,570

Interest rate forecasts

The following table sets out the interest rate assumptions used in the modelling of the strategy. They are derived from the forecast provided by MUFG as set out in the introduction.

	2024/25	2025/26	2026/27	2027/28	2028/29
Bank Rate	5.00%	4.00%	3.63%	3.50%	3.50%
Temporary Loans	5.50%	4.50%	4.13%	4.00%	4.00%
Investment Rate	5.00%	4.00%	3.63%	3.50%	3.50%
Overdraft	5.50%	4.50%	4.13%	4.00%	4.00%
5 year PWLB	5.00%	4.80%	4.40%	4.20%	4.20%
10 year PWLB	5.30%	4.90%	4.60%	4.50%	4.50%
25 year PWLB	5.90%	5.00%	4.70%	4.80%	4.80%
50 year PWLB	5.71%	5.10%	4.70%	4.60%	4.60%

- Bank Rate was reduced to 4.75% following the November monetary policy committee meeting. It is not expected to fall significantly until 2026/27.

- PWLB rates are falling from their peak though, following the October budget yields have risen and, as consequence, so have PWLB rates.

As with all forecasts, there are a number of risks (both downside and upside) to interest rate forecasts.

Debt Limits

The prudential code requires authorities to determine appropriate limits for their external debt. These are the operational boundary and the authorised limit. Although the council has no external debt at present or plans to do so in the near term it would be prudent for these two limits to be set as a contingency in the event that significant unexpected borrowing is required.

Operational Boundary For External Debt

This is the borrowing limit above which borrowing would not normally be expected to rise. It will not normally be a matter of concern if the Operational Boundary is breached temporarily due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would require investigation and appropriate action.

Authorised Limit For External Debt

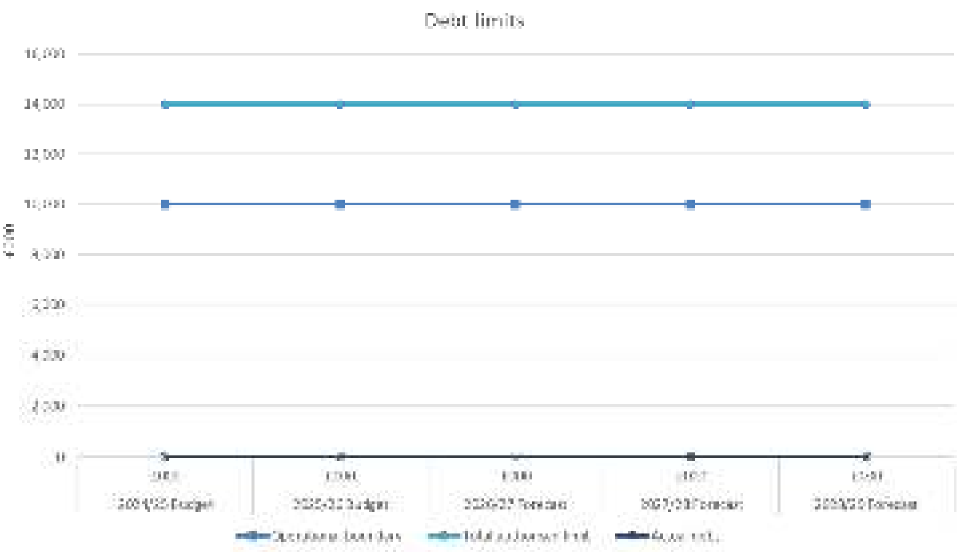
The Authorised Limit is the limit placed by the Council on the absolute level of its gross debt. The Local Government Act 2003 stipulates that it must not be breached at any time. The indicator is split between limits for external borrowing and for other long-term liabilities (for example, leases).

As the two limits are set locally, the Council may review and amend either or both during the year.

The proposed limits for 2024/25 and the following four years are

Year end	2024/25 Budget £000	2025/26 Budget £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000
Operational boundary	10,000	10,000	10,000	10,000	10,000
Authorised limit for borrowing	11,000	11,000	11,000	11,000	11,000
Authorised limit for other long term liabilities	3,000	3,000	3,000	3,000	3,000
Total authorised limit	**14,000**	**14,000**	**14,000**	**14,000**	**14,000**

The chart below shows the two limits and the forecast actual debt for each year. The operational boundary is set at a notional £10 million and the authorised limit at 110% of the operational boundary. The limit for other long-term liabilities recognises the changes that may arise as a consequence of the implementation of IFRS 16.



Treasury Investment Strategy

The treasury investment strategy deals solely with treasury investments, i.e. investments arising from the organisation's cash flows or treasury risk management activity and representing balances which are only held until the cash is required for use.

The categories of service delivery and commercial investments are considered in the Capital Programme section.

The Council's treasury investment strategy has regard to the following: -

- DLUHC's Guidance on Local Government Investments
- CIPFA Treasury Management in Public Services Code of Practice
- CIPFA Treasury Management Guidance Notes 2021

The general objective is to invest surplus funds prudently. Accordingly, priority is given to (1) security, (2) liquidity and (3) yield, in that order. The highest rate of return is sought only after security and liquidity requirements are satisfied.

The Council's strategy will be to invest surplus funds in amounts of up to £5m per counterparty in a mix of fixed term deposits, call accounts and any other investment products deemed worthwhile, in accordance with the limits set out in the following paragraphs.

Limits on duration of investments

To determine the duration of investments with bank and building societies, the Council will use the creditworthiness service provided by MUFG. This service employs a modelling approach utilising credit ratings from the three main credit rating agencies, Fitch, Moody's and Standard & Poor, supplemented by other information. The Council will follow these recommended durations, up to a maximum duration of one year.

Specified and non-specified investments

Specified investments are high security, highly liquid investments in sterling with high credit quality and a maturity of no more than one year.

Non-specified investments are any other type of sterling investments; in addition, any investment with a duration of over one year is classified as a non-specified investment. For 2025/26, investments of up to three years with other local authorities will be allowed, up to a total value of £5m. This is to enable the Council to access higher returns through investing for longer periods.

Credit ratings

An explanation of how credit ratings work is set out in the appendix to this document.

Non-UK domiciled banks

The council accesses non-UK banks that are available via the Agency Treasury Service provided by MUFG. The banks accessible via MUFG are considered to be secure potential counterparties that add diversity to the Council's investment portfolio. Some banks have been excluded from this strategy on ethical grounds. At the time of writing this strategy, the banks the council could invest with were as follows:

- Bayerische Landesbank (Germany)
- Landesbank Hessen-Thueringen Girozentrale (Germany)
- National Bank of Canada

The minimum credit rating would apply to each of these, and in addition the minimum acceptable sovereign credit rating of the country of origin at the time of placing the deposit will be AA- (the UK sovereign rating at the time of writing this strategy).

Lending to Local Authorities

The relevant legislation is set out in the Local Government Act 2003 - Sections 6 and 13 which are provided below and is used to support lending to Local Authorities.

Protection of lenders

Section 6

A person lending money to a local authority shall not be bound to enquire whether the authority has power to borrow the money and shall not be prejudiced by the absence of any such power.

No LA can offer Security to a Lender and there is specific regulation on loans to Local Authorities which makes clear that all loans are secured on future revenues and this includes the ability to take legal action if any debts are not repaid.

Section 13

1) *Except as provided by subsection (3), a local authority may not mortgage or charge any of its property as security for money which it has borrowed or which it otherwise owes.*
2) *Security given in breach of subsection (1) shall be unenforceable.*
3) *All money borrowed by a local authority (whether before or after the coming into force of this section), together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.*
4) *All securities created by a local authority shall rank equally without any priority.*
5) *The High Court may appoint a receiver on application by a person entitled to principal or interest due in respect of any borrowing by a local authority if the amount due remains unpaid for a period of two months after demand in writing.*
6) *The High Court may appoint a receiver under subsection (5) on such terms, and confer on him such powers, as it thinks fit.*
7) *The High Court may confer on a receiver appointed under subsection (5) any powers which the local authority has in relation to*
8) *collecting, receiving or recovering the revenues of the local authority,*
9) *issuing levies or precepts, or*
10) *setting, collecting or recovering council tax.*
11) *No application under subsection (5) may be made unless the sum due in respect of the borrowing concerned amounts to not less than £10,000.*
12) *The Secretary of State may by order substitute a different sum for the one for the time being specified in subsection (8).*

Investment instruments and limits

The table below details the Councils Investment Instruments that it it will utilise, and the associated limits:

Instrument	Minimum short term credit rating	Minimum long term credit rating	Maximum value of investment per counterparty	Maximum duration of investment
Term Deposits with UK Local Authorities	N/a	N/a	£5m	1 year 3 years (with the approval of the Section 151 Officer)
Term deposits or notice accounts with UK banks and building societies	Fitch F1 Moodys P-1 S&P A-1	Fitch A- Moodys A3 S&P A-	£5m	1 year
Term deposits with banks part nationalised	Minimum credit ratings not required as long as these banks continue to be part nationalised		£5m	1 year
Term deposits or notice accounts with non-UK banks accessible via the MUFG Treasury Service	Fitch F1 Moodys P-1 S&P A-1	Fitch A- Moodys A3 S&P A-	£5m	1 year
	Sovereign rating AA-			
Debt Management Account Deposit Facility (DMADF)	N/a	N/a	Unlimited	6 months (DMADF time limit)
Treasury Bills issued by the UK Government	N/a	N/a	Unlimited	1 year Subject to Section 151 Officer approval
Money Market Funds CNAV	N/a	AAA	£5m	Liquid
Money Market Funds LVNAV	N/a	AAA	£5m	Liquid
Money Market Funds VNAV	N/a	AAA	£5m	Liquid
Certificates of Deposit issued by UK institutions	Fitch F1 Moodys P-1 S&P A-1	Fitch A- Moodys A3 S&P A-	£5m	1 year subject to Section 151 Officer

Money market funds

With regard to money market funds, the Council will invest in funds that are domiciled in the UK and the Republic of Ireland.

A brief explanation of the different types of fund is provided in the appendix.

Current accounts

The monetary limits included in the investment strategy does not apply to balances on our suite of current accounts provided by Lloyds Bank plc. As a result, the Council may operate from time to time with monies held with Lloyds Bank marginally above the investment limits shown because of these current account balances. The Council will aim to keep balances of no more than £2m on its current accounts.

Non-UK domiciled banks

The council accesses non-UK banks that are available via the Agency Treasury Service provided by MUFG. The banks accessible via the MUFG Treasury Service are considered to be secure potential counterparties that add diversity to the Council's investment portfolio. Some banks have been excluded from this strategy on ethical grounds. At the time of writing this strategy, the banks the council could invest with were as follows:

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The minimum credit rating would apply to each of these, and in addition the minimum acceptable sovereign credit rating of the country of origin at the time of placing the deposit will be AA- (the UK sovereign rating at the time of writing this strategy).

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Protection of lenders

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A person lending money to a local authority shall not be bound to enquire whether the authority has power to borrow the money and shall not be prejudiced by the absence of any such power.

No LA can offer Security to a Lender and there is specific regulation on loans to Local Authorities which makes clear that all loans are secured on future revenues and this includes the ability to take legal action if any debts are not repaid.

Section 13

13) *Except as provided by subsection (3), a local authority may not mortgage or charge any of its property as security for money which it has borrowed or which it otherwise owes.*
14) *Security given in breach of subsection (1) shall be unenforceable.*
15) *All money borrowed by a local authority (whether before or after the coming into force of this section), together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.*
16) *All securities created by a local authority shall rank equally without any priority.*

17) *The High Court may appoint a receiver on application by a person entitled to principal or interest due in respect of any borrowing by a local authority if the amount due remains unpaid for a period of two months after demand in writing.*
18) *The High Court may appoint a receiver under subsection (5) on such terms, and confer on him such powers, as it thinks fit.*
19) *The High Court may confer on a receiver appointed under subsection (5) any powers which the local authority has in relation to*
20) *collecting, receiving or recovering the revenues of the local authority,*
21) *issuing levies or precepts, or*
22) *setting, collecting or recovering council tax.*
23) *No application under subsection (5) may be made unless the sum due in respect of the borrowing concerned amounts to not less than £10,000.*
24) *The Secretary of State may by order substitute a different sum for the one for the time being specified in subsection (8).*

Investment instruments and limits

The table below details the Councils Investment Instruments that it it will utilise, and the associated limits:

Instrument	Minimum short term credit rating	Minimum long term credit rating	Maximum value of investment per counterparty	Maximum duration of investment
Term Deposits with UK Local Authorities	N/a	N/a	£5m	1 year 3 years (with the approval of the Section 151 Officer)
Term deposits or notice accounts with UK banks and building societies	Fitch F1 Moodys P-1 S&P A-1	Fitch A- Moodys A3 S&P A-	£5m	1 year
Term deposits with banks part nationalised	Minimum credit ratings not required as long as these banks continue to be part nationalised		£5m	1 year
Term deposits or notice accounts with non-UK banks accessible via the MUFG Treasury Service	Fitch F1 Moodys P-1 S&P A-1	Fitch A- Moodys A3 S&P A-	£5m	1 year
	Sovereign rating AA-			
Debt Management Account Deposit Facility (DMADF)	N/a	N/a	Unlimited	6 months (DMADF time limit)
Treasury Bills issued by the UK Government	N/a	N/a	Unlimited	1 year Subject to Section 151 Officer approval

Money Market Funds CNAV	N/a	AAA	£5m	Liquid
Money Market Funds LVNAV	N/a	AAA	£5m	Liquid
Money Market Funds VNAV	N/a	AAA	£5m	Liquid
Certificates of Deposit issued by UK institutions	Fitch F1 Moodys P-1 S&P A-1	Fitch A- Moodys A3 S&P A-	£5m	1 year subject to Section 151 Officer

Money market funds

With regard to money market funds, the Council will invest in funds that are domiciled in the UK and the Republic of Ireland.

A brief explanation of the different types of fund is provided in the appendix.

Current accounts

The monetary limits included in the investment strategy does not apply to balances on our suite of current accounts provided by Lloyds Bank plc. As a result, the Council may operate from time to time with monies held with Lloyds Bank marginally above the investment limits shown because of these current account balances. The Council will aim to keep balances of no more than £2m on its current accounts.

Limits on Fixed and Variable Interest Rate Exposure

The council has no borrowing. Investments are made on a fixed basis.

Limits on principal sums invested for greater than 364 days

	2023/24	2024/25	2025/26
Principal sums invested > 364 days	£5m	£5m	£5m

Overall Treasury Management Strategy for 2025/26

The Section 151 Officer recommends the following strategy for 2025/26:

a) The overall debt and investment position will be managed having regard to the Prudential and Treasury Indicators set by the Council.

b) The Council will invest its monies prudently, considering security first, liquidity second and yield last whilst also carefully considering its investment counterparties.

c) Surplus funds (with the exception of funds required for liquidity purposes or for internal investment) will be invested in accordance with the approved Treasury Investment Strategy.

d) The treasury management strategy including the investment strategy, will be continually reviewed in the light of changing circumstances, including legislation. Within the limits set by this Strategy as set out above, the Section 151 Officer will exercise their discretion to determine the extent to which surplus funds will be used to minimise new borrowing and exposure to external investments.

e) Nothing in this strategy confers on the Section 151 Officer the authority to enter into any derivative or derivative like contract without the permission of the full Council.

A revised Capital and Investment Strategy will be prepared and submitted to Full Council if the Section 151 Officer considers that any such revision is necessary.

Otherwise, the Section 151 Officer is free to work within the limits determined by the strategy without reference to Full Council but will draw attention to any such variation in the quarterly in-year reports and annual outturn report on TM activity for the year.

Prudence in Borrowing and Investment

The Prudential Code 2021 edition requires the Council to ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable.

The Code states that authorities may borrow and invest for the following purposes:

- any function of the authority under any enactment
- for the prudent management of their financial affairs.

It also gives the following examples of legitimate of prudent borrowing:

- financing capital expenditure primarily related to the delivery of a local authority's functions.
- temporary management of cash flow within the context of a balanced budget
- securing affordability by removing exposure to future interest rate rises
- refinancing current borrowing, including adjusting levels of internal borrowing, to manage risk, reduce costs or to reflect changing cash flow circumstances.

The Council will ensure that all of its borrowing and investment activity during 2025/26 is prudent and in accordance with the above examples.

The Code also states that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment:

- In order to comply with the Prudential Code, an authority must not borrow to invest. primarily for financial return.
- It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

The Council will comply with the above requirements during 2025/26.

Minimum Revenue Provision

The Council is required by the Local Authorities (Capital Finance and Accounting) (England) Regulations to calculate a level a provision for the repayment of debt that it considers to be prudent, known as the Minimum Revenue Provision (MRP). The regulations also require the full Council to approve an MRP policy in advance of each financial year. Although the council currently has no borrowing an MRP policy is still required.

The policy is as follows:

Debt Liability pre 1 April 2008

For capital expenditure funded by borrowing before 1 April 2008, minimum revenue provision will be provided on a 2% straight-line basis, i.e. provision for the repayment of debt over 50 years.

Debt Liability 1 April 2008 onwards

Minimum revenue provision for all new capital expenditure incurred wholly or partly by unsupported (Prudential) borrowing will be determined by reference to the expected life of the asset on an annuity basis. The asset life is deemed to begin once the asset becomes operational. Minimum revenue provision will commence from the financial year following the one in which the asset becomes operational.

Minimum revenue provision in respect of unsupported (prudential) borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

Finance leases

For leases brought on to the balance sheet as a result of the implementation of IFRS 16 the MRP charge will be equal to the principal repaid as part of the lease rental. There is no change to the charge to revenue for these leases, the balance of the rental being treated as interest payable.

The annuity method

The Annuity Method for Minimum Revenue Provision (MRP) has several justifications that make it a preferred choice for many local authorities:

Alignment with Asset Benefits: This method links MRP payments to the flow of benefits derived from the asset. As the benefits from the asset may increase over time, the annuity method allows for charges that reflect this increasing value, making it a more equitable approach.

Cash Flow Management: The annuity method typically results in lower initial charges that gradually increase. This can help authorities manage their revenue position.

Interest Rate Consideration: By incorporating an appropriate interest rate into the calculation, the annuity method accounts for the time value of money. This ensures that the provision made is not only prudent but also reflects the cost of borrowing over the asset's life.

Flexibility and Prudence: The method provides flexibility in how MRP is calculated, allowing authorities to adjust their provisions based on changing financial circumstances while still adhering to the principle of prudence as mandated by regulations.

Regulatory Compliance: Using the annuity method aligns with statutory guidance, ensuring that local authorities meet their legal obligations regarding debt repayment and financial management.

Prudential and Treasury Indicators

This section reports indicators required by the Prudential and Treasury Management Codes where they are reported elsewhere in the strategy they are not repeated here

Indicators for Prudence

Estimates of capital expenditure

The local authority will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. These prudential indicators will be referred to as estimates of capital expenditure and shall be expressed in the following manner: Estimate of total capital expenditure to be incurred in years 1, 2 and 3.

See the capital programme section.

Estimates of capital financing requirement

The local authority will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years. These prudential indicators will be referred to as the estimates of capital financing requirement and shall be expressed as follows:

Estimate of capital financing requirement as at the end of years 1, 2 and 3

See Treasury Management Strategy Statement section.

Indicators for External Debt

Authorised limit

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total gross external debt, separately identifying borrowing from other long-term liabilities. This prudential indicator will be referred to as the authorised limit and shall be expressed in the following manner:

Authorised limit for external debt = authorised limit for borrowing + authorised limit for other long-term liabilities for years 1, 2 and 3

See Treasury Management Strategy Statement section.

Operational boundary

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator will be referred to as the operational boundary and shall be expressed in the following manner:

Operational boundary for external debt = operational boundary for borrowing + operational boundary for other long-term liabilities for years 1, 2 and 3

See Treasury Management Strategy Statement section.

Gross debt and the capital financing requirement

In order to ensure that, over the medium term, debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt. This is a key indicator of prudence. This prudential indicator will be referred to as gross debt and the capital financing requirement.

Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

Indicator not produced because the council has no external debt and no plans to borrow in the future.

Indicators for Affordability

Estimates of financing costs to net revenue stream

As a minimum, the local authority will estimate for the forthcoming financial year and the following two financial years the proportion of financing costs to net revenue stream. This prudential indicator shall be referred to as estimates of the proportion of financing costs to net revenue stream and shall be expressed in the following manner:

Estimate of financing costs ÷ estimate of net revenue stream x 100% for years 1, 2 and 3.

Net revenue stream includes Council Tax income, un-ringfenced grant funding (excluding any capital grants), such as New Homes Bonus, business rate retention income and any Collection fund surplus or deficit.

The net revenue stream ignores other sources of income, for example fees and charges and grants taken into the net cost of services. An alternative ratio, not required by the Codes, is to look at the ratio of financing costs to gross expenditure.

Indicator not produced because the council has no external debt and no plans to borrow in the future.

Treasury Indicators

Interest exposures

Upper limits to the Council's exposure to the effects of changes in interest rates

See Treasury Investment Strategy section

Maturity structure of borrowing

The maximum and minimum proportions of the borrowing portfolio that may mature in each given time period.

Indicator not produced because the council has no external debt and no plans to borrow in the future.

Upper limit on total principal sums invested for periods longer than 364 days

A restriction on authorisation of longer-term investments.

See Treasury Investment Strategy section

Liability Benchmark

is a series of inter-related measures that have been brought together to show how the council is intending to manage its debt position over the MTFS period

See Treasury Management Strategy Statement section

Appendix

Credit ratings

Banks and some of the larger building societies have credit ratings from the three main credit rating agencies, Fitch, Moodys and Standard & Poor (S&P). Some banks and building societies opt for credit ratings from all three agencies; others opt for credit ratings from two out of three agencies. Ratings are split between short term and long term, which are explained in more detail below.

The Council's proposed minimum acceptable credit ratings for 2023/24 are as follows:

Agency	Short term	Long term
Fitch	F1	A-
Moody	P-1	A3
S&P	A1	A-

Where a bank or building society has opted for ratings from two of the three agencies, the minimum acceptable ratings will be deemed to have been met if both ratings are at or above the levels in the above table. This is a change in approach from previous years. It is not considered that this will expose the Council to the risk of loss.

Credit Rating Definitions

Long-term Issuer Default rating

This rating measures the ability of a financial institution to meet all of its most senior financial obligations on a timely basis over the term of the obligation. It is therefore effectively a benchmark for rating institutions' probability of default.

- For Fitch ratings: the top end of the scale is AAA (the lowest expectation of credit risk) and ranges down to D (where the institution is in default and the potential for recovery of funds is minimal).
- For Moody's ratings: the top end of the scale is Aaa (highest quality with minimal credit risk) and the lowest related class is C (where the institution is in default and the potential recovery is minimal).
- For Standard & Poor's ratings: the top end is AAA (the lowest expectation of credit risk) and the lowest class is D (where the institution is in payment default).

Short-term Issuer Default rating

This rating is based on the liquidity profile of the institution and relates to its ongoing capacity to meet financial obligations within a relatively short time horizon (normally less than 13 months).

- For Fitch ratings: the scale ranges from F1 (highest) to D (actual or imminent payment default)
- For Moody's ratings: the scale is from P-1 (highest, where the institution has the superior ability to repay short-term obligations) to P-3 (the lower end of ability to repay short-term obligations).
- For Standard & Poor's ratings: the scale is A-1 (highest) to D (imminent default in payment)

Individual (Fitch), Strength (Moody's)

These ratings are assigned only to banks and assess how a bank would be viewed if it were entirely independent. MUFG have advised that this "standalone" rating be removed as the exclusion of sovereign status from the institutions has adversely affected the rating but does not represent any intrinsic change.

- Fitch ratings: The principal factors assessed are balance sheet integrity and profitability. The range is from A (a very strong bank) to F (bank has defaulted or would have defaulted without external support).
- Moody's ratings: range from A (strong intrinsic financial strength) to E– (in serious difficulty).
- Standard and Poor's have no ratings criteria for this. MUFG will continue to publish these ratings, it is however intended to use the results of these to inform investment decisions, rather than dictate them.

Money market funds (MMF)

A money market fund is a type of mutual fund that invests in low-risk, short-term debt instruments. They are intended as a short-term, liquid investment, providing little capital appreciation but generating modest income through interest.

MMFs must be set up as one of the following types:

Public Debt CNAV MMF
LVNAV MMF
VNAV MMF

CNAV = Constant Net Asset Value
LVNAV = Low Volatility Net Asset Value
VNAV = Variable Net Asset Value.

The first two types would always be short-term MMFs but VNAV funds are split into two separate options: a short-term VNAV and a standard VNAV.

Short-term MMFs are primarily invested in short-term debt/money market instruments and have the objective of offering money market rate returns while ensuring the highest possible level of safety for investors. Standard VNAV MMFs have the objective of offering returns slightly higher than money market returns, and they therefore invest in assets that have an extended maturity. As such, Public Debt CNAV, LVNAV and short-term VNAV funds have a maximum weighted average maturity (WAM) of 60 days and weighted average life (WAL) of 120 days. Standard VNAV funds have a maximum WAM of 6 months and WAL of 12 months.

Public Debt CNAV MMFs must invest in government securities and transact at a constant price (although negative yields mean this has not been possible recently). LVNAV fund units can be purchased and redeemed at a constant price as long as the value of the assets ('market NAV') does not deviate by more than a 20-basis point collar from the dealing NAV of 1.00. If the limit is breached the fund must convert to VNAV. Their valuation is at amortised cost for instruments with maturities under 75 days and at mark-to-market for instruments over 75 days.

VNAV funds operate on a variable dealing NAV (rounded to 4 decimal places) and on fully mark-to-market pricing hence the pricing/NAV fluctuates.

With regards to liquidity requirements, Public debt CNAV and LVNAV funds must maintain at least 10% of their holdings in daily liquidity assets and 30% in weekly liquidity assets. Both short-term and standard VNAV funds are subject to less stringent requirements, having to hold 7.5% in daily liquid assets and 15% in weekly liquid assets. Standard VNAV funds try to offer enhanced returns through taking on more duration/credit risk. Cash Plus or Ultra Short Bond funds are typically standard VNAV in structure.

Liquidity fees and redemption gates may occur to public debt CNAV and LVNAV funds but do not apply to VNAV funds. These fees and gates can occur when one of the following criteria is met:

- The level of weekly liquid assets falls below 10%
- The level of weekly assets falls below 30% and net redemptions from the fund exceeds 10% in one day

If option 1 occurs the MMF board must enact either liquidity fees or a redemption gate and in the case of option 2, the MMF board has the choice to enact fees/gates or can choose to do nothing.

Short-term MMFs do share some characteristics and this also includes the fact that they are typically AAA-rated and seen as cash or cash equivalent funds. Standard VNAV funds do often carry an AAA rating as well but typically settle from T+1 through to T+3, i.e. 1 to 3 days after the transaction date. Investors may be familiar with standard (VNAV) MMFs in the form of some Cash Plus funds. These should not simply be seen as short-term alternatives however, due to their longer durations and hence, investment time horizon.

Glossary

Actuary: A business professional who measures and manages risk and uncertainty.

Annuity: A series of equal payments made at regular intervals, usually for a fixed length of time (usually in return for an upfront lump sum).

Asset management: Process that identifies the resources required for the upkeep of property.

Audit, Governance and Appointments Committee: *Provide independent advice and assurance on the effectiveness of governance, risk and control measures*.

Balance Sheet: A summary of all the assets and liabilities of the council at the end of a financial year. The statement shows the council's assets and liabilities matched by total reserves.

Bank of England Bank Rate: Bank Rate determines the interest rate the Bank of England pays to commercial banks that place money with it. It influences the rates those banks charge people to borrow money or pay on their savings.

Bonds: A debt investment where the investor loans money to an entity, which borrows for a defined period of time, either at a fixed or variable rate of interest.

Capital Charge: A charge to a revenue service to reflect the depreciation of non-current assets used in the provision of services.

Capital Expenditure: This generally relates to expenditure on the acquisition or enhancement of non-current assets that will be on long-term use or benefit to the authority in providing its services. It also includes grants made by the council to other individuals, community organisations and other external bodies for similar long-term benefit.

Capital Financing Requirement (CFR): The statutory measure of a local authority's underlying need to borrow for capital purposes.

Capital Programme/Budget: The council's budget for capital expenditure and resources for the current and future years.

Capital Receipts: Income from the sale of capital assets and the repayment to the council of grants and loans given for capital purposes. Regulations govern the way capital receipts may be used.

Cash terms/Real terms: Cash terms compares sums in actual amounts regardless of when received/paid. Real terms adjusts these amounts for inflation.

Credit default swap (CDS): A financial contract whereby a buyer of corporate or sovereign debt in the form of bonds attempts to eliminate possible loss arising from default by the issuer of the bonds. This is achieved by the issuer of the bonds insuring the buyer's potential losses as part of the agreement.

Chartered Institute of Public Finance and Accountancy (CIPFA): CIPFA is the professional accountancy body for public services. It publishes the Code of Practice which defines how local authority accounts are prepared.

Code of Practice: Code of Practice on Local Authority Accounting in the UK (referred to as the Code). This document is based on International Financial Reporting Standards, and states how these must be applied to the preparation of the Statement of Accounts by local authorities.

Commercial Programme: Council activities focused on generating income.

Contingency: Money set aside in the budget to meet the cost of unforeseen items of expenditure or shortfalls in income occurring during the year ahead. This would include changes to the inflation and interest rate assumptions made when the budget was set.

Corporate Strategy Presents the council’s goals, objectives and plans.

Coupon: The interest paid on a loan between issue and maturity.

Creditors: Amounts due from the council for work carried out, goods received or services rendered that have not been settled before the end of the financial year.

Credit ratings: Provided by the three main rating agencies, Fitch, Moody and S&P, the ratings evaluate the credit worthiness of a debtor.

Credit Risk: The risk that a debtor is unable to pay back what they owe.

Debt Interest: The money owed on borrowings.

Debt Management Office (DMO): The DMO is the agency that carries out the Government’s debt management policy. It takes deposits from local authorities.

Debt Repayment Policy: The council’s policy for making provision for the repayment of debt.

Default: Failure to meet the obligations on a loan, i.e. being unable to make payments due.

Depreciation: The measure of the wearing out, consumption or other reduction in the useful economic life of a non- current asset, whether arising from use, passing of time or obsolescence through technical or other changes.

Fair Value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Regulations (FRs): A written framework for the proper financial management of the authority. The FRs are approved by Full Council as part of its formal constitution.

General Fund (GF): the main revenue fund of the council. Day to day spending and income from services are accounted for here.

Government Gilts/Treasury Bills: Investment instruments issued by UK Government.

Gross domestic product (GDP): The total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

IFRS (International Financial Reporting Standards): The collective name for the set of accountancy standards which define the accounting treatment used by listed companies in the UK and European Union. The term also refers to the individual standards (for example, IRFS 7, *Financial Instruments*; *Disclosures*) issued from June 2003 onwards.

Impairment: A reduction in the valuation of an asset caused by an event occurring to the asset or to the economic environment in which it operates.

Leasing: a method of acquiring the use of assets in which the investment is made by a lessor and a rental is charged to a lessee. The council operates both as lessor and lessee in respect of land, property, vehicles, plant and equipment.

Liquidity: The availability of assets (i.e. cash) when it is required.

Local Government Act 1972: *http://www.legislation.gov.uk/ukpga/1972/70/contents*

Local Government Act 1988: *http://www.legislation.gov.uk/ukpga/1988/9/contents*

Local Government Act 2003: *http://www.legislation.gov.uk/ukpga/2003/26/contents*

Local Government Finance Act 1992:*http://www.legislation.gov.uk/ukpga/1992/14/contents*

Local Government and Housing Act 1989

http://www.legislation.gov.uk/ukpga/1989/42/contents?wb48617274=A375BAFB

Local Government Finance Act 1992:
https://www.legislation.gov.uk/ukpga/1992/14/contents

Localism Act 2011: *https://www.legislation.gov.uk/ukpga/2011/20/contents*

Local Government Act 2000: *https://www.legislation.gov.uk/ukpga/2000/22/contents*

Local Government Act 1999: *http://www.legislation.gov.uk/ukpga/1999/27/section/10*

Local Audit & Accountability Act 2014:
http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted

Local Government Finance Settlement: Annual determination of funding to local government.

Minimum revenue provision (MRP): Each year local authorities are required to set aside a prudent amount of revenue as provision for financing capital expenditure.

Money Market Fund (MMF): A vehicle for the investment of surplus cash balances for the purposes of achieving a return on the investment. Investments are pooled together in the fund and then invested in low-risk securities, these benefit from higher rates of return than individual investors could receive, due to the size of investment.

Non-operational property (commercial and industrial): Properties owned by the council that are not essential to the ongoing operations of business, they may still generate an income.

Office for Budget Responsibility (OBR): A public body that provides independent economic forecasts and analysis of the public finances.

Property Fund: Investments are made and pooled together. These are then used to either invest directly in purchasing property, or indirectly by buying shares in property companies. The investors benefit from the increase in value in the property or the shares.

Prudential code for capital finance in Local Authorities: A *CIPFA* publication, providing guidance to ensure capital programmes are affordable, prudent and sustainable.

Prudential Indicators: Indicators within the treasury management strategy that ensure that borrowing and debt is within agreed limits.

Public Works Loan Board (PWLB): A government agency that offers longer-term loans to local authorities at interest rates marginally above the government's own cost of borrowing. It also acts as lender of last resort.

Reserves*:* Set aside at the discretion of Full Council to meet expenditure in future years.

Revenue budget: The money allocated to the day to day running of the council.

Section 106 (S106)*:* Agreements which make a development proposal acceptable in planning terms that would not otherwise be acceptable, i.e. restrictions on the use of land, sums of money to be paid to the authority.

Section 151 Officer*:* The local authority's chief financial officer. The Officer responsible for the proper administration of the council's financial affairs in accordance with Section 151 of the Local Government Act 1972.

Secured debt*:* Debt backed by collateral to reduce the risk associated with lending.

Spending Review: A Spending Review or occasionally Comprehensive Spending Review is a governmental process in the United Kingdom carried out by HM Treasury to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources.

TM (Treasury Management) code: The CIPFA Treasury Management Code of Practice sets out procedures and policies local authorities *must* follow in their treasury management functions.

Ultra Vires: Beyond the legal powers or authority.

Yield: The interest earned on investments.