

## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT, STANDARDS and GOVERNANCE COMMITTEE**

**17<sup>th</sup> FEB 2026**

#### **Capital Strategy 2026/27 Including Treasury Management Strategy**

Relevant Portfolio Holder	Councillor Simon Nock – Finance Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author	Job Title: Assistant Director Finance & Customer Services Contact email: Debra.goodall@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

#### **1. RECOMMENDATIONS**

**The Audit, Standards and Governance Committee is asked to RECOMMEND TO COUNCIL that:**

- i) the Capital Strategy be approved as an appropriate overarching strategy for the Council;**
- ii) the Treasury Management Strategy for 2026/27 and the associated Minium Revenue Provision (MRP) policy be approved; and**
- iii) the Investment Strategy be approved.**

#### **2. BACKGROUND**

- 2.1 The report for 2026/27 combines an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategies set limits and indicators that embody the risk management approach that the Council believes to be prudent. The strategies are set against the mid-term financial strategy, the context of the UK economy and projected interest rates.
- 2.2 The Council are required to set a balanced operating budget. The role of the treasury function is to manage cash flow within the authority so that the demands of expenditure can be met. The policies included in this report set out the criteria in which the Council can manage its Treasury management function.
- 2.3 The CIPFA Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local

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authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance. In addition, the Council has to receive a report on treasury management, and this is reported on a quarterly basis which is included within the Quarterly Monitoring Report.

**2.4 CIPFA has defined Treasury Management as:**

“the management of the organisation's investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

**2.5 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. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:**

- Liquidity Risk (Adequate cash resources)
- Market or Interest Rate Risk (Fluctuations in the value of investments)
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)

**2.6 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.**

**2.7 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA.**

**2.8 The Council has closed its 2020/21, 2021/22, 2022/23 Accounts and the 2023/24 and 2024/25 accounts are currently being audited by the Council's auditor, Ernst & Young with the expectation these will be signed off in line with the Governments “backstop requirements”. However, like many other Councils, “Disclaimer Opinions” have been received for 2020/21 through to 2022/23 as per the “backstop requirements” and are expected to be issued for 2023/24 and 2024/25 and the implications of these opinions are still not clear. The Strategies will be updated, if required, once the Accounts have been closed and approved.**

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### **3. LEGAL IMPLICATIONS**

- 3.1 This is a statutory report under the Local Government Act 2003.

### **4. STRATEGIC PURPOSES - IMPLICATIONS**

#### **Relevant Strategic Purpose**

- 4.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

#### **Climate Change Implications**

- 4.2 The green thread runs through the Council Plan. This includes the Capital and Treasury Management Strategies.

### **5. OTHER IMPLICATIONS**

#### **Equalities and Diversity Implications**

- 5.1 There are no direct equalities implications arising as a result of this report.

#### **Operational Implications**

- 5.2 None as a direct result of this report, service requirements which form the Capital Programme are the base data for this report.

### **6. RISK MANAGEMENT**

- 6.1 Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. Controls in place to mitigate these risks are as follows:

- Regular monitoring of the status of the organisations we invest with
- Daily monitoring by internal officers of banking arrangements and cash flow implications.

### **7. APPENDICES and BACKGROUND PAPERS**

Appendix A – Capital Strategy 2026/27

Appendix B – Treasury Management Strategy 2026/27

Appendix C – Minimum Revenue Provision Statement 2026/27

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Appendix D – Investment Strategy 2026/27

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**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Cllr Nock	
Lead Director / Assistant Director	Debra Goodall	
Financial Services	Debra Goodall	
Legal Services	Claire Felton	
Policy Team (if equalities implications apply)		
Climate Change Officer (if climate change implications apply)		

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### **APPENDIX A - BDC Capital Strategy Report 2026/27**

#### **Introduction**

- 1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

#### **Capital Expenditure and Financing**

- 1.3 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 1.4 In 2026/27, the Authority is planning capital expenditure of £7.7m as summarised below:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget *</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
General Fund services	3.4	4.2	4.7	2.3	2.1
Regeneration	0.5	1.9	3.0	0.2	0.2
<b>TOTAL</b>	3.9	6.1	7.7	2.5	2.3

The Council is still to finalise work required for the adoption of IFRS16 linking to the accounting for leases which must be implemented by the 2025/26 financial year.

- 1.5 Following a change in the Prudential Code, the Authority no longer incurs capital expenditure on investments.
- 1.6 **Governance:** Service managers bid annually in January to include projects in the Authority's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if

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the project is fully externally financed). The Audit Standards and Governance Committee and then the Cabinet appraises all bids based on a comparison of strategic priorities against financing costs and makes recommendations to Council. The final capital programme is then presented to Cabinet in February and to Council in February each year.

- For full details of the Authority's capital programme, including the project appraisals undertaken, see Tranche 2 of the 2026/27 Medium Term Financial Plan.

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

*Table 2: Capital financing in £ millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget *</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
External sources	0.9	2.7	3.4	0.8	0.8
Own Resources	3.0	3.4	4.3	1.7	1.5
Debt	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>3.9</b>	<b>6.1</b>	<b>7.7</b>	<b>2.5</b>	<b>2.3</b>

- 1.8 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned [MRP / repayments] and use of capital receipts are as follows:

*Table 3: Replacement of prior years' debt finance in £ millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget *</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Minimum revenue provision	0.8	1.2	1.2	1.3	1.4
Capital Receipts	0.9	0.0	0.0	0.0	0.0

- The Authority's full minimum revenue provision statement is available within the body of this report.
- 1.9 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase

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by £7.7m during 2026/27. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

*Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions*

	<b>31.3.2025 actual</b>	<b>31.3.2026 forecast</b>	<b>31.3.2027 budget</b>	<b>31.3.2028 budget</b>	<b>31.3.2029 budget</b>
General Fund & Regeneration	31.2	37.3	45.0	47.5	49.8
<b>TOTAL CFR</b>	31.2	37.3	45.0	47.5	49.8

**1.10 Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. Within this strategy, individual properties and associated land will be further evaluated to determine:

- The operational necessity and benefit.
- Projected costs of ensuring all elements of the buildings continue to meet legislative requirements and performance standards.
- Planned and cyclical maintenance costs for elements nearing the end of their 'life' expectancy, ensuring service provision is maintained without unnecessary interruption. Costs associated with meeting future EPC rating minimum requirements.
- Rent levels (and net costs for each building) and revised leases.
- Alternative or rationalised portfolio or joint enterprises for service delivery.

By evaluation of all factors cited above, informed decisions can be made to determine which assets are:

- No longer cost effective to run, where outlay exceeds earning potential
- No longer viable for effective service delivery
- Surplus to requirements

Asset considerations will be presented to Cabinet on a half yearly basis for approval for disposal, unless there is an urgent requirement for a decision.

**1.11 Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Authority is currently also permitted to spend capital receipts "flexibly" on service transformation projects until



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2029/30 although nothing is presently planned. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £0m of capital receipts in the coming financial year as follows:

*Table 5: Capital receipts receivable in £ millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget *</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Asset sales	0.9	0.0	0.0	0.0	0.0
Loans etc repaid	0.0	0.0	0.0	0.0	0.0

### **Treasury Management**

- 1.12 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 1.13 Due to decisions taken in the past, the Authority currently has no external long term (over 1 year) borrowing and £14.5m treasury investments at an average rate of 4.9%.
- 1.14 **Borrowing strategy:** The Authority's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 1.15 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 1.16 Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

*Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

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	<b>31.3.2025 actual</b>	<b>31.3.2026 forecast</b>	<b>31.3.2027 budget</b>	<b>31.3.2028 budget</b>	<b>31.3.2029 budget</b>
General Fund (incl. PFI & leases)	3.9	6.1	7.7	2.5	2.3
Capital Financing Requirement	31.2	37.3	45.0	47.5	49.8

1.17 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.

1.18 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £2m at each year-end. This benchmark is currently £5.69m and is not forecast to rise over the next three years.

*Table 7: Borrowing and the Liability Benchmark in £ millions*

	<b>31.3.2025 actual</b>	<b>31.3.2026 forecast</b>	<b>31.3.2027 budget</b>	<b>31.3.2028 budget</b>	<b>31.3.2029 budget</b>
Forecast Outstanding borrowing – GF	0.0	0.0	0.0	0.0	0.0
Liability benchmark	5.69	5.69	5.69	5.69	5.69

1.19 The table shows that the Authority expects to remain borrowed below its liability benchmark. This is because cash outflows to date have been below the assumptions made when the loans were borrowed.

1.20 **Affordable borrowing limit:** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

*Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	<b>2025/26 limit £m</b>	<b>2026/27 limit £m</b>	<b>2027/28 limit £m</b>	<b>2028/29 limit £m</b>
Authorised limit – borrowing	60	60	60	60
Authorised limit – PFI and leases	1	1	1	1
Authorised limit – total external debt	<b>61</b>	<b>61</b>	<b>61</b>	<b>61</b>

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Operational boundary – borrowing	55	55	55	55
Operational boundary – PFI and leases	1	1	1	1
Operational boundary – total external debt	56	56	56	56

- 1.21 **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.22 The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

*Table 9: Treasury management investments in £millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget *</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Near-term investments	4.2	4.5	4.5	4.5	4.5
Long-term investments	0	0	0	0	0
<b>TOTAL</b>	4.2	4.5	4.5	4.5	4.5

- Further details on treasury investments are in the Treasury Management Strategy part of this appendix.
- 1.23 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
- The treasury management prudential indicators are in the treasury management strategy which are part of these appendices.

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- 1.24 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Cabinet. The Audit, Standards and Governance Committee is responsible for scrutinising treasury management decisions.

#### **Investments for Service Purposes**

- 1.25 The Authority makes investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, and the Authority's subsidiaries that provide services to stakeholders. Total investments for service purposes are currently valued at £0m.
- 1.26 **Risk management:** In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs. A limit of £2.5m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
- 1.27 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director and the Director of Finance are responsible for ensuring that adequate due diligence is carried out before investment is made.

Further details on service investments are in the Treasury Management Strategy.

#### **Liabilities**

- 1.28 The Authority is committed to making future payments to cover its pension fund deficit (which is in surplus as per the 2022 Triennial revaluation and the backlog will be cleared in 2037). It has also set aside £0.975m for Business Rates appeals.
- 1.29 **Governance:** Decisions on incurring new discretionary liabilities are taken by Heads of Service in consultation with the Director of Finance.

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The risk of liabilities crystallising and requiring payment is monitored by the corporate finance team and reported biannually to Cabinet. New liabilities exceeding £0.5m are reported to full council for approval/notification as appropriate.

#### **Revenue Budget Implications**

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

*Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget *</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Financing costs (£m)	0.8	1.2	1.2	1.3	1.4
Proportion of net revenue stream	11.40%	11.50%	11.50%	11.50%	11.60%

- 1.31 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the Medium-Term Financial Plan (MTFP) forecasts which show that the Council is financially sustainable over that period.

#### **Knowledge and Skills**

- 1.32 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance and Head of Service are qualified accountants with significant experience. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA and AAT.
- 1.33 Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers and Bruton Knowles as property consultants. This approach is more cost effective than employing such staff directly and

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ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training can be found in the HR Employee Development section of the website.

**APPENDIX B - BDC Treasury Management Strategy Statement  
2026/27**

**Introduction**

- 2.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 2.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 2.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

**External Context**

**Economic background:**

- 2.4 The impact on the UK from the government's Autumn Budget will influence the Authority's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.
- 2.5 The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote, supported holding rates steady, while four favoured a further reduction to 3.75%.
- 2.6 The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

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- 2.7 CPI inflation was 3.8% in September 2025, unchanged from the previous two months and below the 4.0% expected. Core CPI eased to 3.5% from 3.6%, contrary to forecasts of a rise to 3.7%. The Bank of England's November Monetary Policy Report projects inflation to fall from this level - expected to mark the peak - to 3.2% by March 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 2.8 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to September 2025, the unemployment rate increased to 5.0%, while the employment rate slipped to 75.0% and the inactivity rate held at 21.0%. Pay growth for the same period eased modestly, with total earnings (including bonuses) rising by 4.8% and regular pay up 4.6%. Going forward, the Bank predicts the unemployment rate will increase modestly to around 5.0% by around the end of 2025 before trending downwards at a gradual pace over the rest of the time horizon.
- 2.9 The US Federal Reserve also continued to cut rates, most recently reducing the target range for the Federal Funds Rate by 0.25% at its October 2025 meeting, to 3.75%-4.00%, in line with expectations. Financial markets anticipate a further 0.25% cut in December, although Chair Jerome Powell has cautioned that this is not guaranteed, signalling the Fed may pause before any additional easing. A factor influencing a potential pause is the ongoing government shutdown, which has delayed the publication of several important data releases used to inform monetary policy decisions.
- 2.10 The European Central Bank (ECB) kept its key interest rates unchanged in October for a third consecutive month, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB reiterated that future policy decisions will remain data-dependent, noting that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.
- 2.11 **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 2.12 While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under



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continuous review and will continue to reflect prevailing economic and credit conditions.

- 2.13 **Interest rate forecast (December 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications.
- 2.14 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
- 2.15 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.
- 2.16 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.8%, and that new long-term loans will be borrowed at an average rate of 4.4%.

#### **Local Context**

- 2.17 On 20<sup>th</sup> January 2026, the Authority had no borrowing and £5.5m of treasury investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

*Table 1: Balance sheet summary and forecast*

	<b>31.3.25 Actual £m</b>	<b>31.3.26 Estimate £m</b>	<b>31.3.27 Forecast £m</b>	<b>31.3.28 Forecast £m</b>	<b>31.3.29 Forecast £m</b>
Capital financing requirement	31.2	37.3	45	47.5	49.8
Less: External borrowing **	0	0	0	0	0
<b>Internal borrowing</b>	31.2	37.3	45	47.5	49.8
Less: Usable Reserves	-11.3	-11.2	-11.2	-10.0	-9.0
Less: Working Capital	-3.1	-3.1	-3.1	-3.1	-3.1
<b>Treasury investments</b>	-16.8	-23.0	-30.7	-34.4	-37.7

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

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- 2.18 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 2.19 The Authority has an increasing CFR due to the capital programme, but minimal investments but will be funding the programme through internal borrowing.
- 2.20 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2026/27.
- 2.21 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £0.2m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 2.22 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
Loans CFR	31.2	37.3	45	47.5	49.8
Less: Usable Reserves	-11.3	-11.2	-11.2	-10.0	-9.0
Less: Working Capital	-3.1	-3.1	-3.1	-3.1	-3.1
<b>Net loans requirement</b>	16.8	23.0	30.7	34.4	37.7
Plus: Liquidity allowance	0.2	0.2	0.2	0.2	0.2
<b>Liability benchmark</b>	17.0	23.2	30.9	34.6	37.9

- 2.23 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £2m average a year, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year.

**Borrowing Strategy**

- 2.24 The Authority currently holds £0 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £0m in 2026/27. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £60 million.
- 2.25 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 2.26 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year and are expected to fall a little further and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.
- 2.27 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 2.28 The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 2.29 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
- 2.30 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

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- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly known as UK Infrastructure Bank Ltd)
- any institution approved for investments (see below)
- any other bank, building society or insurance company authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Local Government Pension Scheme)
- capital market bond investors

**2.31 Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

**2.32 Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

**2.33 Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

### **Treasury Investment Strategy**

**2.35** The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £1 and £14.5 million, and similar levels are expected to be maintained in the forthcoming year.

**2.36 Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate

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balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

- 2.37 **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 2.38 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 2.39 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 2.40 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 2.41 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

*Table 3: Treasury investment counterparties and limits*

<b>Credit rating</b>	<b>Banks unsecured</b>	<b>Banks secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3m 5 years	£3m 20 years	£3m 50 years	£3m 20 years	£1m 20 years
AA+	£3m 5 years	£3m 10 years	£3m 25 years	£3m 10 years	£1m 10 years

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AA	£3m 4 years	£3m 5 years	£3m 15 years	£3m 5 years	£1m 10 years
AA-	£3m 3 years	£3m 4 years	£3m 10 years	£3m 4 years	£1m 10 years
A+	£3m 2 years	£3m 3 years	£3m 5 years	£3m 3 years	£1m 5 years
A	£3m 13 months	£3m 2 years	£3m 5 years	£3m 2 years	£1m 5 years
A-	£3m 6 months	£3m 13 months	£3m 5 years	£3m 13 months	£1m 5 years
None	£1.5m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
<b>Pooled funds and real estate investment trusts</b>		£2.5m per fund or trust			

- 2.42 **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 2.43 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- 2.44 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years. The counterparty limit for loans to local authorities will be increased to an unlimited amount where (a) the government has announced that this authority will merge with the borrowing authority and (b) the loan is scheduled to be repaid after the expected date of the merger.
- 2.45 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other-government collateral.

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- 2.46 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 2.47 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 2.48 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 2.49 **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 2.50 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 2.51 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.
- 2.52 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.0m per bank. The Bank of

England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

- 2.53 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

- 2.54 **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

- 2.55 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

- 2.56 **Investment limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £11.2 million on 31<sup>st</sup> March 2025 and £10 million on 31<sup>st</sup> March 2026. In order that no more than 42% of available reserves will be put at risk in the case of a single default, the



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maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

- 2.57 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2m in operational bank accounts count against the relevant investment limits.

- 2.58 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£2.5m in total
Unsecured investments with building societies	£2.5m in total
Loans to unrated corporates	£1m in total
Money market funds	£20m in total
Real estate investment trusts	£2.5m in total

- 2.59 **Liquidity management:** The Authority uses detailed spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

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

### **Treasury Management Prudential Indicators**

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

- 2.62 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

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<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit [rating / score]	A-

- 2.63 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£2.5m

- 2.64 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest rate risk indicator</b>	<b>Limit</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£500,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£500,000

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

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

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

- 2.67 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

- 2.68 **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

<b>Price risk indicator</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>No fixed date</b>
Limit on principal invested beyond year end	£1.0m	£0.5m	£0m	£0m

- 2.69 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money

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market funds and bank accounts with no fixed maturity date as these are considered short-term.

#### **Related Matters**

- 2.70 The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 2.71 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 2.72 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 2.73 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 2.74 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 2.75 **Markets in Financial Instruments Directive:** The Authority has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most appropriate status.

#### **Financial Implications**

- 2.76 The budget for investment income in 2026/27 is £100k based on an average investment portfolio of £4.5 million at an interest rate of 3.6%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.
- 2.77 Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below

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budget, e.g. from cheap short-term borrowing, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

#### **Other Options Considered**

2.78 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance, having consulted the Cabinet Member for Finance and Enabling, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

**Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2025**

**Underlying assumptions:**

- The Budget signalled further fiscal (tax/spend) tightening across this parliament. Most tax changes take effect from 2028, while welfare and spending start from April 2026. Taken together, the timing of these announcements means the fiscal stance is likely to be slightly looser than expected for the next two years (with increased government spending), before tightening sharply from 2028 (with large tax rises).
- Despite the near-term looser fiscal stance, the new policies add little support for activity in 2026. Even before the Budget, economic data was pointing to a slower growth outlook. Meanwhile, disinflation has been evident and planned government actions on train fares and energy bills will also dampen inflation next year.
- The close vote in November to keep Bank Rate at 4% reflected pre-Budget uncertainty. With no major growth or inflation boosts in the Budget, a cut to 3.75% in December continues to look highly likely.
- Inflation fell to 3.6% in October. Business surveys point to weaker pricing power and household inflation expectations are easing, although they remain high. Wage growth is moderating amid rising unemployment and overall activity is flat. Confidence has been hit by the run-up to the Budget and a strong rebound seems improbable in the near term.
- Weak growth and softer inflation strengthen the case for dovish MPC members to push for further Bank Rate cuts, while undermining arguments of more hawkish members. There will still be questions over whether Government can deliver the fiscal tightening it set out, given a history of U-turns, and timing ahead of the next General Election. The December meeting will offer a clearer view of how divided the MPC really is.
- Risks to the growth and inflation outlook lie to the downside, which if crystallised may ultimately deliver lower Bank Rate than our central case.
- Lower inflation expectations and a tighter fiscal stance have helped bring down gilt yields, especially at the long end. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

**Forecast:**

- Following the 2025 Budget, we continue to forecast a 0.25% Bank Rate cut in December to 3.75%.

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- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will be eased to stimulate activity ahead of incoming fiscal tightening post-2028.
- Arlingclose now expects Bank Rate to be cut to 3.25% by Q2 2026, with risks weighted to the downside.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility and global uncertainty. These issues may not be resolved quickly, and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.
- However, the lower path for Bank Rate maintains the downside risks to Arlingclose's gilt yield forecasts.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>4.00</b>	<b>3.75</b>	<b>3.50</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>	<b>3.25</b>
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>3.90</b>	<b>3.65</b>	<b>3.50</b>	<b>3.40</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>3.92</b>	<b>3.90</b>	<b>3.85</b>	<b>3.80</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.80</b>	<b>3.80</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.48</b>	<b>4.40</b>	<b>4.35</b>	<b>4.30</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>	<b>4.30</b>	<b>4.30</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>5.13</b>	<b>4.90</b>	<b>4.85</b>	<b>4.80</b>	<b>4.75</b>	<b>4.75</b>	<b>4.75</b>	<b>4.75</b>	<b>4.75</b>	<b>4.75</b>	<b>4.75</b>	<b>4.80</b>	<b>4.80</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.73</b>	<b>4.50</b>	<b>4.50</b>	<b>4.45</b>	<b>4.45</b>	<b>4.45</b>	<b>4.45</b>	<b>4.45</b>	<b>4.45</b>	<b>4.45</b>	<b>4.45</b>	<b>4.50</b>	<b>4.50</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

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

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**Appendix B – Existing Investment & Debt Portfolio Position**

	<b>20/01/2026</b>  <b>Actual Portfolio</b>  <b>£m</b>	<b>20/01/2026</b>  <b>Average Rate</b>  <b>%</b>
<b>External borrowing:</b>	0	0
<b>Total external borrowing</b>	<b>0</b>	<b>0</b>
<b>Treasury investments:</b>		
Banks, MMF & building societies (unsecured)	5.5	4.1
Government (incl. local authorities)	0.0	0
<b>Total treasury investments</b>	<b>5.5</b>	<b>4.1</b>
<b>Net Investments</b>	<b>5.5</b>	

**APPENDIX C – BDC Annual Minimum Revenue Provision  
Statement 2026/27**

- 3.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.
- 3.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 3.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
- 3.4 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.
- For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 4%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
  - For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
  - Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.



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- For capital expenditure on loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.
- There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.
- Where the council makes a capital contribution or loan to another entity or where responsibility for a council asset with borrowing attached is transferred to a third party, then no MRP will be set aside if:
  - the payments are appropriately covered by assets
  - there are detailed plans demonstrating that all the expenditure will be recovered in an appropriately short time frame
- To ensure that this remains a prudent approach the Council will review the expenditure and income regularly to determine if the income or asset values have decreased to the point that MRP needs to be provided for. Should evidence emerge which suggests the expenditure will no longer be recovered, MRP will be provided for.
- Where the council uses internal borrowing and receipts of rental income are greater than the MRP calculated then as there are sufficient revenues to repay the capital cost, no MRP will be set aside.

#### **3.5 Capital loans**

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.

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- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after 7<sup>th</sup> May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7<sup>th</sup> May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

3.6 Capital expenditure incurred during 2026/27 will not be subject to a MRP charge until 2027/28 or later.

3.7 Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2026, the budget for MRP has been set as follows:

	<b>31.03.2026 Estimated CFR</b>	<b>2026/27 Estimated MRP</b>
	<b>£m</b>	<b>£m</b>
Capital expenditure before 01.04.2008		
Supported capital expenditure after 31.03.2008		
Unsupported capital expenditure after 31.03.2008	37.3	1.18
Leases and Private Finance Initiative		
Transferred debt		
Loans to other bodies repaid in instalments		
Voluntary overpayment (or use of prior year overpayments)		
<b>Total General Fund</b>	<b>37.3</b>	<b>1.18</b>

### 3.8 **Capital receipts**

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

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- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

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

**APPENDIX D - BDC Investment Strategy Report 2026/27**

**Introduction**

- 4.1 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
  - to support local public services by lending to or buying shares in other organisations (**service investments**), and
  - to earn investment income (known as **commercial investments** where this is the main purpose).
- 4.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.
- 4.3 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

**Treasury Management Investments**

- 4.4 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £1m and £15m during the 2026/27 financial year.
- 4.5 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

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- 4.6 **Further details:** Full details of the Authority's policies and its plan for 2026/27 for treasury management investments are covered in a separate document, the treasury management strategy, which is part of these appendices.

#### **Service Investments: Loans**

- 4.7 **Contribution:** The Council will lend money to its subsidiaries, local businesses, local charities and housing associations to support local public services and stimulate local economic growth.
- 4.8 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

*Table 1: Loans for service purposes in £ millions*

Category of borrower	31.3.2025 actual			2026/27
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit £m
Subsidiaries	0	0	0	1.0
Local businesses	0	0	0	0.5
Local charities	0	0	0	0.5
Housing associations	0	0	0	1.0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.0</b>

- 4.9 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 4.10 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for. External advice is only sought from credible sources e.g. acknowledged

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experts in their fields and officers ensure that they fully understand any information given to them before decision or advice is taken.

#### **Commercial Investments: Property**

- 4.11 **Contribution:** The Authority invests via Regeneration schemes such as Levelling Up Fundings via the Government in property with the intention of making a profit that will be spent on local public services. Levelling Up funding in being invested in regenerating the Market Hall site and clearing the existing Fire Station site for future regeneration.

*Table 2: Property held for investment purposes in £ millions*

Property [type]	Actual	31.3.2025 actual		31.3.2026 expected	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
N/A	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 4.12 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- 4.13 *Where value in accounts is at or above purchase cost:* A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2025/26-year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 4.14 *Where value in accounts is below purchase cost:* The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested.
- 4.15 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by involving specialist advisors with expertise in the type of property being purchased, looking at historic data and speaking to other councils undertaking similar activities.

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- 4.16 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council ensures that properties purchased are in an active market where there is demonstrable demand to ensure that the authority does not purchase assets which it will not be able to sell on at a later date.

#### **Loan Commitments and Financial Guarantees**

- 4.17 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

#### **Proportionality**

- 4.18 The Council does not plan to become dependent on profit generating investment activity to achieve a balanced revenue budget.

#### **Borrowing in Advance of Need**

- 4.19 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council would only not follow this guidance if interest rate forecasts and treasury advisor guidance set out that it was more cost effective, **in terms of significantly reduced debt interest charges**, for the Council to borrow for the **approved 3-year capital programme** at a point of time rather than when that expenditure is taking place over that 3-year period. It is unlikely that this will happen however the option should not be closed off. Funds would be invested. The Councils policies in investing the money borrowed, including management of the risks, would be as per normal short term Treasury Investments.

#### **Capacity, Skills and Culture**

- 4.20 **Elected members and statutory officers:** Member training will take place annually as part of the induction process. External advisors will provide reports to support investment decisions with officers ensuring

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that they fully understand them and can relate them to the strategic objectives and risk profile of the Council.

- 4.21 **Commercial deals:** Significant work has been undertaken using external advisors and relevant training courses have been attended to ensure that officers are fully aware of the code and statutory requirements of a local authority which is investing.

KPMG have developed a modelling tool for the Council to use when assessing potential purchases as a precursor to engaging with external consultants to ensure that potential purchases are likely to make sense from the perspective of the authority before incurring advisor costs. However, following an internal review of the policy, it has been decided that the Council may wish to make purchases which do not make a financial return or may indeed make a loss in the short term. On these occasions a business case will be developed which specifies the non-financial benefits of the investment. These are likely to be regenerative schemes for the greater good of the area with an intended long-term impact. The regenerative and redevelopment benefits which will flow from the investment will be taken into account in the development of the business case, so if the net investment yield falls below 0.75% it can still proceed if these benefits are deemed to outweigh the lower than target yield.

- 4.22 **Corporate governance:** when investment decisions are to be made, they are to be led by the Council's Director of Finance in consultation with the Corporate Management Team. They will assess the potential investment opportunity using the KPMG finance appraisal model and should they decide it presents a strong opportunity for the Council and complies with the relevant criteria a conditional offer can be made. A business case will then be developed and presented ensuring that once greater detail is included, it makes a satisfactory income yield and/or economic redevelopment and regeneration impact. When the business case is completed, if it is still compliant with the Council criteria, it will be presented to Cabinet for approval before purchase is completed. Once a purchase has been made the Director of Finance will provide quarterly reports in line with financial and monitoring reports on the status of the investment.

### **Investment Indicators**

- 4.23 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.



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- 4.24 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

*Table 3: Total investment exposure in £millions*

<b>Total investment exposure</b>	<b>31.03.2025 Actual</b>	<b>31.03.2026 Forecast</b>	<b>31.03.2027 Forecast</b>
Treasury management investments	4.2	5.2	5.9
Service investments: Loans	0	0	0
Commercial investments: Property	0	0	0
<b>TOTAL INVESTMENTS</b>	<b>4.2</b>	<b>5.2</b>	<b>5.9</b>
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
<b>TOTAL EXPOSURE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 4.25 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

*Table 4: Investments funded by borrowing in £millions*

<b>Investments funded by borrowing</b>	<b>31.03.2025 Actual</b>	<b>31.03.2026 Forecast</b>	<b>31.03.2027 Forecast</b>
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
<b>TOTAL FUNDED BY BORROWING</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 4.26 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

*Table 5: Investment rate of return (net of all costs)*

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<b>Investments net rate of return</b>	<b>2024/25 Actual</b>	<b>2025/26 Forecast</b>	<b>2026/27 Forecast</b>
Treasury management investments	1.1	1.2	1.4
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
<b>ALL INVESTMENTS</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>