Report Title:	**Draft Treasury Management Strategy & Prudential Indicator Report 2023/24**
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance, & Ascot
Meeting and Date:	Audit and Governance Committee – 20th October 2022
Responsible Officer(s):	Adele Taylor, Executive Director of Resources (s151 Officer)
Wards affected:	All

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

1. In accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 and the CIPFA Prudential Code, the Council is required to approve a Treasury Management Strategy before the start of each financial year. This report fulfils that obligation.

2. The Draft Treasury Management Strategy 2023/24 as set out in section 4 of this report has been written to comply with the CIPFA Code of Practice. It sets out the parameters for the Council's planned treasury activity.

3. The Council's self-imposed limits on sustainable, affordable and prudent borrowing and investment, the Prudential Indicators that need to be approved by Full Council, are set out in Appendix C.

4. Due to the fast changing economic situation, the Treasury Management Strategy for 2023/24 will continue to be reviewed and amended as necessary prior to approval by Full Council in February 2023.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Audit and Governance Committee notes and comments on:

i) The Council's Treasury Management Strategy for 2023/24 as set out in section 4 of this report.

ii) The Council's Prudential Indicators set out in Appendix C.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of the financial year.

3. KEY IMPLICATIONS

3.1. There are currently significant economic changes, both nationally and worldwide, which have led to uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases have significantly increased the cost of borrowing available to the Authority.

3.2. In order to minimise this risk the Authority needs to review its capital programme and reduce the scale of this to control the impact of increased borrowing costs.

Table 1: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
No. of days that counterpart limits are exceeded	>0	<=0	N/A	N/A	March 2024
No of days that the operational boundary for long-term debt is exceeded	>0	<=0	N/A	N/A	March 2024

4. FINANCIAL DETAILS / VALUE FOR MONEY

Draft Treasury Management Strategy 2023/24

Introduction

4.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

4.2 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 complies with best practice and also fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The specific Treasury Management Policies are set out in **Appendix B**.

4.3 Acting as the Authority's self-imposed limits on sustainable, affordable and prudent borrowing and investment, the Prudential Indicators that need to be approved by Full Council are set out in **Appendix C.**

4.4 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Accordingly, members have been invited to attend a training session presented by Arlingclose explaining the roles and responsibilities of elected members and giving them an economic update.

4.5 The training needs of treasury management officers are reviewed periodically and senior officers attend seminars at least once a year. Since Covid-19 there have been more bite size webinars from various organisations, which are attended by Treasury officers regularly.

4.6 The Authority uses Arlingclose as its external treasury management advisors. The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

4.7 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Local Context

4.8 There are currently significant economic changes, both nationally and worldwide, which have led to uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases have significantly increased the cost of borrowing available to the Authority.

4.9 On 31st March 2023 the Authority is projected to hold £206m of borrowing and £16m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in **Table 2** below.

4.10 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The Authority has an increasing CFR due to the capital programme but has minimal investments. Gross borrowing is expected to increase to a peak of £258m at the end of 2024/25, before reducing to £217m at the end of 2025/26. The Authority's forecast of its capital cashflow that will determine its CFR is shown in **Appendix D**.

Table 2: Treasury balances summary and forecast

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Capital Financing Requirement	**225.3**	**247.5**	**278.4**	**292.2**	**247.4**
Long term borrowing	71.3	90.3	88.3	71.3	69.3
Short term borrowing	134.6	116.0	152.2	186.6	147.8
Gross borrowing	**205.9**	**206.3**	**240.5**	**257.9**	**217.1**
Working capital	(32.5)	(9.2)	(10.0)	(10.0)	(10.0)
Loans to partners*	(9.2)	(7.1)	(7.3)	(7.3)	(7.3)
Net borrowing	**164.2**	**190.0**	**223.2**	**240.6**	**199.8**

*loans to Achieving for Children and RBWM Property Company

4.11 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 2** above shows that the Authority expects to comply with this recommendation during 2023/24.

Liability Benchmark

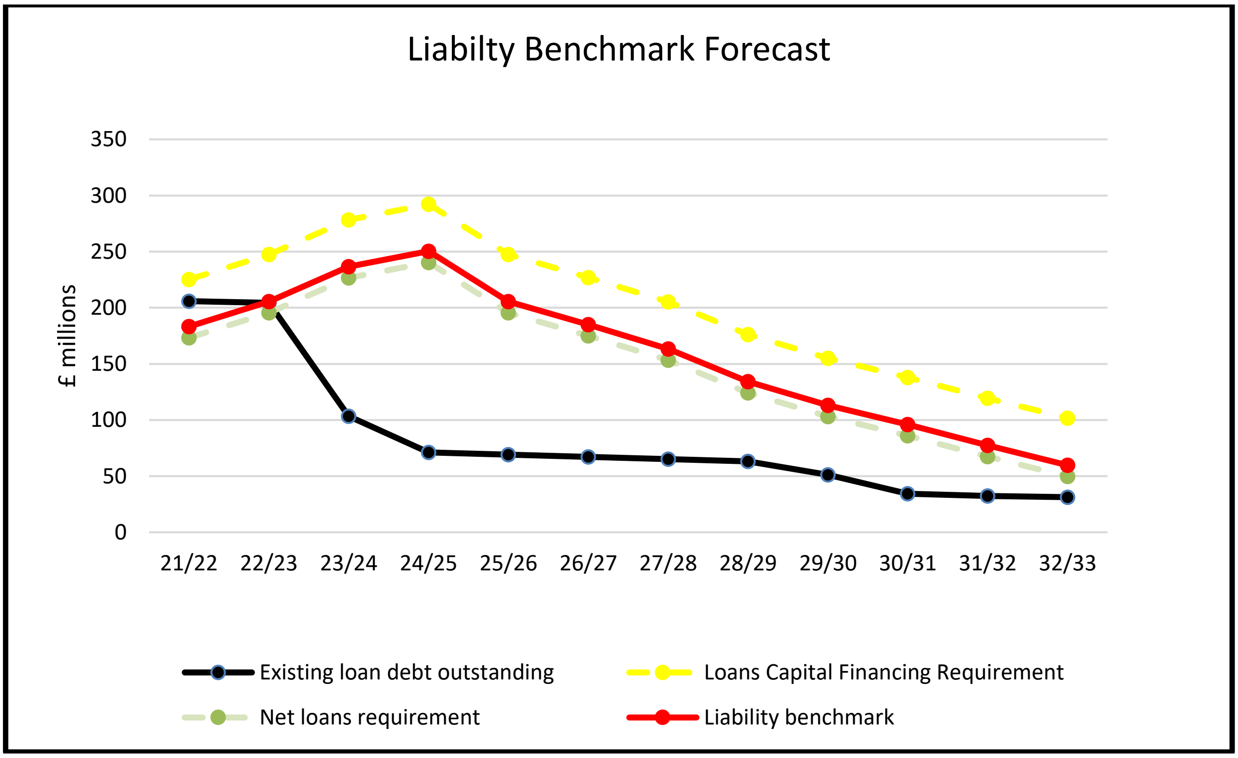
4.12 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external 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 3: Prudential Indicator: Medium-term liability benchmark

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Existing loan debt outstanding	**205.9**	**204.3**	**103.3**	**71.3**	**69.3**
Loans Capital Financing Requirement	225.3	247.5	278.4	292.2	247.4
Net loans requirement	173.4	195.6	226.6	240.4	195.6
Liability benchmark	**183.4**	**205.6**	**236.6**	**250.4**	**205.6**

4.13 **Table 3** above shows the forecast medium-term liability benchmark for the Authority and **Chart 1** below shows its forecast long-term liability benchmark. The difference between the liability benchmark (the red line in Chart 1) and the existing loan debt outstanding (the black line in Chart 1) represents additional borrowing that the Authority will be required to arrange to meet its borrowing requirement.

Chart 1: Long-term liability benchmark



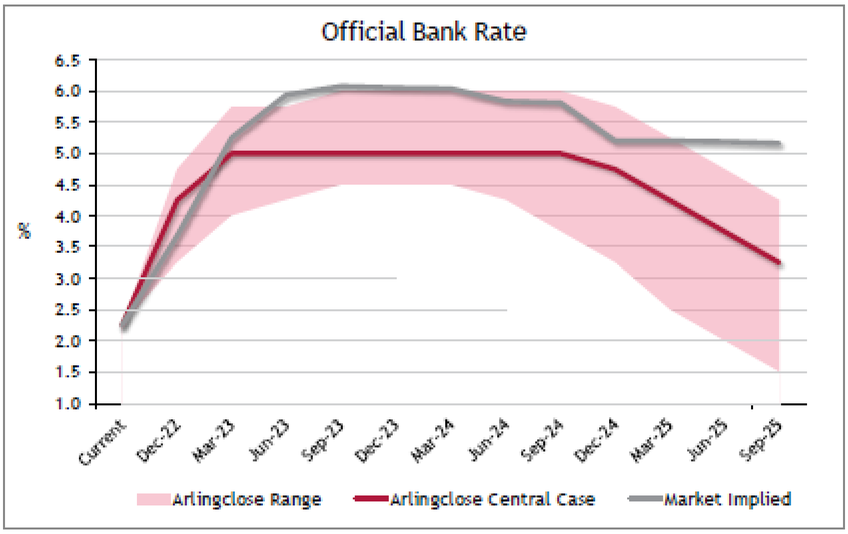
BORROWING STRATEGY

4.14 At 31 March 2023, the Authority is forecast to hold £206 million of loans, a slight increase compared to the previous year. Borrowing is projected to increase over the next two years peaking at £258m at the end of 2024/25, after which it is projected that capital receipts will be used to reduce the Authority's borrowing requirement.

4.15 Due to rapid changes in the economic and political situation in the UK there is currently a high level of uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases in these has significantly increased the cost of new borrowing available to the Authority.

4.16 The base rate was at 0.75% at the beginning of 2022/23 and is now projected to rise to 5% by the beginning of 2023/24. Please see the interest rate forecast from Arlingclose in **Chart 2** below:

Chart 2: Arlingclose interest rate forecast as at 26/09/2022



4.17 **Table 4** below shows the Authority's current projection for interest rates for the medium-term together with its forecast borrowing costs based on the latest capital cashflow forecast.

Table 4: Projected interest rates and borrowing costs

	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Average interest rate %	0.19	2.56	5.00	4.62	3.00
Borrowing costs (£m)	2.874	3.988	8.621	10.931	8.050

4.18 In light of these increases the Authority will review and where appropriate reduce its capital programme taking into account the underlying business cases as well as overall affordability. With interest rates at 5% a £10m reduction in capital expenditure would result in a reduction in annual borrowing costs of £500,000. There would also be MRP savings.

Objectives

4.19 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.

Strategy

4.20 The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

4.21 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose 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 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.22 The Authority will consider obtaining further long-term loans from the PWLB and other sources including banks, pensions and local authorities. It will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. 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.

4.23 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

Sources of funding:

4.24 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK

- any other UK public sector body
- UK public and private sector pension funds
- capital market bond investors
- the UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.25 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

4.26 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.27 The Authority holds £13m LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The lenders of the LOBO loans are Barclays (£5m) and Dexia (£8m). Barclays have withdrawn their option to change the rate so this is now effectively a fixed rate loan. Dexia have retained their option which can be taken every 5 years on the 25th January, with the next option date being 25 January 2028. With interest rates having risen recently, there is now a reasonable chance that Dexia could exercise their option. If they do, the Authority will consider the option to repay the loan to reduce refinancing risk in future years. Total borrowing via LOBO loans will be limited to £13m.

4.28 Short-term and variable 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.

Debt rescheduling

4.29 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

4.30 The Authority holds 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 £7.4 and £78.0 million.

Objectives

4.31 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 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.

Strategy

4.32 As demonstrated by the liability benchmark above, the Authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. In conjunction with its treasury advisors the Authority will continue to regularly review its approved counterparties and limits to ensure they allow the appropriate balance between risk and return.

ESG policy

4.33 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.

Business models

4.34 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.

Approved counterparties

4.35 The Authority may invest its surplus funds with any of the counterparty types in **Table 4** below, subject to the limits shown.

Table 4: Treasury investment counterparties and limits

Sector	**Time limit**	**Counterparty limit**	**Sector limit**
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£5m	Unlimited
Secured investments *	3 years	£5m	Unlimited
Lloyds Bank – (the Authority's bankers)	13 months	£7.5m	£7.5m
Other Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	Unlimited
Money market funds *	n/a	£5m	Unlimited
Achieving for Children	n/a	£11.7m	£11.7m
Aegon (previously Kames Capital)	n/a	£1m	£1m
Legal and General Trust	n/a	£1.5m	£1.5m
Flexible Home Improvement Loans Ltd	n/a	£0.5m	£0.5m
RBWM Property Company	n/a	£1.5m	£1.5m
Leisure Focus Trust	n/a	£0.35m	£0.35m

4.36 This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

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 3 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

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.

Operational bank accounts: The Authority may incur operational exposures, for example though 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 £7.5m 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. The Authority's current bank account provider is Lloyds Bank.

Risk assessment and credit ratings:

4.37 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. 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.

4.38 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.

Other information on the security of investments:

4.39 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.

4.40 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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.

Liquidity management:

4.41 The Authority produces a detailed cash flow forecast 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. The Authority will spread its liquid cash over at least three 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 INDICATORS

Interest rate exposures

4.42 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:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£2m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£2m

Maturity structure of borrowing:

4.43 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:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	80%	0%
12 months and within 24 months	80%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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.

Long-term treasury management investments:

4.44 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 limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2022/23	2023/24	2024/25

Limit on principal invested beyond year end	£25m	£25m	£25m

Related Matters

4.45 The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial derivatives

4.46 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).

4.47 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.

4.48 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. 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.

External Funds

4.49 The Authority holds funds on behalf of the Local Enterprise Partnership and a number of small trusts. It pays these organisations interest at the Bank of England base rate on the balance of their funds that it holds.

Markets in Financial Instruments Directive:

4.50 The Authority has opted up to professional client status with some of its providers of financial services, including its Money Market Funds and brokers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities with these organisations the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

4.51 The forecast for investment income in 2023/24 is £918,000, based on an average investment portfolio of £17.3 million at an interest rate of 5.3%. The forecast for debt interest paid in 2023/24 is £8.6 million, based on an average debt portfolio of £223 million at an average interest rate of 3.92%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

CAPITAL FINANCING STRATEGY

4.52 The current ("Prudential") System of capital controls allows the Authority to determine its own level of capital investment. However, the Authority must demonstrate that its capital programme is affordable, prudent and sustainable. In the short-term the proposed capital programme will be financed from external borrowing. Any delays in receiving cash from anticipated receipts will be covered through the temporary use of unsupported short-term borrowing.

4.53 Although the capital programme is planned with reference to the total level of resources available to finance capital expenditure, the method of financing individual capital schemes will be determined by the s151 Officer at the end of the financial year. The order of use of sources of finance for the capital programme is:

1. Capital Grants
2. Capital Contributions from outside bodies e.g. Section 106 / CIL
3. Capital Receipts
4. Direct Revenue Contributions – mainly for short life assets
5. Draw down from accumulated investments (set aside to repay debt)
6. Prudential Borrowing (unsupported) to finance 'invest to save' schemes and pending the arrival of future known capital receipts
7. Leasing will also be considered if more cost effective.

4.54 Capital Grants and external contributions are likely to have been received for specific schemes and therefore cannot be used for any other purpose. For other schemes, capital receipts are to be used in preference to revenue contributions or borrowing.

4.55 Capital Receipts will be fully applied in the year in which they are received if possible, to reduce the level of Minimum Revenue Provision (MRP) i.e. the monies that the Authority sets aside for debt repayment.

4.56 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's main objective when borrowing is to strike a balance between securing low interest rates and achieving cost certainty over the period for which funds are required. This position provides short-term savings with the flexibility to secure longer dated loans as and when financial forecasts indicate that external borrowing rates may increase.

MINIMUM REVENUE PROVISION (MRP) POLICY

4.57 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (‘the 2003 Regulations’) requires local authorities to ‘charge to a revenue account a minimum revenue provision (MRP) for that year’. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.

4.58 Setting aside MRP is sometimes referred to as setting aside monies for borrowing, implying that this is setting aside money for repaying external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Authority’s own cash resources and no external borrowing or new credit arrangement has been entered into.

4.59 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument 3146/2003) requires full Authority to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Authority considers to be prudent. This statement is designed to meet that requirement. It also ensures that the Authority continues to comply with the Guidance.

4.60 In setting a prudent level of MRP local authorities are required to “have regard” to guidance issued from time to time by the Secretary of State for Housing, Communities and Local Government. The latest version of this guidance (version four) was issued by Ministry of Housing, Communities and Local Government (MHCLG) in February 2018.

4.61 In setting a level which the Authority considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Authority.

4.62 The Guidance sets out four “possible” options for calculating MRP, as set out below:

Option	Calculation method	Applies to
1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008

4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008

4.63 Two main variants of Option 3 are set out in the Guidance: (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge towards the later part of the asset's expected useful life and is increasingly becoming the most common MRP method for local authorities.

4.64 The Guidance also includes specific recommendations for setting MRP in respect of finance lease, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded from capital under statute or REFCUS). Examples of REFCUS include: capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies.

4.65 Other approaches are not ruled out however they must meet the statutory duty to make prudent provision each financial year.

4.66 Having regard to current Guidance on MRP issued by MHCLG and the "options" outlined in that Guidance and to even out the financing costs of assets over their anticipated life, on 3rd December 2019 Full Council approved the following MRP Statement to take effect from 1 April 2019:

- for all capital expenditure, MRP will be based on expected useful asset lives (Option 3 – asset life), calculated using the annuity method;
- asset lives will be arrived at after discussion with valuers, but on a basis consistent with depreciation policies set out in the Authority's annual Statement of Accounts, and will be kept under regular review.

4.67 The annuity method is a similar approach to a repayment mortgage where the principal repayments increase through the life of the asset in comparison to a straight-line method which repays the same amount of principal each year. This will result in the Authority paying less for its capital financing costs over the medium-term than it otherwise would have under the old methodology, although principal repayments will increase as interest rate payments reduce over the life of the asset. An approach now being taken by most large authorities as more accurately reflecting the value of the asset.

4.68 MRP for finance leases and service concession contracts shall be charged over the primary period of the lease, in line with the Guidance,

4.69 For expenditure capitalised by virtue of a capitalisation direction under section 16(2)(b) of the Local Government Act 2003 or Regulation 25(1) of the 2003 regulations, the 'asset' life should equate to the value specified in the statutory Guidance.

In applying ‘Option 3’:

- MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational;
- the estimated useful lives of assets used to calculate MRP should not exceed a maximum of 50 years except as otherwise permitted by the guidance (and supported by valuer’s advice);
- if no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life should be taken to be a maximum of 50 years;

5. LEGAL IMPLICATIONS

5.1 This report assists the Authority in fulfilling its statutory obligation to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy for the coming year setting out the Authority’s policies for managing its borrowing and investments and giving priority to the security and liquidity of those investments.

6. RISK MANAGEMENT

Risks	Uncontrolled Risk	Controls	Controlled Risk
That a counterparty defaults on repayment of a loan resulting in a loss of capital for the Council	MEDIUM	Loans are only made to counterparties on the approved lending list. The credit ratings of counterparties on the lending list are monitored regularly Counterparty limits reviewed and reduced to limit individual exposure.	LOW
That funds are invested in fixed-term deposits and are not available to meet the council’s commitment to pay suppliers and payroll.	MEDIUM	A cashflow forecast is maintained and referred to when investment decisions are made to ensure that funds are available to meet	LOW

Risks	Uncontrolled Risk	Controls	Controlled Risk
		the council's commitment to pay suppliers and payroll.	

7. POTENTIAL IMPACTS

7.1 Equalities. An Equality Impact Assessment is available as Appendix A

7.2 Climate change/sustainability. None identified

7.3 Data Protection/GDPR. None identified.

8. CONSULTATION

8.1 Not applicable

9 TIMETABLE FOR IMPLEMENTATION

9.1 The strategy will be used from 1 April 2023 in line with the commencement of the 2023/24 budget.

10 ANNEXES

10.1 This report is supported by four appendices:

- Appendix A Equality Impact Assessment
- Appendix B Treasury Management Policies
- Appendix C Prudential Indicators
- Appendix D Capital Cashflow

11 BACKGROUND DOCUMENTS

11.1 None

12 CONSULTATION (MANDATORY)

13 Name of consultee	Post held	Date sent	Date returned
Mandatory:	*Statutory Officers (or deputies)*		
Adele Taylor	Executive Director of Resources/S151 Officer	7/10/22	11/10/22
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	7/10/22	10/10/22
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Report Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	7/10/22	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	7/10/22	7/10/22
Other consultees:			
Directors (where relevant)			
Tony Reeves	Interim Chief Executive	7/10/22	
Andrew Durrant	Executive Director of Place	7/10/22	
Kevin McDaniel	Executive Director of People	7/10/22	

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Asset Management & Commercialisation, Finance and Ascot	Yes

REPORT HISTORY

Decision type: Council decision	**Urgency item?** No	**To Follow item?** Not applicable
Report Author: Andrew Vallance, Head of Finance.		

APPENDIX A - EQUALITY IMPACT ASSESSMENT

Essential information

Items to be assessed: (please mark 'x')

Strategy	x	**Policy**		**Plan**		**Project**		**Service/Procedure**	

Responsible officer	Andrew Vallance	**Service area**	Finance	**Directorate**	Resources

Stage 1: EqIA Screening (mandatory)	Date created: 07/10/2022	**Stage 2 : Full assessment (if applicable)**	N/A

Approved by Head of Service / Overseeing group/body / Project Sponsor:
"I am satisfied that an equality impact has been undertaken adequately."

Signed by (print): Andrew Vallance

Dated: 07/10/2022

Stage 1: Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?
To provide effective management of the Authority's cash flows, borrowing and investments, and the associated risks.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age	Not Relevant			
Disability	Not Relevant			
Gender re-assignment	Not Relevant			
Marriage/civil partnership	Not Relevant			
Pregnancy and maternity	Not Relevant			
Race	Not Relevant			
Religion and belief	Not Relevant			
Sex	Not Relevant			
Sexual orientation	Not Relevant			

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	Recommendations made as per the audit report will be actioned in future years accounts	Andrew Vallance/Ryan Stone	Its on-going
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	Recommendations made as per the audit report will be actioned in future years accounts	Andrew Vallance/Ryan Stone	Its on-going

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

APPENDIX B - TREASURY MANAGEMENT POLICIES

1. INTRODUCTION

1.1. In the preparation of this Treasury Management Strategy a number of key areas are considered to be fundamental to our treasury management activity. They are listed below and covered in more detail in the body of this strategy.

- Risk Management
- Performance Measurement
- Decision-making and analysis
- Approved instruments, methods and techniques
- Organisation, clarity and segregation of responsibilities, and dealing arrangements
- Reporting requirements and management information arrangements
- Budgeting, accounting and audit arrangements
- Cash and cash flow management
- Money laundering
- Training and qualifications
- Use of external service providers
- Corporate governance

2.1. General Statement

2.1.1. The S151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report annually to Cabinet on their adequacy and suitability. Any actual or likely difficulty in achieving the organisation's objectives will be reported to Cabinet in accordance with the procedures set out in Section 7: *Reporting Requirements and Management Information Arrangements*.

2.2. Credit and Counter Party Risk Management

2.2.1. The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counter party limits reflect a prudent attitude towards organisations with whom it trades. It also recognises the need to have and maintain a formal counter party policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

2.3. Liquidity Risk Management

2.3.1. The Council will ensure it has adequate cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have the necessary level of funds available for the achievement of its business / service objectives.

2.3.2. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current Capital Programme or to finance future debt maturities.

2.4. Interest Rate Risk Management

2.4.1. The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, in line with the amounts provided in its budget.

2.4.2. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues. At the same time retaining a degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

2.4.3. Any decision will be subject to the consideration of this strategy and, if required, approval of Cabinet or Council.

2.5. Exchange Rate Risk Management

2.5.1. The Council will manage any exposure to fluctuations in exchange rates, in order to minimise any detrimental impact on its budgeted income/ expenditure levels.

2.6. Refinancing Risk Management

2.6.1. The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented. The maturity profile of the monies raised will be managed with a view to obtaining terms for refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

2.6.2. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

2.7. Legal and Regulatory Risk Management

2.7.1. The Council will ensure that all of its treasury management activities comply with its statutory powers. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

2.7.2. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

2.8. Fraud, Error and Corruption, and Contingency Management

2.8.1. The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

2.9. Market Risk Management

2.9.1. The Council will seek to ensure that its stated Treasury Management Policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

3.1. The Council is committed to the pursuit of value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Council's Treasury Management Strategy.

3.2. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

4.1. The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

5.1. The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy.

6.1. The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

6.2. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

6.3. If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the S151 Officer will ensure that the reasons are properly reported in accordance with Section 7 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.

6.4. The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The S151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

6.5. The S151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

6.6. The S151 Officer will fulfil all such responsibilities in accordance with the policy statement.

7.1. The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management Policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

7.2. As a minimum Cabinet will receive:

- An annual report on the strategy and plan to be pursued in the coming year;
- Mid-year and annual reports on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed, and on any circumstances of non-compliance with the organisation’s Treasury Management Policy Statement.

8.1. The S151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *Sections 2 Risk management, 3 Performance measurement, and 5 Approved Instruments, Methods and Techniques.* The S151 Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with *Section 7 Reporting requirements and management information arrangements*.

8.2. The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

9.1. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the S151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance with Section 2 Liquidity Risk Management.

10.1. The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.

11.1. The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The S151 Officer will recommend and implement the necessary arrangements.

11.2. The S151 Officer will ensure that members of the Audit and Performance Review and Corporate Overview and Scrutiny Panels have access to training relevant to their needs and responsibilities

11.3. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

12.1. The Council recognises that the responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure that it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

13.1. The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

13.2. The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the Treasury Management Strategy, are considered vital to the achievement of proper corporate governance in treasury management, and the S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

PRUDENTIAL INDICATORS 2021/22 TO 2025/26

The actual figures for 2021/22 and the estimates for four further years are shown below. These prudential indicators are prepared in accordance with the CIPFA Prudential Code for Capital Financing in Local Authorities

The figures set out below include this council's share of the old Berkshire County Council debt that is now managed by the Royal Borough.

	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure (£m)	£26.4m	£74.0m	£42.4m	£30.6m	£30.5m
Ratio of financing costs to net revenue stream					
- Non-loan financed	12.0%	31.1%	18.5%	14.2%	14.0%
- Loan financed	5.4%	5.9%	10.3%	12.9%	10.5%
Capital Financing Requirement (£m)	225.3	265.9	286.1	298.3	310.1

In respect of its external debt, the Council approves the following authorised limits for its external debt gross of investments for the next three financial years.

	2021/22	2022/23	2023/24	2024/25	2025/26
Authorised limit for external debt (£m)	£291m	£303m	£345m	£366m	£380m

The Council also approves the following boundary for external debt for the same period.

	2021/22	2022/23	2023/24	2024/25	2025/26
Operational boundary for external debt (£m)	£267m	£277m	£318m	£339m	£351m

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects the Head of Finance's estimate of the most likely, prudent but not worse case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. It include both long and short term (i.e. less than 365 day) borrowing.

Major Capital Cashflows - Proposed & Agreed

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	
	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000	2034/35 £'000	Total £'000
Projected short term interest rate	2.56%	5.00%	4.62%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Capital Receipts														
Developer & reserves income	4,586	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	-	45,286
Residential receipts	5,068	7,424	5,950	50,944	23,932	24,666	32,161	24,168	20,312	21,455	20,693	19,562	24,381	280,716
Commercial receipts	13,950	-	-	-	-	-	-	-	-	-	-	-	-	13,950
Total Capital Receipts	**23,604**	**11,124**	**9,650**	**54,644**	**27,632**	**28,366**	**35,861**	**27,868**	**24,012**	**25,155**	**24,393**	**23,262**	**24,381**	**339,952**
Capital Expenditure														
Annual Capital Programme Schemes	13,002	13,675	5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	131,677
Residential Schemes	30,115	1,742	2,177	10,450	500	250	500	500	500	-	-	-	-	46,734
Commercial Schemes	7,180	13,756	10,231	-	-	-	-	-	-	-	-	-	-	31,167
Capitalised debt charges	570	476	-	-	-	-	-	-	-	-	-	-	-	1,046
Capital Programme slippage in	9,852	12,144	8,359	5,153	5,121	3,124	2,675	2,635	2,627	2,625	2,525	2,505	2,501	61,846
Forecast Capital Programme slippage out	(12,144)	(8,359)	(5,153)	(5,121)	(3,124)	(2,675)	(2,635)	(2,627)	(2,625)	(2,525)	(2,505)	(2,501)	(2,500) -	54,494
Total Capital Expenditure	**48,575**	**33,434**	**20,613**	**20,483**	**12,497**	**10,699**	**10,540**	**10,508**	**10,502**	**10,100**	**10,020**	**10,004**	**10,001**	**217,975**
Borrowing														
L.T. debt at the start of the year	71,265	90,265	88,265	71,265	69,265	67,265	65,265	63,265	51,265	34,265	32,265	31,265	26,265	
Increases/reductions in debt	19,000	(2,000)	(17,000)	(2,000)	(2,000)	(2,000)	(2,000)	(12,000)	(17,000)	(2,000)	(1,000)	(5,000)	0	
Total debt at year end	90,265	88,265	71,265	69,265	67,265	65,265	63,265	51,265	34,265	32,265	31,265	26,265	26,265	
Average level of L.T. debt	85,040	89,363	79,834	70,371	68,369	66,363	64,366	54,981	43,602	33,368	31,563	28,689	26,265	
Net ST debt at start of year	134,598	116,000	152,152	186,643	147,827	133,361	117,428	94,054	88,683	92,170	79,115	65,742	57,484	
Increases/Reductions in Debt	(18,598)	36,152	34,491	(38,816)	(14,466)	(15,933)	(23,374)	(5,371)	3,487	(13,055)	(13,373)	(8,258)	(14,380)	
Total S.T debt at year end	116,000	152,152	186,643	147,827	133,361	117,428	94,054	88,683	92,170	79,115	65,742	57,484	43,104	
Average Level of S.T. debt	111,441	133,977	169,327	167,128	140,490	125,296	105,639	93,652	89,589	85,539	72,630	61,688	50,294	
Total Debt	206,265	240,416	257,907	217,091	200,625	182,692	157,318	139,947	126,435	111,380	97,006	83,748	69,368	
Capitalised debt interest on specific projects	(570)	(476)	0	0	0	0	0	0	0	0	0	0	0	
Interest on L.Term Debt	3,110	3,231	3,129	3,036	2,984	2,940	2,880	2,450	1,951	1,531	1,480	1,348	1,232	
Revenue cost of S.T. debt interest	878	5,389	7,802	5,014	4,215	3,759	3,169	2,810	2,688	2,566	2,179	1,851	1,509	
Broker Fees	105	144	175	168	141	126	106	94	90	86	73	62	50	
Interest charge per MTFP	3,524	8,288	11,105	8,218	7,340	6,825	6,156	5,354	4,729	4,183	3,731	3,261	2,791	
MRP	3,020	3,163	3,469	3,735	3,754	3,643	3,560	3,469	3,363	3,183	3,085	3,088	3,101	
Total cost of Capital Finance	**6,543**	**11,451**	**14,574**	**11,953**	**11,094**	**10,468**	**9,716**	**8,823**	**8,092**	**7,366**	**6,817**	**6,349**	**5,892**	