Public Document Pack

Borough of Telford and Wrekin

Audit Committee

Wednesday 29 January 2025

6.00 pm

Council Chamber, Third Floor, Southwater One, Telford, TF3 4JG

Democratic Services:	**Jayne Clarke**	**01952 383205**
Media Enquiries:	**Corporate Communications**	**01952 382406**

Committee Members: **Councillors H Morgan (Chair), S J Reynolds (Vice-Chair), P Davis, N A M England, L Parker, T J Nelson and W L Tomlinson**

	Agenda	Page
1.0	**Apologies for Absence**	
2.0	**Declarations of Interest**	
3.0	**Minutes of the Previous Meeting** To confirm the minutes of the previous meeting held on 20 November 2024.	**3 - 8**
4.0	**Telford and Wrekin Council Becoming Carbon Neutral Update** To receive an update on the Council's progress to becoming Carbon Neutral.	**9 - 52**
5.0	**Treasury Management Update Report 2024/25 and Treasury Management Strategy 2025/26** To receive the Treasury Management 2024/25 update report and the 2025/26 Treasury Management Strategy.	**53 - 136**

6.0	**2023/24 Audited Statement of Accounts** To receive the statement of accounts for 2023/24.	**To Follow**
7.0	**Final Year End Report to those Charged with Governance** To receive the year end report from the External Auditors.	**To Follow**
8.0	**Internal Audit Activity Report & Update to Internal Audit Charter** To receive a report on the Internal Audit Activity and an update on the Internal Audit Charter.	**To Follow**
9.0	**Updated Position of the AGS Action Plan 2023/24** To receive an update on the position of the Annual Governance Statement (AGS) Action Plan 2023/24.	**137 - 144**
10.0	**Corporate Risk Register** To receive the Corporate Risk Register.	**145 - 170**

If you are reading these papers on an electronic device you have saved the Council £15.22 and saved 6.1kg of CO_2, based on average agenda printing costs for the 2022/23 municipal year.

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday 20 November 2024 at 6.00 pm in Council Chamber, Third Floor, Southwater One, Telford, TF3 4JG

Present: Councillors H Morgan (Chair), S J Reynolds (Vice-Chair), P Davis, N A M England, T J Nelson and W L Tomlinson

In Attendance: M Brockway (Director: Finance, People & IDT), J Clarke (Senior Democracy Officer (Democracy)), T Drummond (Principal Auditor), R Montgomery (Audit, Governance & Procurement Lead Manager), E Rushton (Group Accountant) and R Phillips (Registrars, Public Protection, Legal & Democracy Service Delivery Manager)

Apologies: Councillors L Parker

AU20 Declarations of Interest

None.

AU21 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 17 July 2024 be confirmed and signed by the Chair.

AU22 Report to the Audit Committee

KPMG, External Auditors, presented their report to the Audit Committee.

Since presenting the draft audit strategy for the 2023-24 audit to the Audit Committee in May 2024, KPMG had continued the risk assessment in order to further define and focus significant risks and this had resulted in changes to the planned approach.

In relation to expenditure recognition, following completion of the risk assessment this was no longer deemed as having significant risk of fraud or error. Given the size and volume of the expenditure streams, it had now been assigned as an 'elevated' inherent risk to the balance and would entail taking larger samples of expenditure transactions and cash payments.

The draft audit strategy proposed a significant risk for the valuation of all council land and buildings. After completion of further risk assessment procedures and now with a detailed understanding of the balances and processes used to value Council land and buildings, it was concluded that the significant risk was with the property investment portfolio only and not the specialised buildings. The accounting treatment of the property investment portfolio would now be classified as Other Land and Buildings. Testing was still to be completed on the remaining ‘Other Land and Buildings’ balance, but it was not deemed to be a significant risk area.

The Value for money risk assessment had been completed using the following criteria and arrangements:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

It was the External Auditor’s responsibility to assess whether there were any significant weaknesses in the Council’s arrangements to secure value for money and to ensure the appropriate arrangements were put in place. An understanding of the key processes would ensure sound financial management, risk management and partnership working arrangements.

No significant risks were identified within the three criteria and this would continue to be assessed.

In relation to the 2023/2024 accounting entries within the Statement of Accounts, there were a few areas that required completion in relation to significant risks and investment properties with the valuers looking at six specific assets in order to ensure there were no material differences between the two methods of assessment. Management override and control in relation to journals was being progressed. The Pension audit had been delayed, but this had been the picture nationally. There were just a few areas that needed completion and work on the valuations was currently taking place with the actuaries.

Overall, the audit had progressed well with good communication between the External Auditors and the Finance Team who had a positive relationship. They had examined the audit comparing it with the previous year’s external auditors and worked constructively whilst being challenging and robust. The ISO 260 would set out the work undertaken and it was expected that there would be very few corrections to the Statement of Accounts.

The report showed the good progress that had been made and it was key to record this.

During the debate some Members felt that debrief sessions were key to making improvements to the audit ensuring that they work differently in order to improve. It was encouraging that the first year audit as been as smooth as it could be. Other Members asked what were the six assets that required the valuation processes and why were they chosen and if there were likely to be any changes to the audit in respect of local government pension schemes.

Interim Director: Finance, People & IDT informed Members that following the audit a debrief session was held with the wider team in order to improve processes going forward and to feedback to the Audit Committee and how the audit compared to the previous audit.

The External Auditor considered that a debrief following the audit was key to improving the audit. In relation to assets, he confirmed that it was the six largest assets within the portfolio that were being assessed as these had been moved in the previous audit to ‘other land and buildings’ and it needed to be assessed whether this had a material impact in their valuation. In relation to pension valuations, major changes would be coming forward which would fundamentally change how pensions would be audited.

The report was noted.

AU23 Internal Audit Activity Report

The Principal Auditor presented the Internal Audit Activity Report.

The report updated Members on the progress made against the 2024/25 Internal Audit Plan and the recent work of Internal Audit. Also set out in the report was a proposal for a future review of the effectiveness of the Audit Committee.

The key focus during the reporting period was the completion of audits set out on the annual audit plan and fulfilling commercial contracts which would feed into and inform the Internal Audit opinion in the Annual Report.

From a total of 46 audits, eight were in progress, seven had been completed and six had been deferred due to a staff vacancy within the Audit Team. Recruitment was currently underway to fill the vacant post.

Work continued on commercial contracts which included a total of nine Academy Trusts and two Town Councils and Internal Audit continued to look for opportunities to expand their commercial offering.

Internal Audit maintained a Quality Assurance and Improvement Programme which complied with the Public Sector Internal Audit Standards (PSIAS). The Audit, Governance & Procurement Lead Manager undertook an independent monthly check of completed audit files randomly selected to ensure they complied with the following:

- Requirements of the PSIAS
- Rules of the Code of Ethics
- Agreed Internal Audit process and procedures
- Approved Internal Audit Charter

Following these checks, only minor internal Audit procedural issues had been identified and these had been fed back to Internal Auditors in order to aid continuous improvement within the service.

In relation to the effectiveness of the Audit Committee, there were no specific legal requirements for this, but there were audit regulations to review the effectiveness of the systems of control and audit function. The last review took place in 2021. Members were asked to consider undertaking the next review of the effectiveness of the audit committee in 2025/26 due to the recent elections and the Members on the Committee being relatively new.

During the debate, some members were encouraged to see that follow up audits had taken place and that the gradings had moved from red to green.

The Principal Auditor confirm that a lot of progress had been made particularly in areas that had required time to embed new processes and procedures. She informed Members that interviews were taking place shortly in respect of recruitment.

Upon being put to the vote it was, unanimously:

RESOLVED – that:

a) **the information contained in this report in respect to the Internal Audit planned work undertaken between 1 July 2024 and 31 October 2024 and unplanned work to date be noted;**

b) **the review of the effectiveness of the Audit Committee be agreed; and the report be noted.**

AU24 Corporate Risk Register

The Audit, Governance & Procurement Lead Manager presented the Strategic Risk Register.

As set out in the Terms of Reference, the Audit Committee were responsible for overseeing the audit, governance and financial processes which included risk management.

The Corporate Risk Register had been updated and was a reminder of the details of the risks in delivering the Council's priorities. Other risks would be documented at a lower level within specific service area teams.

The main changes were two additional risks that had been added since June 2024. Benchmarking exercises had been undertaken against other Local Authorities in order to ensure a robust approach as there were always lessons that could be learnt. A number of these local authority registers included challenges in relation to the delivery of major partnership projects and this was now reflected in the Council's own risks. These were not of major concern but they had been introduced in order to give a greater level of prudence.

There were some clear links between risks against the Council's priorities and further work to update the register this would be presented to the Audit Committee in January 2025.

During the debate, some Members felt that if there was no improvement in the Revenue Support Grant for Adults and Children's social care in the next 3-4 years that the Council could be in a similar position to many other councils nationally. It was important to look at the risks and take them on board and he thanked the Members for their due diligence.

The Audit, Governance & Procurement Lead Manager expressed that the Risk Register was a living document and that it set out common risks that local authorities across the country were facing.

The report was noted.

The meeting ended at 6.28 pm

Chairman: ………………………………………

Date: Wednesday 29 January 2025

This page is intentionally left blank

Telford & Wrekin Co-operative Council | Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

Wednesday 29 January 2025

Telford and Wrekin Council Becoming Carbon Neutral Update

Cabinet Member:	Cllr Carolyn Healy - Cabinet Member: Neighbourhoods, Planning & Sustainability
Lead Director:	Katherine Kynaston - Director: Housing, Commercial and Customer Services
Service Area:	Housing, Commercial & Customer Services
Report Author:	Ian Wykes - Team Leader - Climate Change & Sustainability
Officer Contact Details:	**Tel:** 01962 384960 **Email:** Ian.Wykes@telford.gov.uk
Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not Applicable
Report considered by:	Cabinet - 19 September 2024 Environment Scrutiny Committee – 4 December 2024

1.0 Recommendations for decision/noting:

1.1 To note and review the update on Telford and Wrekin Council becoming Carbon Neutral.

2.0 Purpose of Report

To allow Audit Committee the opportunity to

2.1 Note and review the Council's progress on becoming Carbon Neutral as set out in the report to Cabinet on 19th September 2024 (Appendix A) and accompanying Action Plan (Appendix B)

3.0 Background

3.1 Tackling climate change is one of five priorities set out in the current Council Plan. In July 2019, the Council declared a climate change emergency and made a commitment to reduce its carbon emissions to net zero by 2030. Through its support of a borough partnership the council is also playing a full part in helping the wider borough achieve the same target.

4.0 Summary of main proposals

4.1 In summary the Cabinet report can be broken down into three sections

- It provides an update of the work undertaken by the Council since the last report in October 2023.
- It sets out the progress the Council has made against the net zero target and the way we measure emissions.
- It includes an updated climate change action plan as set out in Appendix B

4.2 In 2023/24 the Council achieved an overall reduction of 61% in CO_2e emissions from a baseline of 2018/19. This is ahead of the 16% reduction based on a straight-line year on year reduction.

4.3 To support this target the Council undertook a wide range of activities across its functions. These activities provided both direct benefits to borough residents and provided a wide range of other indirect co-benefits through the investment of income and efficiency savings into frontline services.

4.4 Direct benefits have included.

- Further improvements to the Council's operational estate including the installation of energy efficiency measures.
- Providing direct grants to residents who are in fuel poverty and support to those residents who can self-fund to install renewable technologies to their own properties.
- Through NuPlace, building more energy efficiency homes
- Continuing to improve the walking and cycling routes in the borough
- Further delivery of Electric Vehicle charging points across the Borough
- Introducing a car club for staff to reduce the council's business mileage emissions.
- Continuing to generate renewable electricity from the Council's own solar farm at Wheat Leasows.
- Improving green spaces and nature reserves.

- Continuing to reduce waste and support reuse.

4.5 These actions are detailed in the Cabinet report.

5 Alternative Options

5.1 The alternative option would be to do nothing and not deliver on the Council's climate change commitments. However, this could lead to serious reputational risks for the Council as a community leader.

5.2 Not addressing issues such as energy efficiency of buildings or development of renewable energy generation opportunities would also lead to significant cost implications through increase in fuel bills and loss of income. Doing nothing would also lead to a negative impact on the health and social / economic wellbeing of Telford and Wrekin businesses, communities, and residents.

6 Key Risks

6.1 The Climate Change Committee's *Independent Assessment of UK Climate Risk for the UK* (CCRA3), published in June 2021[1] sets out the priority climate change risks for the UK. In summary, risks in the report include:

- The impacts of climate change on the natural environment.
- An increase in the range, quantities, and consequences of pests, pathogens, and invasive species.
- more frequent and severity of flooding, and coastal erosion, causing damage to infrastructure services.
- A reduction in public water supplies due to increasing periods of water scarcity.
- The impact of extreme temperatures, high winds, and lightning on the transport network.
- The impact of increasing high temperatures on people's health and wellbeing.
- Disruption to the delivery of health and social care services due to a greater frequency of extreme weather.
- Damage to cultural heritage assets as a result of temperature, precipitation, groundwater and landscape changes.
- Impacts internationally that may affect the UK, such as risks to food availability, safety and security, risks to international law, trade routes and public health.
- Therefore, there are significant risks as outlined should the Council fail to mitigate climate change and ensure that residents, businesses, and the natural environment are able to adapt to the future climate conditions.

7.0 Council Priorities

7.1 The Councils' work on climate change and sustainability is a direct response to the Council's priority "Our natural environment is protected, and the Council has a leading role in addressing the climate emergency". However, as a cross-cutting

[1] https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-England-Summary-Final.pdf

agenda it also has a significant contribution towards all other Council priorities including:

- Every child, young person, and adult lives well in their community.
- Everyone benefits from a thriving economy.
- All neighbourhoods are a great place to live.
- A community-focussed, innovative Council providing efficient, effective, and quality services.

8.0 Financial Implications

8.1 The initiatives outlined in the report are funded from a combination of Council funding, and external grant funding. Finance will provide ongoing support in relation to any bids for external funding as required. Scheme expenditure is monitored on a regular basis.

9.0 Legal and HR Implications

9.1 The Climate Change Act 2008 (as amended) establishes a legally binding target to reduce the UK's greenhouse gas emissions by 100% by 2050 when compared with the 1990 baseline. At a local level, Section 19(1A) of the Planning and Compulsory Purchase Act 2004 requires local planning authorities to include in their local plans, policies designed to secure that the development and use of land in the local planning authority's area contribute to the mitigation of, and adaptation to, climate change. In the management of its activities, provision of its services and performance of its functions, local Councils are in a position to play a vital role in meeting the challenges posed by climate change. The Council has wide scope to decide how best to address these challenges.

9.2 The Council has the legal power to undertake the activities set out in the report. Implementation of the proposals in this report may give rise to specific legal issues upon which legal advice will be provided as and when necessary.

9.3 There are no specific human resource implications arising from this report.

10.0 Ward Implications

10.1 This report has a borough wide impact.

11.0 Health, Social and Economic Implications

11.1 Climate change will continue to have a significant impact on the health of Telford and Wrekin's residents as well as on their social and economic wellbeing. For example, July 2022 saw the highest temperatures on record. Heatwaves can lead to very serious health implications particularly for the most vulnerable[2] Many of the actions set out in the climate change plan have considerable co-benefits.

[2] https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)30434-3/fulltext

12.0 Equality and Diversity Implications

12.1 The Council's Climate Change Action Plan takes account of the legal requirement to pay due regard to the aims of the Public Sector Equality Duty. Key to this is consideration of people's specific needs based on their protected characteristics.

People who share protected characteristics of age, race, ethnicity, and disability are often disproportionately affected by climate change and its consequences. This is true locally and internationally. Extreme weather events, for example heat waves most detrimentally affect older residents and those with pre-existing respiratory and cardiovascular conditions.

The success of our climate change activity relies on active participation by the whole community. Steps are taken to make sure that events are inclusive, and the differing needs of individuals are considered so that they can access activities and contribute effectively.

13.0 Climate Change and Environmental Implications

13.1 This report sets out the key areas as to how Telford and Wrekin Council is helping address climate change and environmental implications.

14.0 Appendices

A Telford & Wrekin Becoming Carbon Neutral - update report - Cabinet Report 19th September 2024

B Corporate Climate Change Action Plan 2023/24

15.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	03/01/2025	06/01/2025	EH
Finance	03/01/2025	08/01/2025	DR

This page is intentionally left blank

Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Cabinet

Thursday 19th September 2024

Telford & Wrekin Becoming Carbon Neutral - update report

Cabinet Member:	Cllr Carolyn Healy - Cabinet Member: Neighbourhoods, Planning and Sustainability.
Lead Director:	Katherine Kynaston - Housing, Commercial and Customer Services
Service Area:	Housing, Commercial and Customer Services
Report Author:	Ian Wykes - Team Leader - Climate Change & Sustainability
Officer Contact Details:	**Tel:** 01952 384960 **Email:** Ian.Wykes@telford.gov.uk
Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not Applicable
Report considered by:	SMT – 20 August 2024 Business Briefing – 5 September 2024 Cabinet – 19 September 2024

1. Recommendations for decision/noting:

It is recommended that Cabinet:

1.1 Notes the progress the Council has made over the last 12 months in its journey to become carbon neutral by 2030 and that it has now reduced its carbon emissions by **61% from a 2018/19 baseline**.

1.2 Notes the importance of climate adaptation and the additional work the Council has done to develop a corporate climate change risk register as set out in section 4.33.

1.3 Notes that this report is in relation to the Council's response to the Climate Emergency Declaration and will be referred to Full Council for information as part of the 'Matters Determined by the Cabinet' report.

2. Purpose of Report

2.1 To update Cabinet on progress being made to meet the Council's target of becoming Carbon Zero by 2030.

3. Background

3.1 In 2019 Telford and Wrekin Council declared a Climate Emergency and set out an ambitious target to ensure its activities and operations are carbon neutral by 2030. The Council also made a commitment to work with partners with the aim of achieving the same target across the Borough.

3.2 Climate change continues to be one of the most significant issues that affects Telford and Wrekin, its residents, communities, and businesses and remains one of the Council's five key priorities.

3.3 The measures we are taking to tackle climate change also bring wider benefits to our communities. The measures to reduce energy use in key buildings including at Newport, Oakengates and Wellington Leisure Centres will result in lower energy bills enabling the Authority to maintain investment into front line services.

3.4 This report also highlights the improvements the Council is making to cycling and walking routes in the Borough. Initiatives such as the Bike Hub support residents to make the switch from the use of their cars for some trips reducing emissions but also provide opportunities for leisure and resultants health benefits.

3.5 The investment we are making into housing whether through NuPlace, Warm and Well Telford and our various retrofit programmes will provide properties that are more affordable to heat supporting residents to address rising energy costs, tackling fuel poverty and health impacts of living in cold and damp properties.

3.6 There are also actions the Council is seeking to address that are affected by factors outside of its control. For example, electrical grid connections remain a huge constraint on the expansion of renewable energy generation. The Council, working with partners, is continuing to lobby and work with Government and National Grid to overcome barriers to delivery.

3.7 Globally and locally climate change continues to have an impact through increasing extremes of weather. February 2024 was the hottest February since records began in England and Wales[1]. The following graph (Fig1), produced by the University of Reading, known as the "Reading Stripes", graphically shows how global temperatures have increased over time (based on the average global temperature between 1971 and 2000).

[1] https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2024/february-2024-warm-and-wet-for-the-uk#:~:text=The%20average%20temperature%20in%20England,record%20of%206.8%C2%B0C.

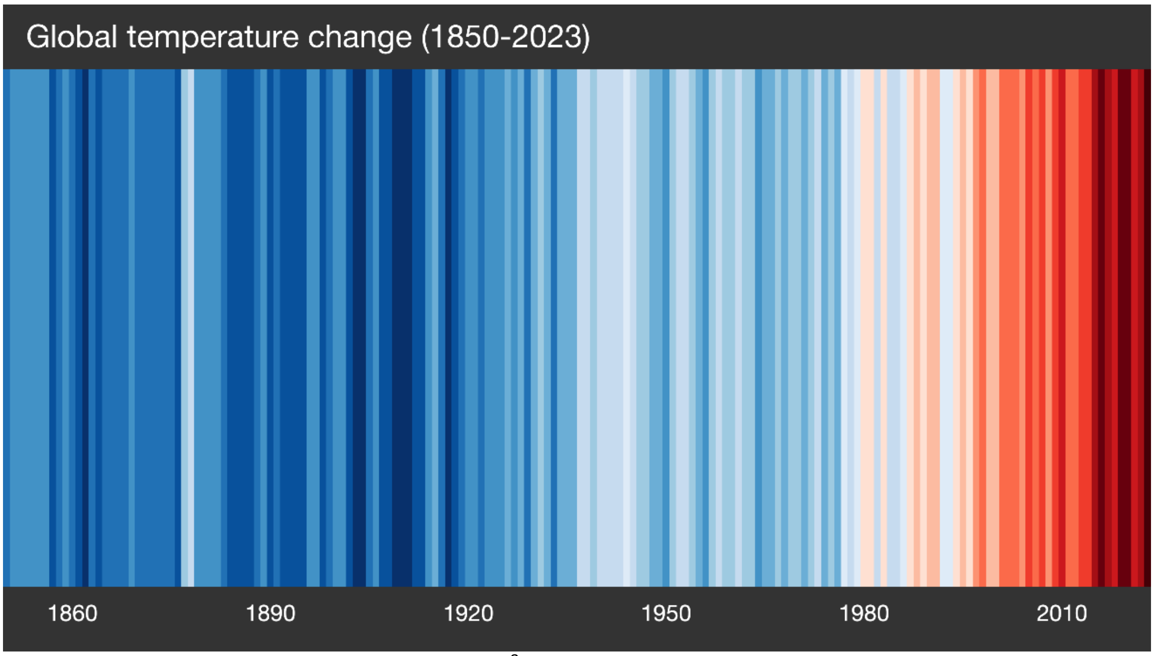


Figure 1 Reproduced under Creative Commons[2]

3.8 As previously agreed, the Council's approach to decarbonisation follows the carbon management hierarchy as set out in the graphic below. In essence, activities that avoid or reduce carbon are prioritised over activities that offset emissions from the atmosphere.

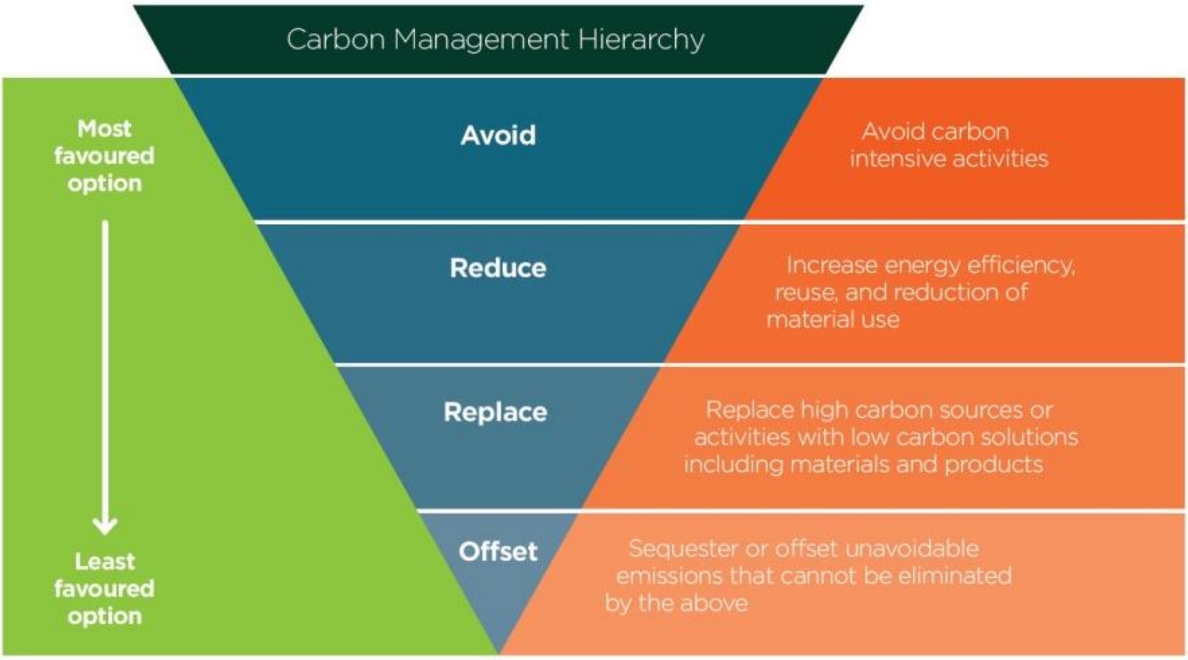


Figure 2: Carbon Management Hierarchy

4.0 Summary of main proposals

[2] https://showyourstripes.info/

Carbon Neutral Action Plan:

4.1 The Council's Corporate Decarbonisation Action Plan, 'Becoming Carbon Neutral,' was first published in 2020 and is refreshed annually. It reflects the Councils' priorities for climate change; to decarbonise the corporate estate, explore the feasibility of renewable energy generation, support communities in decarbonisation and build resilience to and against the impacts of climate change.

4.2 The 2023-2024 update of the Climate Change Action Plan can be found in Appendix A of this report.

4.3 The action plan is regularly reviewed and captures the interdisciplinary nature of climate change, and is divided into the following themes:

- Adaptation
- Affordable Warmth
- Biodiversity & Carbon Sequestration
- Borough Resources/Waste
- Corporate Catering
- Corporate Estate
- Highways and Transport
- Investment in Business
- Planning Policy
- Plastic Free
- Communications and Engagement
- Performance and Monitoring

Key climate change actions in 2023/24

4.4 Over the last 12 months, the Council has progressed a wide range of decarbonisation projects as illustrated by the following case studies compiled by theme:

Corporate Estate

4.5 The Council is continuing to decarbonise its corporate estate. Previous schemes have included electric vehicle charging points, LED lighting and solar PV panels at Horsehay Golf Course; replacement LED lighting at Abraham Darby Leisure Centre; air source heat pump, thermal insulation, and new LED lighting at Newport Leisure Centre; and solar panels at Oakengates Leisure Centre.

In the last reporting year, the range of energy efficiency projects that have been delivered/are in progress include:

Horsehay Village Golf Course: Solar photovoltaic panels, electric vehicle charging points and battery storage were all installed on site. This will result in an energy saving of 65,140 kWh.

Figure 3 Horeshay Village solar panels and charging point.

Darby House: 70kVA connection and feeder pillar installed on site for third party operator Believ are to install an electric vehicle charging point on site.

Oakengates Leisure Centre: This project has been partly funded by the Climate Change Fund and via external funding the Salix Phase 3 Public Sector Low Carbon Skills Fund. The investment of £2.2 million at Oakengates Leisure Centre has included work to the gym and swimming pool to improve the experience for users and reduce energy consumption Part of the decarbonisation work has included the installation of heat pump technology, the pool liner and pool surround with resin compound, installing an energy efficient roof covering and new ceiling and insulation in the pool area. After 10 months of improvement works and a programme of carbon neutral work the site reopened on Monday 22 July on schedule and in time for the summer holiday. The works will upgrade the EPC of the building from a C status to a B status and will save an estimated 114,000 kWh of energy. This will also reduce our use of natural gas, resulting in a greener low carbon heating system.

Figure 4 Recently installed Air Source Heat Pump at Oakengates Leisure Centre.

Wellington Leisure Centre: A bid was submitted for Salix Public Sector Decarbonisation Grant (PSDS) Phase 3c grant in October 2023. In April 2024, the Council was awarded £1.1 million for a range of energy efficiency measures including upgrading thermal fabric and the installation of an air source heat pump which will save an estimated 70 tCO_2e per annum. Works are due to commence in Autumn 2024.

Figure 5 Wellington Civic and Leisure Centre

Newport Swimming Pool & Fitness Centre: A successful bid to the Swimming Pool Support Fund (SPSF) Phase II has secured £41,800 of grant funding to install pool covers and replace fluorescent lighting with LED lighting. Both measures will increase energy efficiency on site, resulting in estimated annual cost savings of £11,500 for the pool cover and £1,300 for LED lighting. Works to Start Autumn 2024.

Telford Theatre The proposed redevelopment of Telford Theatre in Oakengates is being designed with a 'fabric first' approach. The intention during the final stage of design is to develop a building envelope that performs above the minimum thermal transfer and air permeability values stipulated within Building Regulations. In addition, heating and ventilation systems will incorporate renewable technologies such as air source heat pumps, and current roof plans incorporate a significant array of photovoltaic panels. This will all result in a theatre with a significantly lower operational carbon requirement than the existing building which is now over 60 years old.

Figure 6 Proposed new Telford Theatre

Property Investment Portfolio

4.6 Works to improve the efficiency of the Council's Property Investment Portfolio has continued. In previous years this has included LED lighting installed at Southwater One carpark and LED lighting and solar PV panels installed in the industrial units at Hortonwood 12 and Newport Innovation Park PH2.

This year, the new Orchard Park development has had solar photo voltaic (PV) panels installed.

Figure 7 Orchard Park

Affordable Warmth and Housing

4.7 The Council has previously delivered a wide range of projects to support people in fuel poverty including 10 off gas properties (22 measures) retrofitted using funding from phase 1 of the Home Upgrade Grant (HUG1) and the Local Authority Delivery Scheme (LAD2) scheme was used to retrofit 50 homes in Sutton Hill, with 77 energy efficiency measures, including external wall insulation, loft insulation, cavity wall insulation, double glazing and solar panels. This programme of works improved the energy efficiency rating of properties as well as reducing residents' heating bills by up to £640 a year and saving up to 600 kilograms of CO_2e emissions each year.

Additional work this year has included:

- The council using its own climate change funding to provide low cost, high impact measures for households that do not qualify for central government funding but are still classed as fuel poor. Through our **Warm and Well Telford** grant we are providing partial glazing, external doors and heating controls for eligible properties. We have, so far, had 50 property sign ups.

- **Over the next 12 months** the Council and partners will be delivering the next phase of the **Home Upgrade Grant** aimed at low energy efficient off gas properties. We currently have 25 properties in the application process.

- The Council has further used its ability to shape Government rules around households qualifying for ECO4 to maximise those able to access funding for heating systems. **With 258 referrals made we have attracted a total install value of over £500k with savings in excess of £88k**.

- Over the next two years in partnership with the Marches Energy Agency the Council is supporting the **Future Ready Homes initiative.** This is aimed at the self-funded market. The project will help **2,500 householders** navigate the complex world of retrofit and providing support throughout installation of works to ensure residents are getting the correct advice and quality from contractors. By working with local businesses, the project will also provide training opportunities to develop much needed local retrofit skills.

- **The Retrofit Skills Home project** complements Future Ready Homes providing residents with an opportunity to view measures in a 'show home' with regular open days, webinars, video tours and case studies. The project will involve college students, apprentices and specialist contractors all working together to refurbish and retrofit two properties learning the skills crucial for the future. Retrofit assessors, thermographers, electricians, plumbers, carpenters and many more will benefit from vital 'real world' experience on site.

- Since the adoption of the strategy, we have maximised all opportunities to apply for Central Government funding to retrofit the worst energy performing homes with over £1.6m invested in the last 12 months delivering 254 measures, over £45k of savings and delivering a total carbon saving of 107 tonnes of CO_2e.

4.8 **NuPlace,** the Council's wholly owned housing company continues to deliver affordable and sustainable, energy efficient properties for private rent. NuPlace has already ensured all 46 homes at Southwater Way benefit from solar PV and EV charging points, saving residents money and reducing their emissions.

This year at Donnington Wood Way, 30 of NuPlace's 66 homes, benefitting from EV charging and PV panels, have been handed over and occupied, including 7 built to Future Homes Standards. The team will continue to monitor energy usage at Future Homes plots to understand how these dwellings perform now occupied.

Figure 8 NuPlace housing.

4.9 Construction of 189 new homes at Station Quarter, in the Town Centre, are due to start on site this Summer with all set to achieve EPC (Energy Performance Certificate) "A" rating in terms of environmental impact and EPC "B" rating for energy efficiency. This will be delivered through thermal upgrades to building fabric, adopted heating systems and PV panels.

Figure 9 Artist's impression of Station Quarter

4.10 Due to the success of the initiative in 2023, the Council decided to continue providing energy saving lightbulbs to residents across the borough to help reduce energy costs amidst the cost-of-living crisis. To date, the Council has provided **9000 energy saving LED lightbulbs**, distributing them via community organisations, Town and Parish Councils and housing trusts.

Transport

4.11 Work continues to improve walking and cycling routes in the Borough with the commencement of a £1.9m project between Telford Central and Oakengates starting on site in July 2024. This follows a bid to government for funding in 2023. In addition, further investment is being made into the Silkin Way to continue to encourage more people to walk and cycle, with further crossing points being installed on the route this year.

4.12 The Bike Hub owned and operated by the Council continues to deliver a growing programme of events and education activities to support cycle activity across our communities. Our bike fleet has recently grown with the addition of a fleet of adapted bikes which allow users with a variety of different needs to participate in activities. These bikes are to be used for planned events and for hire.

Figure 10 Telford Bike Hub

4.13 Previously, the Council installed two EV charging points at Southwater multi-storey car park, two at Granville House and one each at the following industrial units throughout the borough: Heath Hill, Madeley, Hadley Park and Ironbridge for Council vans and contractor use.

More recently, the Council was awarded £683,370 from On-street Residential Charge Point scheme (ORCS) managed by Office for Zero Emission Vehicles (OZEV) for the installation of 70 dual fast EV charge points in Council car parks to support residential charge points. The Council has now appointed an EV charge point operator who will deliver the ORCS funded charge points but will also fully fund additional EV charge points in all Council car parks. Potentially a further 41 dual EV charge points could be installed. Overall, this project could see an additional 111 EV charge points (222 sockets) installed over the next 18-24 months.

4.14 The Council has also been awarded an indicative amount of £1,020,000 from Local EV Infrastructure fund (LEVI). The Council has joined Midlands Connect Consortium with other Local Authorities to pool grant funding in order to maximise the number of on-street charge points. The Council is currently waiting for confirmation of the grant award and the consortium hopes to go to procurement stage this autumn followed by the appointment of an EV charge point operator in the new year subject to the funding being available. It is anticipated the first on-street EV charge points would be installed from 2025 and then rolled out over a four-year period to 2029.

4.15 The Council has an ongoing programme of replacement of fleet vehicles with electric alternatives. To date, the Council now has 15 electric vehicles in its fleet including highway vans, library delivery vehicle, and two electric minibuses for Arthog funded through the Council's municipal investment fund Abundance. Work continues on the utilisation and make-up of the Council's vehicle fleet, which in turn supports a reduction in the Council's overall emissions.

4.16 In July 2024 the Council began a car club pilot working in conjunction with Enterprise Car Hire; the pilot is trialling the use of 'pool cars' that are managed and maintained by Enterprise Car hire and available for use by teams across the council. This innovative offer will provide staff with an alternative to using their own cars that will reduce CO_2 emissions as well as associated cost of business travel. The trial will inform the way forward that could see additional cars added as well as electric and hybrid options.

Renewable Energy Generation

4.17 The Council-owned Wheat Leasows solar farm continues to generate renewable energy. In 2023/24 the solar farm produced 3244 MWh of electricity, enough energy to power 1118 homes per year (based on average annual household consumption of 2,900 kWh). With the solar farm continuing to bring benefit across communities through the sale of the energy generated back to the grid, which is then invested back into front line services, the Council is exploring the feasibility of potential new solar generation including upgrading the existing solar farm.

Planning Policy

4.18 Climate change and sustainability is a key consideration in the review of the Local Plan. The Local Plan has a vital role to play setting policies that ensure buildings are more efficient to run, are built from sustainable materials and practices, that carbon reductions are secured through the development process and ensuring our natural resources are protected.

4.19 In July 2023, the Council adopted the Climate Change Guidance for New Developers Supplementary Planning Document. The document is used by applicants and the Council to shape 'climate ready' development across the borough. This includes climate guidance on site location, building design, green infrastructure, renewable energy and how to make businesses more sustainable.

4.20 A 14-week consultation of the draft Local Plan Review launched in October 2023 and included new policies to support the Council's ambition to drive climate change action. They aim to secure better quality development which mitigates and adapts to the challenge of climate change, for example, providing homes and communities which are more sustainable, safe from flooding and poor air quality, are more affordable to live in and are healthier.

4.21 The Council supports innovation in this area with existing policies designed to reflect the constant change and progression in this field and evidenced by the approval of a number of applications for renewable energy generation. The Government have recently set out a more robust approach to renewable energy in the consultation version of the National Planning Policy Framework (August 2024). This approach will be reflected in the new plan which is due to come to Cabinet in the coming months.

Biodiversity

4.22 Protecting and enhancing Council-owned green spaces and nature reserves supports both climate adaptation and mitigation measures. Over the last 12 months, the Council have been very proactive including:

- Working to increase the number of locations we identify and maintain as wildflower areas. This includes 38 areas across 23 sites in the borough.
- Embarking on a meadow cut project to overseed native perennial wildflowers in suitable areas including verges, roundabouts, parks and open space.

Figure 11 Wildflowers.

- Working with insect charity Buglife for the 'B-line' project to address the decline in pollinating insects by significantly increasing the amount of connected wildflower rich habitat for pollinators and people within Telford, Shropshire. The project also involves work with local communities through events, education and citizen science to increase knowledge and understanding of UK pollinator species and habitats and empower people to take action for wildlife.
- Meadow cut areas have been incorporated into all the Green Flag Parks to establish a balance between providing a space for nature and recreation.
- Additional nest boxes are being installed in Hartshill park and bat boxes are being installed in Dawley Hamlets Local Nature Reserve
- A new community orchard has been planted in Wellington.
- Site surveys have been undertaken by expert volunteers to identify the impacts of new management techniques put in place to support critical species. This has seen the red-listed Dingy Skipper butterfly recorded at Granville Country Park as well as numerous sightings at Rough Park LNR, where it hasn't been recorded since 2009.

4.23 The development of the Local Nature Recovery Strategy (LNRS) in partnership with Shropshire Council is progressing and a LNRS Coordinator is now in post. A steering group of nine members including the Environment Agency and

Shropshire Wildlife Trust is now in place to support and guide the development of the LNRS. The timeline for development is below:

- *Spring 2024* - initial mapping and awareness raising; now completed.
- *Summer 2024* - focused engagement events; first public events attended, and a number of targeted events delivered through the summer.
- *Late autumn 2024* - public consultation with some underway and further events being developed.
- *Spring 2025* – Strategy adopted.

4.24 Dothill and Shawbirch Local Nature Reserve join Telford Town Park, Bowring Park, Apley Woods Local Nature Reserve, Hartshill Park, Dale End Park and Dawley Park which all retained their Green Flag status again this year. The prestigious accreditation is the international quality mark for parks and green spaces and is testament to the hard work and dedication of the Council staff, volunteers and ‘Friends Of’ groups that care for these spaces for everyone to enjoy.

Figure 12 Dothill Nature Reserve

<u>Borough Resources/Waste</u>

4.25 In 2023/24, there was an investment of £25,000 into community environmental projects. This included funding WARMHUB to run a series of cookery workshops teaching people basic skills which includes advice on minimising food waste and good food management. Overall, over 60 tonnes of waste have been rescued and reused as a result.

4.26 For 2024/25, a further £10,000 has been agreed to support and expand reuse opportunities. Ongoing promotion of these initiatives and education on food minimisation is delivered jointly with Veolia.

4.27 Reintroducing food recycling within Council buildings is currently being investigated between the Waste team and Building Services. For schools, the Waste team have sent out information via the Services for Schools team to advise they can offer a collection service to recycle food waste.

Catering Services

4.28 **'Let's Dine'**, the Council's school catering service, continues to offer vegetarian meals daily as part of the main menu offer and vegan meals are provided on request. Offering low-carbon, meat-free alternatives at schools not only lowers the carbon footprint of the catering service but provides pupils with a wider choice of healthy meal options, we have also looked at our meat recipes and reduced the meat content replacing with other protein alternatives to ensure food standard compliance.

4.29 Catering services have revised all their plastic products to see if there are more environmentally sustainable products that could be used. We have worked closely with the action groups in schools and have removed 98% of single use plastic. Our latest switch was replacing small single use plastic pots to reusable recycled plastic, this will also reduce the spend by £8k per year.

4.30 Where possible, we are committed to partnering with local suppliers who share our standards for high quality foods, as well as our commitments to sustainability and addressing climate change. Local suppliers already used include Rowlands Fresh Produce and Wenlock Spring.

4.31 We are working towards more energy efficient kitchens, helping to educate, train, and remind catering staff of the Council's commitment to tackle climate change by encouraging more energy efficient behaviours. Three vans are currently hired to deliver food to nurseries and the option of switching to three EV or hybrid vans is currently being investigated, as is the issue of onsite vehicle charging.

Figure 13 Energy Smart: Kitchens: Promotional poster.

Supporting Community Projects

4.32 To date, the Council has awarded more than £348k to a number of community projects through the Council's Climate Change Fund. Most recently this has included:

Hollinswood & Randlay Parish Council who commissioned the installation of rooftop mounted solar panels on Randlay Community Centre. The 78 panels will produce an estimated 30 MWh of electricity per annum and satisfy 56% of their annual electricity consumption.

Not only will these solar panels save 5.8 tonnes of CO_2e per annum (the same as planting 266 trees a year), but they also represent a significant financial saving to the Parish Council. Savings they can use to continue and enrich their work in the local community. The system has also been designed to accommodate potential future battery storage, which would further increase savings and the amount of renewably generated energy they can use on site.

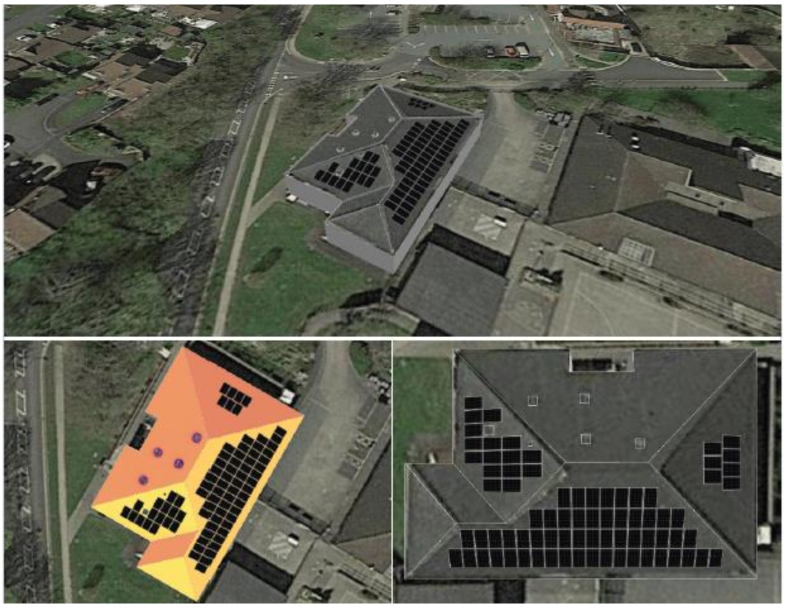


Fig 14 Randlay Community Centre Fig

Fabweld Steel Products Ltd were awarded their grant from the Climate Change Fund to install two high speed, publicly accessible electric vehicle charging points. FSP have invested £500,000 in a huge solar project across the whole of the factory roof which has halved their energy costs even though the business has grown by 20 per cent. These charging points are connected to their existing 180 kWp photovoltaics system, meaning electric vehicles can be charged with onsite renewable electricity.

Figure 15: Councillor Carolyn Healy joins FSP's managing director Wayne Carter (left) and chairman, Richard Hilton for the official unveiling of the new EV charging points available for the local community.

Dawley Town Hall CIC replaced an array of inefficient lighting both internally and externally. This essential upgrade to their lighting has resulted in lower electricity bills, with savings reinvested into the community.

Carbon Emissions 2023/24

4.33 **We continue to monitor our scope 1, 2 and 3 emissions in line with the Local Government Association reporting** guidance. To do this, Telford and Wrekin Council have undertaken 'in-house' greenhouse gas (GHG) accounting, using the LGA GHG accounting tool for guidance.

Scope 1: Corporate estate – gas usage
Fleet vehicles – fuel usage

Scope 2: Corporate estate - electricity usage
Street lighting – electricity usage

Scope 3: Business mileage
Water supply & treatment
Electricity - transmission & distribution losses

A summary of the key emission headlines for the 2023/24 reporting year is shown in figure 4 below:

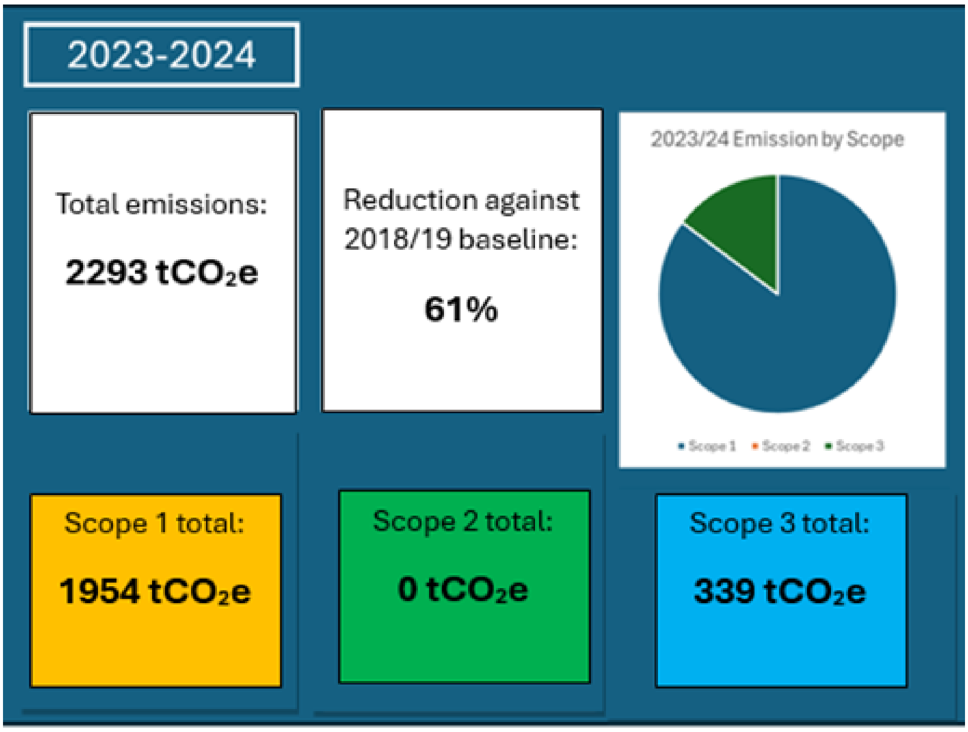


Figure 16: Key corporate emission headlines for the 2023/24 reporting year.

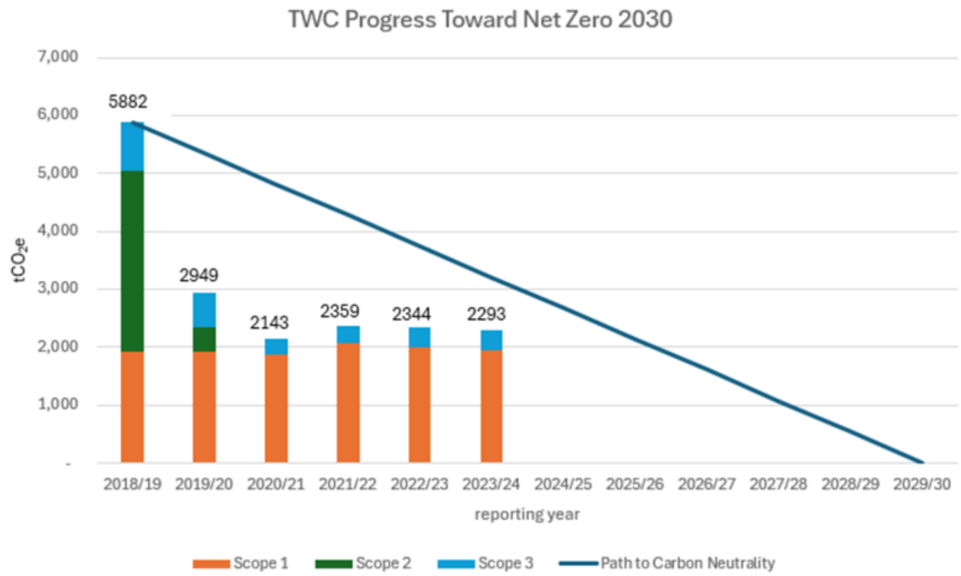


Figure 17 Descent path showing progress to date.

4.34 Overall, comparing the 2023/24 reporting period to the 2018/19 baseline data, we can see that **the Council has reduced its emissions by 61%**. In the context of our path to becoming Carbon Neutral by 2030, **our emission reductions are currently 16% ahead of target.**

4.35 Moving to renewable green energy as part of the West Mercia Energy (WME) Green Deal means the Council's emissions from electricity have been hugely reduced. The Council's electricity consumption is made up of electricity used in our buildings and the boroughs streetlighting. This has also reduced, with overall electricity consumption in 2023/24 seeing a 21% reduction compared to 2018/19. This is down to a 32% decrease in streetlighting related consumption following the replacement of streetlighting with LEDs borough wide. Electricity usage in our buildings has also fallen by 6% compared to the 2018/19 baseline.

Both greenhouse gas emissions and **gas usage in our corporate estate has fallen by 6% compared to 2022/23** due to increased building efficiencies and decarbonisation interventions.

Emissions related to **water supply and treatment have fallen by 68% compared to 2018/19, and by 17% compared to 2022/23.** This is in part due to national decarbonisation of water supply and treatment, as well as a reduction in consumption within the Council's corporate estate.

The Council's **transport related emissions in 2023/24 have increased compared to 2022/23.** Business mileage has increased by 1%. However, measures to address this is actively being explored. This includes the recent launch of a car club for business travel as referred to above.

4.36 To ensure the Council continues its journey to become carbon neutral by 2030, work has been undertaken to develop a high-level carbon descent pathway identifying measures and projects the Council can implement to reach **a 70% reduction in emissions by 2026/27**. Potential projects are currently being prioritised based on several factors including capital cost; revenue and carbon savings; and eligibility for available funding such as the Public Sector Decarbonisation Scheme (PSDS) Phase 4. These projects are included in the updated Action Plan.

<u>Climate Change Adaptation:</u>

4.37 In addition to projects that focus on climate mitigation, the Council has recognised the importance of **climate adaptation** in ensuring Councils services are maintained and are not impacted by the effects of climate change.

4.38 To adapt to the impacts of climate change, risks must be identified. As such, working with the Environment Scrutiny Committee the Climate Change and Civil Resilience Teams have established a **Corporate Climate Change Risk Register**. This highlights the risks that climate change poses to all Council's services. It has been a critical exercise in acknowledging *how* climate change will impact the Council and *what* needs to be addressed to mitigate this. The Risk Register was adopted by Cabinet in May 2024 and will be updated annually. Progress on Climate Adaptation will be reported on separately.

<u>Climate Change Borough Partnership</u>

4.39 Although the primary focus of this report is the Councils' own activities, we continue to work with our partners to progress the climate change agenda through the Climate Change Borough Partnership. Four partnerships act as subgroups to the overall partnership and meet regularly to develop and deliver opportunities for collective climate action. The subgroups are:

- Communities Climate Forum[3]
- Telford Sustainability and Energy Cluster (TSEC).
- The Shropshire and Telford & Wrekin Integrated Care System Climate Change Board
- Shropshire Good Food Partnership.

4.40 To celebrate the partnership's new structure and opportunities, the Council hosted the **first Climate Change Borough Partnership Conference** in October 2023. This event brought together partnership members and external partners to learn, network and discuss the future of the partnership moving forward. Rob Hopkins, author, podcaster, and climate activist, attended as the guest speaker and was warmly received by the partnership. Following the success of the inaugural conference, another conference is set to be held on 18th October 2024.

Figure 18 Climate Change Conference

<u>Plastic Free Taskforce:</u>

4.41 The Council continues to work collaboratively with a range of local organisations including schools, universities, businesses, community groups and Town and Parish Councils to reduce the amount of single use plastics used across the borough. Collectively **Telford & Wrekin Plastic Free Taskforce** are working to achieve plastic free community status for the borough - which is accredited by Surfers Against Sewage.

4.42 To achieve accreditation we need 70% of local communities to be signed up to this. A lot has already been achieved, with Newport, Wellington and Madeley all receiving accreditation (amounting to 30% coverage). However, many more areas

[3] The **Communities Climate Forum** was established in 2024 and is made up of Community Groups, Town and Parish Councils and Climate Change Champions. It meets on an 8 weekly basis and is currently undertaking a visioning exercise as well as sharing best practice to help support community activity.

like Oakengates, Dawley, The Gorge, Hadley & Leegomery and Lawley & Overdale are also working to do the same and there is a plan in place to drive this forward. Partner organisations are now working to get more local community groups and businesses involved in the campaign.

4.43 For our part, the Council plays a lead role in co-ordinating the Taskforce. This includes administering meetings throughout the year, organising awareness raising campaigns and events to help spread the word and helping partner organisations work towards achieving their accreditations.

4.44 So far this year, we have run campaigns to coincide with the Great British Spring Clean and Plastic Free July, highlighting the environmental impacts of plastic pollution and encouraging local residents and organisations to make sustainable swaps. For example – during Plastic Free July we launched a four-week challenge to encourage local residents to do their bit to reduce single use plastics from their households.

4.45 We are also working on a lobbying letter on behalf of the Taskforce, to be sent to manufacturers that continue to use single use plastics in their packaging and operations. Manufacturers play a pivotal role in shaping our plastic consumption and we need them all to take responsibility for minimising their environmental footprint. The taskforce will be setting examples of what is being done locally and asking manufacturers about their plans for transitioning towards more sustainable materials and implementing policies that prioritise the environment.

4.46 To support the work of the Council and all our partnership working, the **Sustainable Telford and Wrekin** website continues to be a hub for Council-community communications regarding climate change. It provides information on community climate news, projects, and funding opportunities as well as providing knowledge and resources about climate change.

Business Support

4.47 The Council has a good track record in successfully delivering a wide range of initiatives to support businesses to become more environmentally sustainable. This has included the Business Energy and Efficiency Programme (BEEP). BEEP funded energy assessments for 99 businesses and 41 of these received over £300k as a grant to help with efficiency savings. In 2023 in collaboration with Shropshire and Herefordshire Councils, the Council was successful in a bid to the Marches Local Enterprise Partnership for £1.5million to provide capital funding towards the Marches Energy Grant (MEG).

4.48 To support MEG the Council also committed £190k of its UK Shared Prosperity Fund allocation for 60 funded energy assessments which acted as a gateway to the grant funding. The scheme offers free advice, energy assessments and grants for energy efficiency and renewable energy measures to SMEs from all sectors in Telford & Wrekin. The funding is also available to support community buildings. As well as the grant funding, the project also ran related networking and webinar events for SMEs and other organisations. The target for the whole of the programme for Telford is 525 tCO_2e. So far 35tCO_2e have been identified and the intervention rates are being increased to support take up.

4.49 Up to £100,000 in match funded grant is also available to eligible businesses implementing energy efficiency measures through the pilot Business Energy Advice Service fund.

4.50 Invest Telford, the Council's business support team, is continuing to support local businesses in their mission to become more sustainable and navigate the impact of the energy crisis. This has previously included both the Pride in Our High Street and Cool Shropshire and Telford initiatives. The team has subsequently run a series of webinars in February 2024 for businesses on:

- Developing Carbon Reduction Plans
- Carbon Footprinting
- Supply Chain Sustainability.

4.51 The Council continues to support the **Telford Sustainability and Energy Cluster (TSEC)**. The cluster continues to help foster business collaboration, drive sustainable practices, and address common challenges among Telford businesses that will create a positive environmental, social and economic impact. Activity has included a visit in February 2024 for members to the Tysley Energy Park in Solihull

4.52 TSEC members along with all Telford businesses were given the opportunity to attend a TSEC summit on 6 March at Telford College where the Council connected local businesses with local suppliers in support of their sustainability and net zero journey. Local businesses and suppliers, gathered to explore innovative solutions for reducing carbon emissions, saving energy, and investing in sustainable technologies.

4.53 In June 2024, Lyreco offered fellow TSEC members the opportunity to have a tour of the National Distribution Centre and to take a tour of their PV system. Several local companies took the opportunity to see their 13,680 solar panels installed on their National Distribution Centre in Telford. 3000MWh of green electricity is now generated on average annually.

Figure 19 Jake Dean Jones (Quality, Safety, Sustainability and Supply Chain Coordinator at Lyreco) conducting a tour of Lyreco's' eco garden in Telford.

Next steps

4.54 To build on the progress made to date and to ensure that the Council's carbon mitigation work fully contributes to wider issues of extreme weather and fuel poverty the following areas of work are seen as a priority:

- **To keep the Corporate Climate Change Action Plan under constant review** and to work across the authority to identify new initiatives.
- **To continue to monitor progress on a quarterly basis** to ensure change is being made and to identify and address challenges quickly to ensure the successful delivery of projects. The assignment of actions to specific officers will be continued to **embed accountability** into the plan.
- To continue **greenhouse gas accounting** and comparison against the **decarbonisation pathway** to effectively track progress to net zero.
- To continue to explore potential sites for **corporate renewable energy generation**.

- To ensure that any actions to address climate change continue to play a full part in helping Telford's residents, community groups and businesses **address the impact of increases in fuel prices and fuel poverty.**
- To continue to **raise awareness of climate change to staff** to support better-informed decision making that incorporates climate change and its impacts.
- To continue to **share the positive climate work happening within the Council and across the community** by strengthening our existing communication channels.
- To continue to **work with our partners across the Borough** to support wider climate change actions.

5 Alternative Options

5.1 The alternative option would be to do nothing and not deliver on the Council's climate change commitments. However, this could lead to serious reputational risks for the Council as a community leader.

5.2 Not addressing issues such as energy efficiency of buildings or development of renewable energy generation opportunities would also lead to significant cost implications through increase in fuel bills and loss of income. Doing nothing would also lead to a negative impact on the health and social / economic wellbeing of Telford and Wrekin businesses, communities, and residents.

6 Key Risks

6.1 The Climate Change Committee's *Independent Assessment of UK Climate Risk for the UK* (CCRA3), published in June 2021[4] sets out the priority climate change risks for the UK. In summary, risks in the report include:

- The impacts of climate change on the natural environment.
- An increase in the range, quantities, and consequences of pests, pathogens, and invasive species.
- more frequent and severity of flooding, and coastal erosion, causing damage to infrastructure services.
- A reduction in public water supplies due to increasing periods of water scarcity.
- The impact of extreme temperatures, high winds, and lightning on the transport network.
- The impact of increasing high temperatures on people's health and wellbeing.
- Disruption to the delivery of health and social care services due to a greater frequency of extreme weather.
- Damage to cultural heritage assets as a result of temperature, precipitation, groundwater and landscape changes.
- Impacts internationally that may affect the UK, such as risks to food availability, safety and security, risks to international law, trade routes and public health.

[4] https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-England-Summary-Final.pdf

- Therefore, there are significant risks as outlined should the Council fail to mitigate climate change and ensure that residents, businesses, and the natural environment are able to adapt to the future climate conditions.

7.0 Council Priorities

7.1 The Councils' work on climate change and sustainability is a direct response to the Council's priority "Our natural environment is protected, and the Council has a leading role in addressing the climate emergency". However, as a cross-cutting agenda it also has a significant contribution towards all other Council priorities including:

- Every child, young person, and adult lives well in their community.
- Everyone benefits from a thriving economy.
- All neighbourhoods are a great place to live.
- A community-focussed, innovative Council providing efficient, effective, and quality services.

8.0 Financial Implications

8.1 The initiatives outlined in the report are funded from a combination of Council funding, and external grant funding. Finance will provide ongoing support in relation to any bids for external funding as required. Scheme expenditure is monitored on a regular basis.

9.0 Legal and HR Implications

9.1 The Climate Change Act 2008 (as amended) establishes a legally binding target to reduce the UK's greenhouse gas emissions by 100% by 2050 when compared with the 1990 baseline. At a local level, Section 19(1A) of the Planning and Compulsory Purchase Act 2004 requires local planning authorities to include in their local plans, policies designed to secure that the development and use of land in the local planning authority's area contribute to the mitigation of, and adaptation to, climate change. In the management of its activities, provision of its services and performance of its functions, local Councils are in a position to play a vital role in meeting the challenges posed by climate change. The Council has wide scope to decide how best to address these challenges.

9.2 The Council has the legal power to undertake the activities set out in the report. Implementation of the proposals in this report may give rise to specific legal issues upon which legal advice will be provided as and when necessary.

9.3 There are no specific human resource implications arising from this report.

10.0 Ward Implications

10.1 This report has a borough wide impact.

11.0 Health, Social and Economic Implications

11.1 Climate change will continue to have a significant impact on the health of Telford and Wrekin's residents as well as on their social and economic wellbeing. For example, July 2022 saw the highest temperatures on record. Heatwaves can lead to very serious health implications particularly for the most vulnerable[5] Many of the actions set out in the climate change plan have considerable co-benefits. The Climate Change Fund supports businesses and community groups with energy efficiency measures which should help address recent rises in fuel prices.

12.0 Equality and Diversity Implications

12.1 The Council's Climate Change Action Plan takes account of the legal requirement to pay due regard to the aims of the Public Sector Equality Duty. Key to this is consideration of people's specific needs based on their protected characteristics.

People who share protected characteristics of age, race, ethnicity, and disability are often disproportionately affected by climate change and its consequences. This is true locally and internationally. Extreme weather events, for example heat waves most detrimentally affect older residents and those with pre-existing respiratory and cardiovascular conditions.

The success of our climate change activity relies on active participation by the whole community. Steps are taken to make sure that events are inclusive, and the differing needs of individuals are considered so that they can access activities and contribute effectively.

13.0 Climate Change and Environmental Implications

13.1 This report sets out the key areas as to how Telford and Wrekin Council is helping address climate change and environmental implications.

14.0 Appendices

A Corporate Climate Change Action Plan 2023/24

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	06/08/2024	15/08/2024	EH
Finance	06/08/2024	13/08/2024	DR

[5] https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)30434-3/fulltext

Telford and Wrekin Council Corporate Climate Change Action Plan (updated September 2024)

The Corporate Climate Change Action Plan reflects the Councils' priorities for climate change; to decarbonise the Council's activities, explore renewable energy feasibility, support communities in decarbonisation and build resilience against the impacts of climate change.

The Action Plan is a living document and is monitored and updated by the Climate Change Team on a regular basis. It is formally reviewed and reported to Cabinet as part of the annual Climate Change Report.

	Action	Comments	Lead Area
1 Adaptation			
1.1	Update the Corporate Risk Register annually.	The Adaptation Plan Cabinet report and accompanying Corporate Risk Register was formally adopted on 16/05/24. Risk register will be updated annually moving forward.	Climate Change & Sustainability
1.2	Annual updates on the progress of the Adaptation Plan to be shared with Environment Scrutiny Committee.	The Adaptation Plan Cabinet report and accompanying Corporate Risk Register was formally adopted on 16/05/24. The Adaptation Plan will be monitored and updated annually to be shared with Environment Scrutiny Committee moving forward.	Climate Change & Sustainability
2 Affordable Warmth			
2.1	Explore a group buying scheme for domestic solar PV and battery storage e.g. Solar Together or a local alternative.	This is currently being promoted through the Future Ready Homes scheme, working in partnership with the Marches Energy Agency.	Climate Change & Sustainability /

			Strategic Housing, Employment & Infrastructure
2.2	Explore carbon reduction proposals for future NuPlace developments.	Donnington Wood Way: First Future Homes properties now been delivered at Wildwalk. Embodied carbon study complete. Energy bills of tenants to be monitored to review financial and carbon savings. Station Quarter: Fully electric scheme being delivered across 189 dwellings. Challenge to achieve acceptable SAP ratings with the approach combining a range of fabric and technology-based solutions. Existing portfolio: Exploring options to retrofit PVs to existing properties.	Prosperity & Investment
2.3	Promotion of energy efficiency activities addressing fuel poverty for eligible residents through Telford Energy Advice (TEA).	Embedded in business-as-usual service delivery with regular monitoring by the Strategic Housing Team.	Strategic Housing & Regeneration
2.4	Develop support measures for residents most impacted by high energy rises but who fall outside the Government's definition of fuel poverty. This could include grants for renewable installations and insulation in conjunction with the Government's Great British Insulation Scheme (GBIS).	Warm And Well Telford grant launched, and our ECO-Flex 4 declaration now includes GBIS.	Strategic Housing & Regeneration
2.5	Procure a second round of energy efficient lightbulbs to support vulnerable residents and those in fuel poverty.	Second phase of distribution to key partners began in October 2023 and 4,000 LEDs have been purchased through Shropshire Electrical Supplies and delivered to 20 different organisations.	Climate Change & Sustainability

		The last order of 2,000 LEDs took place in February 2024 and distributors stock is being monitored to ensure the next order is placed in a timely manner to ensure residents have continued access to the scheme.	
2.6	Install fabric first energy efficiency measures through the Home Upgrade Grant (2) funding for eligible off-gas properties in the borough.	The Grant scheme is in delivery and due to be completed by March 2025.	Strategic Housing & Regeneration
2.7	To enforce the Minimum Energy Efficiency Standards on non-compliant landlords. Ensuring all private rented properties meet the minimum EPC rating.	Embedded in business-as-usual service delivery through the Privat Sector Housing Team.	Strategic Housing & Regeneration
3 Biodiversity & Carbon Sequestration			
3.1	Explore accreditation schemes for biodiversity offset e.g. Carbon Credits and the Woodland Carbon Code.	Being developed through Biodiversity Net Gain work.	Prosperity & Investment
3.2	Developments to contribute towards the maintenance and/or extension of the borough's canopy cover (areas covered by trees) through various mechanisms to be defined through the Local Plan.	Being implemented through the review of the Local Plan which will consider opportunities to enhance tree and woodland protection.	Prosperity & Investment
3.3	Community Forest – planting on Telford & Wrekin Council owned land. A tree will be planted for every child in reception class as part of the community forest vision.	Initial meetings with schools underway.	Environment & Neighbourhood
3.4	Publication of a draft Local Nature Recovery Strategy (LNRS) for the borough. At a minimum the draft Local Nature Recovery Strategy will set out proposals to enhance, restore or create up to: 15ha of heathland 30ha of species rich grassland, and	A LNRS Coordinator is now in post and actively working with partners.	Prosperity & Investment

	25ha of wetlands on land in the direct ownership of the council.		
3.5	Create and enforce a biodiversity net gain commitment for new developments such as trees and hedges.	Began in February 2024 for major planning applications with temporary exemptions ceasing on 2nd April 2024.	Prosperity & Investment
3.6	Create and enforce green space requirements for new developments through development management.	This is being delivered through the implementation of Biodiversity Net Gain (BNG) via planning applications and work to include a Greenspace Factor in the new Local Plan	Prosperity & Investment
4 Borough Resources/Waste			
4.1	Promote and, where able, support circular economy initiatives through the added value commitments within the Waste Services Contract.	Following investment into a range of community environmental projects such as WARMHUB a further £10,000 has been agreed to support and expand reuse opportunities in 24/25.	Neighbourhood Services Contract Management and Performance
4.2	Reintroduce a food recycling service in council buildings with the potential to also engage schools.	A review is underway between Waste team and Building Services to reintroduce food recycling in Council buildings. For Schools, the Waste Team have sent out information to advise they can offer a collection service to recycle food waste.	Neighbourhood Services Contract Management and Performance
5 Corporate Catering			
5.1	Explore school catering options with the aim to make council-run catering services low-carbon.	Three vans are currently hired to deliver food to nurseries and the option of switching to three EV / hybrid	Catering Group

		vans is currently being investigated, alongside onsite charging.	
6 Corporate Estate			
6.1	Identify and deliver one community or publicly owned renewable energy project (e.g. new solar farm, solar streets, mine water district heating).	Several options are currently being investigated.	Climate Change & Sustainability
6.2	Wellington Leisure Centre refurbishment. Consultants commissioned to identify a range of energy efficiency measures with a view to submitting a bid to Salix 3c in October 2023.	£1.082M bid to Salix was successful for thermal upgrade and Air Source Heat Pump technology. Work to commence Autumn 2024.	bIT
6.3	Implement new power settings and usage controls on laptops, monitors and printers to reduce energy usage when not in use.	Printer reduction is part of a new contract, and laptops are part of a Lenovo zero carbon initiative.	Information and Digital Technology (IDT)
6.4	Explore new opportunities to improve the energy efficiency of the council's Property Investment Portfolio (PIP).	The new Orchard Park development has PVs and Team are looking at the potential for a retrofit at unit 9 Hortonwood West.	Regeneration and Investment
6.5	As part of the wider Levelling Up Fund-funded project to install LED lightning, solar panels, air source heat pump and upgraded thermal fabric to Telford Theatre, subject to survey.	Specialist contractors have been appointed to review the Mechanical & Engineering technology options. This includes LED lighting, re-use of existing PV and ASHP technology.	bIT
6.6	Ercall Wood School (extension) to include LED lighting solar PV and upgraded thermal fabric.	Contractor has been commissioned. Works include LED Lighting, Solar PV and thermal upgrade above building regulations.	bIT
6.7	Lawley School (extension) to include LED lighting Solar PV and upgraded thermal fabric.	Currently on site with Paveaways delivering construction works. This will include LED Lighting, Solar PV and thermal upgrade above building regulations. Expected handover September 2024.	bIT

7 Highways & Transport			
7.1	Install charging points for electric vehicles at Darby House.	70kVA connection and feeder pillar installed on site with third party operator Believ due to install three dual an electric vehicle charging points on site.	bIT
7.2	Develop and implement a Corporate Travel Plan minimising car travel for staff commuting and between offices.	This is being developed alongside promoting use of council owned fleet, trials of pool car system and use of technology to limit/reduce the need for business travel. Trial stage will lead to wider corporate involvement ahead of a full strategy being developed.	Strategic Transport & Highway Network Management
7.3	Deliver the Councils electric vehicle strategy including the installation of 140 EV charging points through external funding.	Following the award of £683,370 from On-street Residential Charge Point scheme (ORCS) and installation of 70 dual fast EV charge points an EV operator has been appointed to deliver infrastructure in all Council car parks. A review is underway to support delivery of a further 41 dual EV charge points which would see a total of 111 EV charge points (222 sockets) installed over the next 12-24 months.	Strategic Transport & Highway Network Management
7.4	Procurement of a multi partner electric vehicle framework and deployment across car parks in Telford and Wrekin – not limited to Telford & Wrekin Council ownership.	A partner has been procured for delivery of EV infrastructure across council owned car parks; once delivery is underway options will be	Strategic Transport & Highway Network Management

		explored to roll out wider through partner engagement.	
7.5	Local EV Infrastructure scheme	In addition to the on-street charging scheme, the Council has been awarded an indicative amount of £1,020,000 from Local EV Infrastructure fund (LEVI). The Council has joined the Midlands Connect Consortium to pool grant funding to maximise the number of on-street charge points deliverable.	Strategic Transport & Highway Network Management
7.6	Review the Council's Fleet Services to ensure optimum efficiency and carbon reductions.	Council owned fleet vehicles are continually replaced with a number of home to school minibuses now fitted with the latest technology to reduce emissions. There are 17 electric vehicles across council fleet and further opportunities are being sought including to secure an electric bus once vehicle technology and range permits.	Strategic Transport & Highway Network Management
7.7	Improvements to bus and rail services through the development of the Local Transport Plan.	The council has brought forward seven new bus routes across the borough including: • 99 circular service replicating previously underused tenders • Work Express 100 service in December 2022 to connect key employment between 5am and 11pm • 101 Madeley to Wellington service, removing the need to change	Strategic Transport & Highway Network Management

		in the Town Centre and linking key education movements • 102-105 services, fulling gaps in the rural north linking to Newport and Wellington These routes now cater for 60% of all patronage across the borough with the work express providing in excess of 2,000 passenger trips a week. A Bus Service Improvement Plan is being updated in line with Government guidance and will be published over the next few months June 2024 saw the reinstatement of the third rail service to the West Midlands providing three trains an hour.	
7.8	Improvements to cycling and walking routes as well as a review of the Local Transport Plan to include a new Walking and Cycling Strategy.	Local Cycling and Walking Infrastructure Plan (LCWIP) is in place with schemes being brought forward as funding allows.	Strategic Transport & Highway Network Management
7.9	Explore the provision of a 100% renewable fast charging electric vehicle forecourt.	The Council continues to support growth in the provision of fast/rapid chargers across the borough which has seen around 90 EV charge points being provided at petrol stations, leisure and retail areas.	Strategic Transport & Highway Network Management

		In parallel the council is working with developers to provide dedicated EV charge forecourts which underpins our EV Infrastructure Strategy..	
7.10	Explore initiating a public e-bike hire scheme for the Borough: subject to market interest implement a cycle hire scheme with a company, on a trial basis.	The council continues to explore opportunities for an e-bike cycle hire scheme that will complement the hire offer provided by the Bike Hub in the Town Park.	Strategic Transport & Highway Network Management
7.11	Identify where natural flood management approaches and Sustainable Drainage Systems (SuDS) can be used to increase carbon sequestration.	This forms part of the Local Plan Review currently underway. See action 9.1.	Neighbourhood and Enforcement Services
7.12	Explore public car share schemes for residents such as Co Wheels Car Club.	Linked to 7.2, to be trialled internally first.	Strategic Transport & Highway Network Management

8 Investment and Business			
8.1	Introduce training and skills provision for industrial decarbonisation - including carbon literacy training, engagement with providers and specific apprenticeship schemes including the Retrofit Academy.	The Retrofit Academy programme is now being provided via Local Skills Improvement Fund (LSIF) with delivery through local Training Providers.	Inward Investment and Business Support
8.2	Support the ongoing rollout of the Marches Energy Grant.	The target for the whole of the programme for Telford is to save 525 tCO_2e. So far 35 tCO_2e have been identified and the intervention rates are being increased to support take up.	Inward Investment and Business Support

8.3	Support for the Telford Sustainability and Energy Cluster.	Following a study visit for businesses to Tyseley Energy Park in February 2024 a programme of further visits and knowledge exchange is being delivered including to Lyreco to look at their onsite renewables. The next meeting of the Cluster is scheduled for 18th September 2024.	Inward Investment and Business Support
9 Planning Policy			
9.1	Use the review of the Local Plan to develop robust policy that supports and promotes a move to carbon neutrality. This includes consideration of how development will need to adapt to the impacts of climate change and promotes opportunities to maximise carbon sequestration in the future.	The Local Plan review is in progress with the completion of draft plan consultation in January 24. Comments received are being considered alongside technical studies prior to a final draft of the plan coming back to Cabinet for approval to proceed.	Strategic Planning
10 Plastic Free			
	Review single-use plastic used in the Council's procurement processes.	All template procurement documentation has the Councils climate change aims and asks with requirements for suppliers to integrate the sustainability theme in contracts in place.	Place Based Commissioning, Procurement & Brokerage
10.2	Achieve plastic free accreditation for the borough by end 2027 (potentially first local authority to do so).	Ongoing work programme with T&WPC and partners.	Climate Change & Sustainability
10.3	Install an outdoor water dispenser in Southwater and review usage to assess costs and benefits of installing additional dispensers in key outdoor locations e.g., Town Park/Ironbridge/T50 walking route.	Review underway to consider a range of issues including: •Vandalism of the flushing regime •Frost protection issues •High costs for install of pipework trenching and remedial backfill.	biT

10.4	Review single-use plastic used in our Care sector: first aid / medical equipment, disposable aprons, vinyl/latex gloves are not widely recyclable – research and replace with sustainable alternatives where possible.	Initial stages of investigating viable alternatives to single use plastics in the Care Sector	Adult Social Care
11 Communications and Engagement			
11.1	Explore employee discount or salary sacrifice schemes to support employees with buying energy efficient purchases such as solar panels / battery installations.	Ongoing, already includes EV leasing and other offers being investigated.	Organisational Development
11.2	Raise more awareness of climate change through events such as showcasing local food, stalls, speakers, activities and crafts etc.	We continue to offer opportunities to local suppliers and seek out new local suppliers to provide content or food and drink at our events. We offer contacts to local communities who are seeking suppliers for their events. We also mainly use local artists and creatives to provide activities at our events. We have good relationships and our supply chain for infrastructure and equipment has many local suppliers e.g. first aid, technical equipment. We also encourage environmental groups and organisations to attend our events to share information, encourage public support and recruit supporters.	Culture & Wellbeing Services
11.3	Develop and deliver an engagement programme for local schools, community groups, interest groups and residents to promote climate change and gauge ways to support/get involved with the Borough Partnership.	Borough Climate Change Partnership event took place on 11th October 2023. The next is scheduled for Friday 18th October 2024 at the Park Lane Centre.	Climate Change & Sustainability

11.4	Periodically hold a youth climate summit – as part of this promote and increase take-up of Eco-Schools programme.	A second Youth Climate Summit is being planned for 2025.	Climate Change & Sustainability
11.5	Ensure that all employee benefits that would contribute to our carbon reduction and carbon offsetting targets are clearly identified in our employee benefits package.	ValU platform is now in place – will include discounts for public transport and other initiatives.	Organisational Development
11.6	Continue to roll out climate change awareness across the council via Ollie and through management and leadership meetings.	Ollie course "Climate Change: An Introduction" is now live. Next phase is to consider rolling out Carbon Literacy training.	Climate Change & Sustainability
12 Performance and Monitoring			
12.1	Investigate the inclusion of additional Scope 3 emissions in the Council's baseline. This could be extended to include areas such as indirect emissions created by goods / services procured by the Council and those emissions as a result of waste generated.	We are currently looking at the feasibility of including further Scope 3 emissions as well as those already included in reporting.	Climate Change & Sustainability
12.2	Annually monitor & report on greenhouse gas emissions (CO_2e) of the Council's estate and services internally and publicly via corporate website.	Calculations to finalise 2023/24 carbon emissions are now complete. Quarterly reporting will continue during 24/25.	Climate Change & Sustainability
12.3	Reinstate a Council cross-working group (on hold since Covid) to help support the ongoing review and monitoring of the plan.	Group to be re-established by December 2024	Climate Change & Sustainability

Telford & Wrekin Co-operative Council | Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

29 January 2025

2024/25 Treasury Management Update Report and 2025/26 Treasury Management Strategy

Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance, Governance & Customer Services
Lead Director:	Michelle Brockway - Director: Finance, People & IDT
Service Area:	Finance, People & IDT
Report Author:	Edward Rushton - Group Accountant
Officer Contact Details:	**Tel:** 01952 383750 **Email:** edward.rushton@telford.gov.uk
Wards Affected:	All wards
Key Decision:	Not Key Decision
Forward Plan:	20th November 2023
Report considered by:	SMT – 14 January 2025 Business Briefing – 23 January 2025 Audit Committee – 29 January 2025

1.0 Recommendations for decision/noting:

Audit Committee Members are asked to recommend that Full Council:

1.1 Note the treasury management activities to 31 December 2024 (Appendix A);

1.2 By way of vote, recommend that Full Council approves the Treasury Strategy 2025/26 (Appendix B), including the Annual Investment Strategy, together with the Minimum Revenue Provision Statement (Appendix B para 3.0, which will apply from 2024/25 onwards and Treasury Management Prudential Indicators (Appendix Bii); and

1.3 Note the Treasury Management Policy Statement (Appendix B para 4.0).

2.0 Purpose of Report

2.1 During the financial year the minimum reporting requirements, as required by regulations issued under the Local Government Act 2003, are that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year,
- a mid-year, (minimum), treasury update report and
- an annual review following the end of the year describing the activity compared to the strategy.

This report updates members on Treasury Management activities during 2024/25 (mid year treasury update report) and details the Treasury Management Strategy recommended to be adopted for 2025/26 (annual treasury strategy). The report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.0 Background

3.1 The strategy in 2024/25 and recent years has been to limit investments in third parties, which reduces the Council's exposure to counterparty risk, and where possible and appropriate to take advantage of lowest interest rates for borrowing. Maintaining high levels of very cheap temporary financing has generated surplus treasury management returns of more than £30m since 2015/16 which has reduced the impact of Government cuts to the Council's grants and therefore helped to protect front line services.

3.2 The Council's Medium Term Financial Strategy for 2024/25 and the Cabinet's proposals issued for consultation in January 2025 for 2025/26 to 2028/29 include an allowance for interest rates based on advice from the Council's independent treasury management advisors which ensures that the Council's budget in relation to Treasury Management is as robust as possible. The Council will continue to receive regular advice from independent expert advisors specialising in all aspects of local government treasury management and we will act in accordance with the advice received.

3.3 The report also sets out expected external financing requirements. We have an excellent track record of complying with all the treasury management and prudential indicators and limits agreed by Council and are operating well within the overall approved credit ceiling.

3.4 The proportion of the Council's net revenue budget used to service loan repayment at the time of the MTFS Strategy 2024/25 was 9.9% in the current financial year. This compares to 9.5% for the average unitary authority, and a reduction of 0.8% on prior year. At the 31 December 2024 the projected figure for 2024/25 had fallen to 8.23% which reflects capital programme reprofiling during the year.

3.5 The Council has increased its external financing requirements in recent years to include investment in NuPlace which provides high quality homes for rent from a reliable landlord, mainly at market rent levels and has enabled brownfield sites to be brought back in to use. The council has also expanded the Property Investment Portfolio (the PIP) to attract and retain jobs for local people and to provide other regeneration benefits for our residents. An ancillary consequence of these investments is that it is anticipated they will bring long term capital growth which will strengthen the Council's balance sheet as well as generating revenue returns well in excess of the associated loan repayment charges. They will also bring other direct and indirect financial and other benefits to the residents of the Borough including additional income from council tax, business rates and new homes bonus which will be used to help support front line services such as Adult Social Care, as well as protecting and creating jobs for local people. The Council's solar farm generates an index linked surplus after covering all associated costs including debt charges each year which is also used to help support front line services. The net surplus in the current year is expected to be around £0.75m.

3.6 This report, and the Prudential Indicators report which will be considered by Cabinet on 13 February 2025 and Full Council on 27 February 2025, sets out our overall approach to treasury management and the controls that are put in place to ensure that council taxpayers' interests are protected and risks are managed as effectively as possible.

4.0 Summary of main proposals

4.1 Treasury Management Update 2024/25

The full report is included an Appendix A.

Treasury Management Portfolio at 31 December 2024

	31.03.24 Actual £m	31.12.24 Actual £m	Movement Actual £m	31.03.25 Estimate £m
Capital Expenditure	83.485	57.634	-	93.151
Loans Capital Financing Requirement	511.154	551.307	40.153	551.307
Borrowing (excl. PFI)	371.324	422.667	51.343	420.312
Investments (excl. NuPlace)	17.868	31.200	13.332	15.000
Net indebtedness	**353.456**	**391.467**	**38.011**	**405.312**

The strategy for 2024/25 remains consistent with that outlined in the 2024/25 Treasury Strategy which was agreed for approval at Full Council on 29 February 2024 and by this committee on 31 January 2024. The Strategy is also a continuation of that used in recent years which has provided considerable benefits to the Council, i.e. to:-

- take new borrowing within shorter maturities before gradually lengthening maturities, and

- take advantage of longer term loans when opportunities arise.

Latest financial monitoring projections indicate a benefit of £1.7m from treasury management during 2024/25 which is supporting the provision of front line services and the Council's overall financial position.

Borrowing

DEBT PORTFOLIO	31.12.24 Principal £m	Average Interest Rate %
PWLB	239.426	2.87
LOBO and Fixed Rate Loans	35.000	4.15
Municipal Investment	0.212	2.10
Temporary Loans (Local to Local)	148.029	5.22
Total debt	**422.667**	**3.77**

To date in 2024/25 £20.1m of our PWLB loans have matured and a further £27.7m are due to mature before the end of the financial year. Two new PWLB loans totalling £15m have been taken (see Appendix A para. 3.1). Alongside this, short term borrowing has been used to fund short term cash flow requirements.

As referred to in para. 3.1 above, a large part of the Council's total existing borrowing and planned further borrowings relates to funding projects which will deliver important and significant housing and regeneration benefits as well as generating some income. These are budgeted to generate returns in excess of the annual loan repayment charges and other operating costs.

The lender of one Lenders Option Borrowers Option (LOBO) loan has exercised their rights under the terms of the loan and the loan, £5m, has been repaid.

Investments

INVESTMENT PORTFOLIO	31.12.24 Actual £m	Average Interest Rate %	Weighted Credit Score
Treasury investments	31.200	5.07	1.69

The overall investment strategy for 2024/25 is to gain maximum benefit but with security of the principal sum invested being the primary consideration. Overall the weighted average return on all internal investments for the year to date was 5.01%; with the paramount aim being to maintain security of principal investments have generally been placed with the Government's Debt Management Office. This return compares to a benchmark return for the period of 5.02% based on the average overnight rate with the Debt Management Office (DMO).

A schedule of short-term investments as at 31 December 2024 is shown at Appendix A, Section 4.0.

The Markets in Financial Instruments Directive II (MIFID II) came into place on 3 January 2018 and the Council has opted to be categorised as a professional client which allows access to financial services and advice it may otherwise be unable to obtain (such as advice from our treasury advisors). As part of the regulations, the authority must hold a minimum investment balance which is currently set at £10m.

Treasury Management Advisor

The Authority uses Link Group, Link Treasury Services Limited as its external treasury management advisors. Link currently provide treasury advisory services to over 400 public sector clients in the UK and are experienced and well-resourced to support our treasury function.

Economic Data (provided by Link)

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

4.2 Treasury Management Strategy 2025/26

The full report is included an Appendix B.

The Council's Treasury Management Strategy is set within the parameters of the relevant statute, guidance and accounting standards which include the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in Public Services (2021) and the Prudential Code (2021). The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

4.2.1 Borrowing Strategy 2025/26

The Council is currently expected to need to borrow an additional £82.6m in 2025/26 based on the current capital programme plans and will adopt a flexible approach to borrowing. 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.

With the forecast for interest rates expected to continue falling through the forecast horizon, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow through the use of short-term loans of up to 1 year. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next year given to current downward trajectory in the interest rate forecast, over the medium-term we will make gradual moves into longer term borrowing as and when attractive opportunities arise. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years.

External advisors 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 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In consultation with its treasury management advisors consideration will be given to affordability, maturity profile of existing external financing, interest rate and refinancing risk as well as borrowing source, which is usually expected to be either Local Authorities or the Public Works Loan Board, but may also include Municipal Investment Loans, the LGA Municipal Bonds Agency, European Investment Bank or commercial sources, and any new opportunities which may arise, in accordance with the approved sources of borrowing.

This Strategy for 2025/26 is a continuation of the current Strategy approved by Full Council 29th February 2024.

4.2.2 Investment Strategy 2025/26

The strategy for any investments will generally be to minimise investments in order to reduce counter-party risk and to reduce net interest costs as longer-term borrowing rates will tend to be greater than we are able to earn on new investments, but we will look to lengthen investment periods, where cash flow permits, to achieve higher interest rates within acceptable risk parameters.

For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

We would generally anticipate holding investments equal to the requirements set out under MIFID II, currently £10m. Maximum investment levels with counterparties will be set to ensure prudent diversification is achieved whilst recognising that the strict investment criteria that the Council applies severely reduces the number of suitable available counterparties and therefore sums with individual counterparties may be up to £15m at any one time.

4.2.3 MRP Statement 2025/26

The Council will calculate MRP by the following methods –

Historic MRP (re pre 2007/08 borrowing). This will be calculated by dividing the balance at 31/3/07 (calculated in accordance with regulations) by 50 for an annual charge that charges over a finite period rather than a 4% reducing balance. This methodology is broadly in line with Option 3.

MRP in respect of prudential borrowing (subject to the 5.1.2 and 5.1.3 below), government supported allocations since 2007/08 and PFI will be charged over the life of the asset on an annuity basis - Option 3 in the regulations.

Regulation 27(3) allows a local authority to charge MRP in the financial year following the one in which capital expenditure financed by debt was incurred. Therefore, capital expenditure financed by borrowing in 2024/25 will not be subject to an MRP charge until 2025/26, or in the financial year following the one which the asset first becomes available for use.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

Capital loans

Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan.

The Authority has issued capital loans that are categorised non-commercial loans and has chosen to not apply MRP in accordance with the statutory guidance.

Share Capital

Where an Authority incurs expenditure that is capitalised on or after April 2008, which is financed by borrowing for the acquisition of share capital, Regulation 25(1)(d) Acquisition of share capital sets out the maximum period for an authority to provide MRP of 20 years.

The Authority has incurred expenditure that has been capitalised which is financed from borrowing for the acquisition of share capital. This expenditure relates solely to share capital in NuPlace Ltd, the Council's wholly owned subsidiary. MRP relating to such expenditure has been calculated in accordance with the statutory guidance, in line with Option 3 however the asset life has been included as 20 years.

4.2.4 Treasury Management Prudential Indicatiors

Capital Expenditure and Financing:

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Members are asked to approve the capital expenditure forecasts: -

Capital expenditure (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Total	83.485	93.151	151.563	80.381	45.926

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital receipts	1.852	4.613	5.136	6.000	0.000
Capital grants	35.114	39.252	56.477	0.104	0.000
Revenue	1.435	0.343	0.992	0.000	0.000
External	6.717	7.087	6.393	0.130	0.000
Net financing need for the year	38.367	41.856	82.565	74.147	45.926
Total Financing	**83.485**	**93.151**	**151.563**	**80.381**	**45.926**

The Authority's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). See Table 2 – Capital Financing Requirement (CFR) in Section 1.7 above.

Members are asked to approve the CFR projections below:

Capital Financing Requirement (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Total CFR	555.727	592.477	670.577	742.583	782.840
Movement in CFR		36.750	78.100	72.006	40.257

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. The CFR Table above shows that the Authority expects to fully comply with this recommendation.

Limits to Borrowing Activity:

The Operational Boundary - this is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Members are asked to approve the following Operational Boundary Limits:

Operational Boundary (£m)	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	635.0	645.0	725.0	765.0
Other long-term liabilities	50.0	50.0	50.0	40.0
Total	**685.0**	**695.0**	**775.0**	**805.0**

The Authorised Limit for external debt - this is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

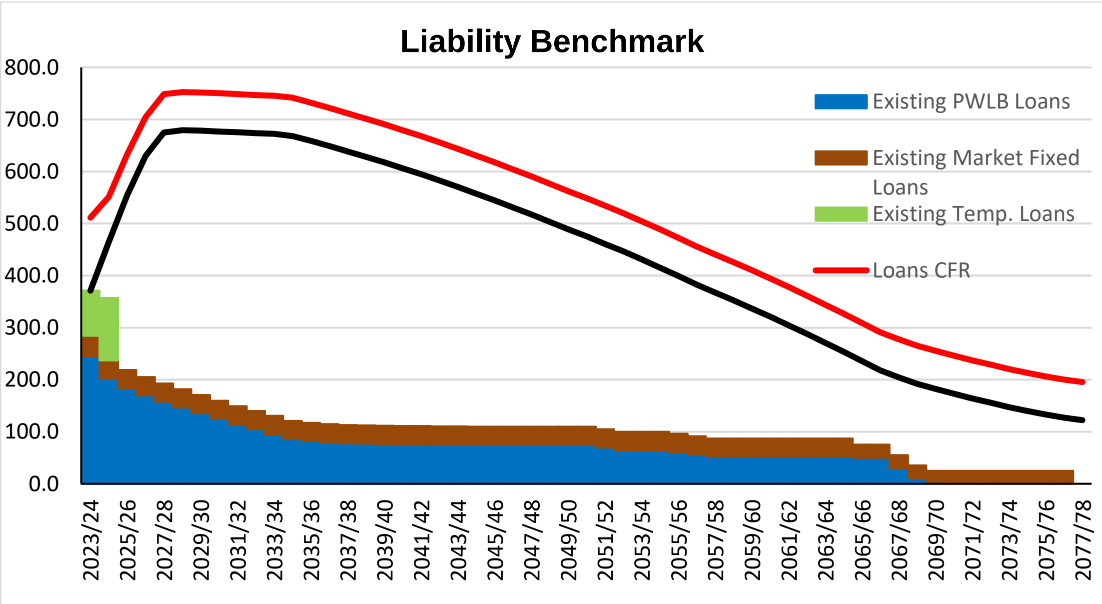
The Authority is asked to approve the following Authorised Limit:

Authorised Limit (£m)	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	655.0	665.0	745.0	785.0
Other long-term liabilities	54.0	54.0	54.0	44.0
Total	**709.0**	**719.0**	**799.0**	**829.0**

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 the Capital Financing Requirement (CFR), but that cash and investment balances are kept to a minimum level of £15m at each year-end to maintain sufficient liquidity but minimise credit risk.

Liability Benchmark (£m)	31.3.24 Actual	31.3.25 Estimate	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
CFR	555.727	592.477	670.577	742.583	782.840
Less: PFI & leases	44.573	41.170	38.457	38.138	34.317
Loans CFR	**511.154**	**551.307**	**632.120**	**704.445**	**748.523**
Less: Balance Sheet Resources	157.699	101.529	93.131	89.482	88.550
Net Loans Requirement	**353.455**	**449.778**	**538.989**	**614.963**	**659.973**
Plus: Liquidity Allowance	17.868	15.000	15.000	15.000	15.000
Liability Benchmark	**371.323**	**464.778**	**553.989**	**629.963**	**674.973**



Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

Maturity structure of fixed rate borrowing	Lower Limit for 2025/26 %	Upper Limit for 2025/26 %	Existing level 31.12.24 %
under 12 months	0	70	14
12 months and within 24 months	0	30	33
24 months and within 5 years	0	50	9
5 years and within 10 years	0	75	13
10 years and within 20 years	0	75	5
20 years and within 30 years	0	75	2
30 years and within 40 years	0	100	3
40 years and within 50 years	0	100	15
50 years and above	0	100	6

Security of Investments:

The Council considers security, liquidity and yield, in that order, when making investment decisions.

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted credit score 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 would be assigned a score based on their perceived risk.

Credit Risk Indicator	Target	Current (31.12.24)
Portfolio average credit score	6 or lower, (which is equivalent to a credit rating of ‘A’ or higher)	1.69

Principal sums invested for periods longer than a year:

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:

Limit on principal sums invested for periods longer than a year	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
Limit on total investments	95	95	95

The full Treasury Management Strategy 2025/26 is contained at Appenix B.

5.0 Alternative Options

5.1 The Council must ensure that it manages its finance in accordance with Legislation and the CIPFA code of practice. The recommendations in this report support that aim and are based on consideration of a range of factors.

6.0 Key Risks

6.1 The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

7.0 Council Priorities

7.1 Effective management of the Council's Treasury portfolio helps support the Council's overall financial position through minimising borrowing costs and optimising investment income whilst following the principles of Security, Liquidity and Yield; and therefore supports the delivery of all Council priorities.

8.0 Financial Implications

8.1 These are detailed in the body of the report and the appendices.

9.0 Legal and HR Implications

9.1 The Council's Treasury Strategy has to comply with the relevant statute, codes and guidance which are set out both in the main body of this report and its appendices. This reports demonstrates that the Council has had regard to the CIPFA guidance as required by the Local Government Act 2003.

9.2 The Director: Finance, People & IDT (Section 151 Officer) has responsibility for the administration of the financial affairs of the Council. In providing this report the Director: Finance, People & IDT is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Article 12, paragraph 12.04(f) which states "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee." This requirement within the Constitution reflects the requirements of the Local Government Finance act 1988 to appoint an officer who is responsible for the good financial administration of an authority.

9.3 The Local Government Finance Act 1992 requires authorities to set a balanced budget; the proposals in this report, together with other budget-related reports, demonstrates that the Council meets this requirement.

10.0 Ward Implications

10.1 There are no impacts on specific wards in this report.

11.0 Health, Social and Economic Implications

11.1 The Economic Climate has direct relevance to Treasury Management and is covered in detail in the report and accompanying appendices.

12.0 Equality and Diversity Implications

12.1 The Council will not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the Council. At the same time the Council will take full responsibility for proper management of risk and safeguarding its investments by ensuring that they are diversified and made with organisations that are suitably credit assessed.

13.0 Climate Change and Environmental Implications

13.1 Part of the Councils Treasury portfolio includes a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment which supports the Councils climate change agenda.

14.0 Background Papers

1 CIPFA Treasury Management in the Public Services – Code of Practice and cross-sectional guidance notes (2021 edition)
2 CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 edition)
3 Local Government Act 2003
4 Treasury Management Strategy Statement (TMSS) Template provided by Link Treasury Services

15.0 Appendices

A 2024/25 Treasury Management update Report
B 2025/26 Treasury Management Strategy

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	08/01/2025	08/01/2025	ER
Legal	15/01/2025	21/01/2025	RP
Director	08/01/2025	08/01/2025	MLB

Treasury Update Report 2024/25

Telford & Wrekin Council

A glossary and list of abbreviations used in this report can be found at page 13

Contents

Treasury Management Update Report 2024/25

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce a Treasury Update Report to review activities and actual prudential and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2024/25 the minimum reporting requirements were that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year,
- a mid-year, (minimum), treasury update report (this report) and
- an annual review following the end of the year describing the activity compared to the strategy.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the Full Council. Member training on treasury management issues was undertaken in January 2025 in order to support members' scrutiny role.

Executive Summary

During 2024/25, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	31.03.24 Actual £m	2024/25 Original £m	2024/25 Revised Estimate £m	31.12.24 Actual £m
Capital expenditure				
• Total	83.485	179.798	93.151	57.634
Capital Financing Requirement:				
• Total	555.727	671.600	592.477	592.477
• Less Other Long Term Liabilities	(44.571)	(41.200)	(41.170)	(41.170)
• Loans CFR	511.156	630.400	551.307	551.307
Gross borrowing				
• External Debt	371.324	493.700	420.312	422.667
Investments				
• Under 1 year	17.868	15.000	15.000	31.200
Net borrowing				
• Total	353.456	478.700	405.314	391.467

Other prudential and treasury indicators are to be found in the main body of this report.

Borrowing can only be undertaken to fund capital investment and not to support the revenue budget which supports the delivery of most Council services. The Director of Finance, People & IDT confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

2024/25 TREASURY MANAGEMENT UPDATE

1.0 Treasury Position as at 31st December 2024

The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established which includes member reporting as detailed in the summary.

At the 31st December the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

TREASURY PORTFOLIO	31.03.24 Principal £m	31.12.24 Principal £m	Movement in Principal £m
Fixed rate debt (+1yr)	244.208	274.638	30.430
Temporary debt (-1yr)	86.529	148.029	61.500
Total debt	**330.737**	**422.667**	**91.930**
Less Total investments	**17.868**	**31.200**	**13.332**
Net debt (exc. Nuplace)	**312.869**	**391.467**	**78.598**
Less Investment in NuPlace	**22.200**	**25.200**	**3.000**
Net debt (inc. Nuplace)	**290.669**	**366.267**	**75.598**

The maturity structure of the debt portfolio was as follows:

MATURITY STRUCTURE – DEBT (assumes 31st March)	31.03.24 Actual		2024/25 original limits %		31.12.24 Actual	
	£m	%	Lower	Upper	£m	%
Under 12 months	134.232	36.1	0.0	70.0	60.365	14.1
12 months and within 24 months	17.791	4.8	0.0	30.0	139.552	32.7
24 months and within 5 years	34.542	9.3	0.0	50.0	39.560	9.3
5 years and within 10 years	49.852	13.4	0.0	75.0	55.975	13.1
10 years and above*	134.907	36.4	25.0	100.0	131.808	30.8

** this includes £20m Lenders Option Borrowers Options (LOBO) loans (£25m at 31.03.2024 as a £5m loan was called in September 2024) that are potentially callable at certain points before the maturity date.*

The maturity structure of the investment portfolio was as follows:

MATURITY STRUCTURE – INVESTMENTS (exc. NuPlace Ltd)	31.03.24 Actual £m	31.12.24 Actual £m
Investments		
Longer than 1 year	0.0	0.0
Up to 1 year	17.868	31.200
Total	**17.868**	**31.200**

2.0 Interest Rates and Economic Data

The third quarter saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

3.0 Borrowing

At the 31st December the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

DEBT PORTFOLIO	31.12.24 Principal £m	Average Interest Rate %
Fixed rate funding:		
- PWLB	239.428	2.87
- Market Loans & LOBOS	35.000	4.15
- Municipal Investment	0.212	2.10
Variable rate funding:		
- Temporary	148.029	5.22
Total debt	**422.669**	**3.77**

The borrowing strategy for the current year has been to borrow temporarily where possible as we are in a reducing interest environment before gradually extending maturities.

3.1 New Borrowing

To date in 2024/25 £20.1m of our PWLB Loans have matured, included £10.0m of Maturity only loans. A further £27.7m of PWLB Loans, including £25.0m of Maturity only loans, are due to mature before the end of the financial year.

Two new PWLB loans, totalling £15.0m, have been taken since 1 June 2024. These are the only two loans taken during year.

Lender	Date Raised	Principal £m	Type	Interest Rate %	Duration
PWLB	19.09.204	5.0	Fixed interest rate - EIP	4.32	11.5 years
PWLB	06/12/2024	10.0	Fixed interest rate - EIP	4.82	10 years

Between the period 1 June 2024 (previous Member update) and 31 December 2024, £163.0m of temporary loans have been raised, renewed or replaced in order to fund short-term cash flow requirements. Interest rates have ranged from 4.80% and 5.25%. The outstanding temporary borrowing at 31 December 2024 was £148.0m.

3.2 Rescheduling and Repayments

During 2024/25 no rescheduling of debt has taken place as market conditions have not been favourable, however the scope for opportunities is regularly monitored.

In September 2024 FMS Wertmanagement exercised their option under the conditions of the Lender Option Borrower Option (LOBO) Loan. The Council had the option to repay the loan (£5m principle) or accept the interest rate increase proposed by the lender from 4.45% to 7.41%. Following consultation with Link Treasury Services, the Councils external Treasury Management Advisory, the LOBO was repaid.

4.0 Treasury Management Investments

At the 31st December the Council's treasury position was as follows:

INVESTMENT PORTFOLIO	31.12.24 Actual £m	31.12.24 Actual %	Credit Rating	Weighted Credit Score
Treasury investments				
Banks	5.420	17.4	A+	0.87
DMADF (H.M. Treasury)	20.800	66.7	AAA	0.67
Money Market Funds	4.980	15.9	AAA	0.16
Total Treasury Investments	**31.200**	**100.0**		**1.69**

The Authority's objective when investing money for Treasury Management purposes is to strike an appropriate balance between risk and return. The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate.

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted credit score 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. Based on this the Treasury Management Prudential Indicator in relation to Credit Risk is a score of 6 or lower, which is equivalent to a weighted average credit rating of 'A' or higher across the investment portfolio. As at 31 December 2024 the weighted average credit rating for Investments held was 1.69 (which is within the indicator)**.** Further information regarding Credit Ratings is detailed in Appendix Ai.

The Council's treasury management investments are mainly internally managed and are currently held as temporary investments for cash flow purposes.

For the period to 31st December 2024 some £7.378bn worth of investments have been placed with H.M. Treasury's Debt Management Account Deposit Facility (DMADF) and Lloyds Bank. Interest rates have ranged from an average of 4.70% to 5.19%.

The Council holds investments of £4.98m in Money Market Funds which gives increased diversification of counter-party risk and slightly higher yield whilst retaining a high degree of liquidity. These investments are held in one diversified fund. The average interest rate to 31 December was 5.07%.

In line with the approved Treasury Management Prudential Indicator, the Council can place up to £15.0m with any Counterparty, with the exception of the DMADF which is Government backed and therefore considered to be very secure, so no limit is placed on investments. At the end of December, the greatest exposure with a single counterparty was £20.8m (66.7% of the portfolio) with the DMADF.

The Council has operated within the Treasury Limits and Prudential Indicators set.

The Council is guided by its Treasury advisers in assessing investments.

4.1 Longer Term Treasury Management Investments

The Council currently holds no long-term Treasury Management Investments.

4.2 Overall Performance

Overall, the weighted average return on all internal treasury management investments for the year to date to 31st December 2024 was 5.01%. This compared to a benchmark return for the period of 5.02% based on the average overnight rate with the DMADF / 7 Day Sonia Rate. The security of principal sums invested is paramount.

5.0 Leasing

Each year the Council arranges operating and finance leases for assets such as vehicles, computers and equipment. This helps to spread the cost of the acquisition over a number of years.

To date, there have been 2 lease requests made for 2024/25.

Draw Down Date	Purpose	Length / Type	Lessor	Value
September 2024	Gym equipment & flooring and video wall	5 year Finance Lease	DLL Leasing	£44,391
November 2024	John Deere Mower	5 year Finance Lease	JCB	£68,595

6.0 Projected Performance

The Chief Financial Officer and other Senior Finance Officers closely monitor the Treasury position, particularly with the uncertainty in timings of predicted continued interest rate cuts. Latest financial monitoring projections indicate a benefit of £1.7m from treasury management activities in year. Updates will be provided in future financial monitoring reports taken to Cabinet.

Credit Ratings – A Guide.

Long-term credit ratings and Sovereign Ratings

Fitch Rating' long-term credit ratings are set up along a scale from 'AAA' to 'D', first introduced in 1924 and later adopted and licensed by Standard & Poors (S&P). Moody's also uses a similar scale, but names the categories differently. Like S&P, Fitch also uses intermediate modifiers for each category between AA and CCC (i.e., AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB- etc.).

Investment grade

- **AAA** : the best quality, reliable and stable
- **AA** : good quality, a bit higher risk than AAA
- **A** : economic situation can affect finance
- **BBB** : medium class counterparties, which are satisfactory at the moment

Non-investment grade

- **BB** : more prone to changes in the economy
- **B** : financial situation varies noticeably
- **CCC** : currently vulnerable and dependent on favourable economic conditions to meet its commitments
- **CC** : highly vulnerable, very speculative bonds
- **C** : highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations
- **D** : has defaulted on obligations and Fitch believes that it will generally default on most or all obligations
- **NR** : not publicly rated

Short-term credit ratings

Fitch's short-term ratings indicate the potential level of default within a 12-month period.

- **F1+** : best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment
- **F1** : best quality grade, indicating strong capacity of obligor to meet its financial commitment
- **F2** : good quality grade with satisfactory capacity of obligor to meet its financial commitment
- **F3** : fair quality grade with adequate capacity of obligor to meet its financial commitment but near term adverse conditions could impact the obligor's commitments
- **B** : of speculative nature and obligor has minimal capacity to meet its commitment and vulnerability to short term adverse changes in financial and economic conditions
- **C** : possibility of default is high and the financial commitment of the obligor are dependent upon sustained, favourable business and economic conditions

- **D** : the obligor is in default as it has failed on its financial commitments.

Support Ratings (1 – 5)

The Purpose and Function of Support Ratings
Support Ratings are Fitch Ratings' assessment of a potential supporter's propensity to support a bank and of its ability to support it. Its propensity to support is a judgment made by Fitch Ratings. Its ability to support is set by the potential supporter's own Issuer Default Ratings, both in foreign currency and, where appropriate, in local currency. Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. These ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

Timeliness and Effectiveness Requirements
Fitch Ratings' Support Rating definitions are predicated on the assumption that any necessary "support" is provided on a timely basis. The definitions are also predicated on the assumption that any necessary support will be sufficiently sustained so that the bank being supported is able to continue meeting its financial commitments until the crisis is over.

Obligations and Financial Instruments Covered
In terms of these definitions, unless otherwise specified, "support" is deemed to be in terms of foreign currency. It is assumed that typically the following obligations will be supported: senior debt (secured and unsecured), including insured and uninsured deposits (retail, wholesale and interbank); obligations arising from derivatives transactions and from legally enforceable guarantees and indemnities, letters of credit, and acceptances; trade receivables and obligations arising from court judgments.

Likewise, the agency does not assume that the following capital instruments will be supported when sovereign support is involved: preference/preferred shares or stock; hybrid capital (tier 1 and upper tier 2), including reserve capital instruments (RCIs) and variations upon RCIs; and common/ordinary equity capital. It is also assumed that there will be no support for any moral obligation on securitizations. The sovereign support status of subordinated debt is difficult to categorize in advance; it is assessed on a case by case basis, distinguishing among different jurisdictions.

Definitions:

1: A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.

2: A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.

3: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.

4: A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.

5: A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

GLOSSARY

Term	Meaning
Annuity	A method of repaying a loan where the cash payment remains constant over the life of the loan, but the proportion in interest reduces and the proportion of principal repayment increases over time.
Authorised Borrowing Limit	The maximum amount the authority can borrow at any point of time in the year. This limit should never be exceeded. The limit is set by Full Council at the beginning of March and is a prudential indicator.
Bail-in	A method of rescuing a failing financial institution by cancelling some of its deposits and bonds. Investors may suffer a haircut but may be given shares in the bank as part compensation. See also bail-out
Bail-out	A method of rescuing a failing financial institution by the injection of public money. This protects investors at the expense of the taxpayer.
Call account	A deposit account that can be called back, normally on instant access.
Capital Financing Requirement CFR)	This represents the underlying need for the authority to borrow and represents the assets of the authority less the long term capital liabilities.
Credit Default Swaps (CDS)	CDS are bought by investors to insure against defaults (i.e. the counterparty not being able to repay). The higher the cost/premium then the higher the risk – CDS therefore given a market view of the credit worthiness of an organisation.
Credit Ratings	Rating on the ability of an organisation to meet its obligations; ratings are assigned by independent, specialist companies, such as Fitch and Moody's using market intelligence they gather.
Credit Risk	The risk that the debtor will default on their obligations
Counterparty	The organisation that you are conducting your business with.
Debt Management Account Deposit Facility	Provided by the Debt Management Office, users can place cash in secure fixed-term deposits. Deposits are guaranteed by the government and therefore have the equivalent of a sovereign triple-A credit rating.
Derivative Instruments	A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage. For example, a stock option is a derivative because it derives its value from the value of a stock. An interest rate swap is a

	derivative because it derives its value from one or more interest rate indices.
Discounts	These relate to Public Works Loans Board loans. If rates have increased since the borrowing was undertaken then part of the benefit that PWLB will achieve from being able to loan out at that higher rate are passed back to an authority if they repay the loan early.
Fund Managers	Independent investment managers who work to a specific mandate and invest funds on behalf of the Council
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Inflation	The rise in prices of goods and services over a period of time.
Interest Rate Risk	The risk that the value of an investment will change due to changes to the interest rate.
Internal Borrowing	This is where the amount of an authority's borrowing is less than its CFR or underlying need to borrow and represents the use of internal balances rather than borrowing from the market.
LIBID	London inter-bank bid rate. Interest rate at which prime banks will **borrow** money in the London inter-bank market.
LIBOR	London inter-bank offer rate. Interest rate at which prime banks will **lend** money in the London inter-bank market. Fixed every day by the British Bankers Association to five decimal places.
Liquidity Risk	The risk of not being able to trade an investment quickly to release cash.
LOBO	Lender's Option Borrower's Option – a long term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower's interest rate risk and the loan should therefore attract a lower rate of interest initially.
Minimum Revenue Provision (MRP)	This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Money Market Fund (MMF)	Mutual funds that invest in short term debt instruments. They offer a higher level of security than banks and interest rates are generally higher.
Obligor	An individual or company that owes debt to another individual or company (the creditor), as a result of borrowing or issuing bonds.

Operational Borrowing Limit	The amount the authority would normally borrow at any point of time in the year. This boundary might be exceeded temporarily but only in exceptional circumstances. The limit is set by Full Council at the beginning of March and is a prudential indicator.
Premia	This is the penalty applied to the early redemption of PWLB loans where rates have fallen since the loan was undertaken.
Prudential Code	A professional code of practice which provides regulatory framework to local authorities on capital expenditure, investments and borrowing activities.
Prudential Indicators	A set of indicators developed within the Prudential Code which define thresholds for investment and borrowing within a local authority.
PWLB	Public Works Loans Board – a Government agency providing long and short term loans to local authorities. Interest rates are generally lower than the private sector and slightly higher than the rates at which the Government themselves may borrow.
Quantitative Easing	This is where the government buy back their own gilt issuance to effectively pump money into the financial markets of the economy.
Re-scheduling	This relates to repaying existing borrowing early and replacing it with borrowing for a different period usually, but not necessarily, at lower rates
Return	The gain from holding an investment over a given period
Security	An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government or other organisation which offers evidence of debt or equity.
SONIA	Sterling Overnight Interbank Average – a key Bank of England interest rate benchmark; it is a measurement of the cost of borrowing and reflects the average of interest that banks pay to borrow sterling overnight from other financial institutions.
Sovereign Exposure	Risk of exposure to one particular country.
Supranational Bonds	These are bonds (similar to gilts) issued by multi government development organisations and are supported by all of the governments who form part of the organisation. E.g. European Investment Bank and are usually very secure.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.

This page is intentionally left blank

Treasury Management Strategy 2025/26

(including Minimum Revenue Provision Statement 2025/26 & Treasury Management Policy Statement 2025/26)

Telford & Wrekin Council

A glossary and list of abbreviations used in this report can be found at page 55

Contents

Treasury Management Strategy 2025/26

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management strategy for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2025/26 the minimum reporting requirements are that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (this report),
- a mid-year, (minimum), treasury update report, and
- an annual review following the end of the year describing the activity compared to the strategy.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the Full Council. Member training on treasury management issues was undertaken January 2025 in order to support members' scrutiny role.

1.0 BACKGROUND & CONTEXT

1.1 Background

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

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting Requirements

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The Council's Capital Strategy is included as part of the suite of Medium-Term Financial Strategy (MTFS) reports which are approved by Full Council each year.

Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
    - the capital plans, (including prudential indicators)
    - a minimum revenue provision (MRP) policy, (how capital expenditure funded by borrowing is charged to revenue over time)
    - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
    - an Annual Investment Strategy, (the parameters on how investments are to be managed)

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny - the above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Audit Committee.

Other reports – The above reports will be supplemented by updates as part of the financial monitoring taken to Cabinet.

1.3 Treasury Management Strategy for 2025/26

The strategy for 2025/26 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, Department of Levelling Up, Housing and Communities (DLUHC) (now Ministry of Housing, Committees and Local Government (MHCLG)) Investment Guidance, DLUHC (now MHCLG) MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2025/26 – 2027/28

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

Capital expenditure (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund Services	47.691	49.024	72.389	21.521	13.482
Housing Investment Programme (NuPlace)	9.073	19.633	29.130	19.946	25.326
Property Investment Portfolio	7.038	1.599	15.468	30.015	7.118
Towns Fund	14.664	14.102	11.688	0.706	0.000
Levelling Up & Regeneration	5.019	8.793	22.888	8.193	0.000

Capital expenditure (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Total	**83.485**	**93.151**	**151.563**	**80.381**	**45.926**

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital receipts	1.852	4.613	5.136	6.000	0.000
Capital grants	35.114	39.252	56.477	0.104	0.000
Revenue	1.435	0.343	0.992	0.000	0.000
External	6.717	7.087	6.393	0.130	0.000
Net financing need for the year	38.367	41.856	82.565	74.147	45.926
Total Financing	**83.485**	**93.151**	**151.563**	**80.381**	**45.926**

2.2 The Authority's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £44.6m of such schemes within the CFR (31.03.2024).

The Committee is asked to approve the CFR projections below:

Capital Financing Requirement (£m)	2023/24 Actual	31.3.2025 Estimate	31.3.2026 Estimate	31.3.2027 Estimate	31.3.2028 Estimate
Capital Financing Requirement					
General Fund Service	414.676	431.137	465.514	487.559	495.372

Capital Financing Requirement (£m)	2023/24 Actual	31.3.2025 Estimate	31.3.2026 Estimate	31.3.2027 Estimate	31.3.2028 Estimate
Housing Investment Programme (NuPlace Ltd)	72.617	92.250	121.380	141.326	166.652
Property Investment Portfolio	64.634	65.291	79.884	109.898	117.016
Solar Farm	3.800	3.800	3.800	3.800	3.800
Total CFR	**555.727**	**592.477**	**670.577**	**742.583**	**782.840**
Movement in CFR		36.750	78.100	72.006	40.257

Note, the breakdown between Housing Investment Programme, Property Portfolio and Solar Farm are based on the original prudential borrowing requirement and are for illustration purposes.

2.3 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum although CIPFA strongly recommends that the Liability Benchmark is produced for at least 10 years and should ideally cover the full debt maturity profile.

There are four components to the LB: -

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

The full Liability Benchmark is included at Appendix Bii.

2.4 Capital and Treasury Management Prudential Indicators

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Treasury Management and Prudential Indicators. These indicators are used to measure and manage the Authority's measures exposure to treasury management risks including –

- Capital Expenditure & Financing
- Capital Financing Requirement (CFR)
- Limits to Borrowing Activity
- Liability Benchmark

- Security
- Liquidity
- Interest Rate Exposure
- Maturity Structure of Fixed Rate Borrowing
- Principle sums invested for periods longer than a year

Capital and Treasury Management Prudential Indicators are detailed in Appendix Bii.

3.0 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31 March 2024 and estimated position as at 31 March 2025 are shown below for both borrowing and investments.

Treasury Portfolio	31.3.24 Actual	31.3.24 Actual	31.03.25 Estimate	31.03.25 Estimate
Treasury investments	**£m**	**%**	**£m**	**%**
Banks	3.188	17.8	2,500	16.7
Money Market Funds	4.980	27.9	4,980	33.2
H.M. Treasury's Debt Management Account Deposit Facility (DMADF)	9.700	54.3	7,520	50.1
Total treasury investments	**17.868**	**100.0**	**15,000**	**100.0**
Treasury external borrowing				
Local Authorities	86.529	23.3	130.029	30.9
PWLB	244.549	65.9	255.132	60.7
Market Loans	15.000	4.0	15.000	3.6
LOBOs	25.000	6.7	20.000	4.8
Municipal Loans	0.246	0.1	0.179	0.0
Total external borrowing	**371.324**	**100.0**	**420.340**	**100.0**
Net treasury investments / (borrowing)	**(353.456)**		**(405.340)**	

The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

External Financing & Investments (£m)	31.3.24 Actual	31.3.25 Estimate	31.3.26 Estimate	31.3.27 Estimate	31.3.28 Estimate
Total External Borrowing	371.324	420.340	502.877	577.024	622.950
Other Long-Term Liabilities	44.573	41.140	38.457	38.138	34.317
Total Gross External Debt	**415.897**	**461.510**	**541.334**	**615.162**	**657.267**
The Capital Finance Requirement	555.727	592.477	670.577	742.583	782.840
Under / (over) borrowing	**139.830**	**130.967**	**129.243**	**127.421**	**125.573**

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance, People & IDT reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary: This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

The Committee is asked to approve the following Operational Boundary:

Operational Boundary (£m)	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	635.0	645.0	725.0	765.0
Other long-term liabilities	50.0	50.0	50.0	40.0
Total	**685.0**	**695.0**	**775.0**	**805.0**

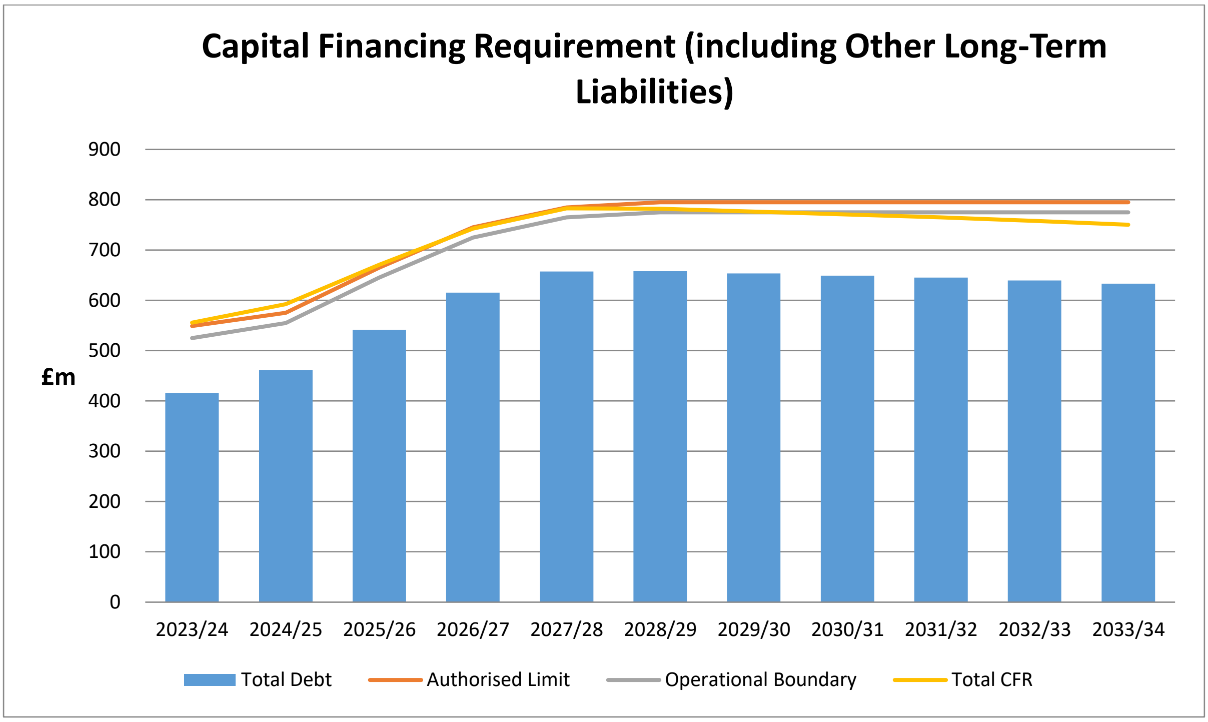
The Authorised Limit for external debt: This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.

The Committee is asked to approve the following Authorised Limit:

Authorised Limit (£m)	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	655.0	665.0	745.0	785.0
Other long-term liabilities	54.0	54.0	54.0	44.0
Total	**709.0**	**719.0**	**799.0**	**829.0**

The following chart displays total debt versus CFR, the Operational Boundary and the Authorisation Limit and demonstrates that projected total debt does not exceed the projected CFR or either projected limit in the short, medium or long-term.



3.3 Prospects for Interest Rates and commentary (provided by Link)

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 11 November 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

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

Additional notes by Link on this forecast table: -

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

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

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

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

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

- Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

- Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.
- So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.
- Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Authority held £422.7m of loans as at 31 December 2024, an increase of £51.4m on the end of the previous financial year. It is anticipated that the total cumulative borrowing will reduce to £420.3m by the end of 2024/25 as the Council looks to use investment balances to offset the need to borrow. The estimated year end borrowing position is in line with the approved Capital Programme. The Council is currently expected to need to borrow an additional £82.6m in 2025/26 based on the current capital programme plans and will adopt a flexible approach to borrowing.

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to continue falling from their current levels albeit at a slower rate than previously forecast in May 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Director of Finance, People & IDT will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be

drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

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.

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. With the forecast for interest rates expected to continue falling through the forecast horizon, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow through the use of short-term loans of up to 1 year. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next year given to current downward trajectory in the interest rate forecast, over the medium-term we will make gradual moves into longer term borrowing as and when attractive opportunities arise. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years. External advisors 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 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Historically, the Authority has raised the majority of its short-term borrowing from the Local to Local market i.e. Local Authorities lending to and borrowing from each other, and this is likely to remain a major source going forward. The Authority may also consider the option of borrowing short term from the PWLB.

Likewise, the Authority has raised the majority of its long-term borrowing from the PWLB and this is likely to be a major source of borrowing going forward. The Authority may also consider alternative options for borrowing any long-term loans, such as banks, pension funds and local authorities, and 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.

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 further short-term loans to cover unplanned cash flow shortages.

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

- HM Treasury's PWLB lending facility (formerly PWLB)
- any institution approved for investments
- 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
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Registered Housing providers
- Capital market bond investors
- Community Municipal Investments (Bond or Loan) raised from the general public (including a climate change investment opportunity).

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

Municipal Bonds Agency: 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 meet its obligations for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

New Financial Institutions as a source of borrowing and or types of borrowing: Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

LOBOs: The Authority holds £20.0m (7.5% of the debt portfolio at 31 December 2024) of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £5.0m of these LOBOs have remaining options prior to the end of the financial year, and although the Authority understands that lenders are very unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing opportunity. Rates payable were competitive compared to PWLB rates at the time that the loans were taken out. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will not increase from the current £20.0m.

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.

Borrowing in advance of need: The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

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.

4.0 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

Investments that are not part of Treasury Management Activity

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This may include investment activity which is outside the purpose of normal treasury management. Public sector organisations may have investments for various purposes –

- **Investments for treasury management purposes** – are those investments that arise from the organisations cash flows or treasury risk management activity and ultimately represent balances which need to be invested until the cash in required for use in the course of business.
- **Investments for service purposes** – are taken or held primarily for the provision and for the purpose of delivering public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.
- **Investments for commercial purposes** – are long term investments taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services. The Council does not hold any investments primarily for financial return.

This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Investments for both services purposes and commercial purposes are covered in greater detail in the Investment Strategy Report and Capital Strategy Report which will be presented to Cabinet on 13 February 2025 and then Full Council on 27 February 2025.

The Authority's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Authority's investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables

diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix Biv under the categories of 'specified' and 'non-specified' investments.

   Specified Treasury investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

   Non-specified Treasury investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified and loan investment limits.** The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of £5m.
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.2).
9. This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see Appendix Bii).
10. This Authority has engaged **external consultants**, (see paragraph 3.3), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness Policy

This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bonds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bonds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (applies to nationalised / semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Money Limit (with any one counterparty)	Time limit
Banks	Yellow	£15.0m	5yrs
Banks	Purple	£15.0m	2 yrs
Banks	Orange	£15.0m	1 yr
Banks – part nationalised	Blue	£15.0m	1 yr
Banks	Red	£15.0m	6 mths
Banks	Green	£15.0m	100 days
Banks	No Colour	Not to be used	
Limit 3 category – Authority's banker (where "No Colour")	XXX	£15.0m	1 day
Other institutions limit	-	£7.5m	5yrs

	Colour (and long-term rating where applicable)	Money Limit (with any one counterparty)	Time limit
DMADF	UK sovereign rating	unlimited	6 months
Local authorities	n/a	£15.0m	1yrs
Housing associations	Colour bands	£15.0m	As per colour band
	Fund rating**	**Money Limit (with any one counterparty)**	**Time Limit**
Money Market Funds CNAV	AAA	£10.0m	liquid
Money Market Funds LVNAV	AAA	£10.0m	liquid
Money Market Funds VNAV	AAA	£10.0m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark Pink / AAA	£10.0m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light Pink / AAA	£10.0m	liquid

Creditworthiness: Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices: Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

Limits: Due care will be taken to consider the exposure of the Authority's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified treasury management investment limit:** The Authority has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being £5m.

b) **Country limit:** The Authority has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in

Appendix Bv. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

- no more than £15m, with the exception of Money Market Funds where the Authority has no control of the sovereignty splits, will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies/institutions;
- sector limits will be monitored regularly for appropriateness.

4.3 Treasury Investment Strategy

The Council generally expects to maintain an investment balance of between £10.0m and £25.0m, at each month end, for the forthcoming year. There may be circumstances where the Council takes advantage favourable borrowing rates and investments may exceed £25m on a short-term basis from time to time due to differing maturity dates or certain periods of the year when markets are less liquid and it is appropriate to hold more cash investments; further, the receipt of grant funding, may result in investments being higher at points during the year.

Objectives: The CIPFA Code requires the Authority to invest its 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.

Strategy: For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest. This diversification of investments will represent a continuation of the strategy adopted in 2024/25.

Business models: Under the new 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 internally managed 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: The Authority may invest its surplus funds with any of the counterparty types listed below, subject to the cash limits (per counterparty) and the time limits shown in the creditworthiness policy (4.2).

- **The UK Government, local authorities and other government entities:** Loans to, 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 a lower risk of insolvency, although they are not without risk. Investments with the UK Government may be made in unlimited amounts for up to 50 years.

- **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds 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 & Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- **Strategic pooled funds:** Bond, equity and property funds 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 are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs

offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

- **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk
- **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 £15.0m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25bn are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Approved Instruments: The Authority may lend or invest money using any of the following instruments:

- interest-bearing bank accounts
- fixed term deposits and loans
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £5million in total
- certificates of deposit
- bonds, notes, bills, commercial paper and other marketable instruments, and shares in money market funds and other pooled funds,

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as SONIA, subject to the limits on interest rate exposures below.

Liquidity management: The Authority uses cash flow forecasting 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.

4.4 End of Year Investment Report

At the end of the financial year, the authority will report on its treasury management investment activity as part of its Annual Treasury Report.

4.5 Ethical Investments

The Council will not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the Council. At the same time the Council will take full responsibility for proper management of risk and safeguarding its investments by ensuring that they are diversified and made with organisations suitably credit assessed.

The Council's lending activity will be subject to (in order of rank)

- the assessment of meeting the minimum lending criteria as specified in the current Treasury Management Strategy and the minimum credit ratings as outlined in the Strategy.
- meeting the Security, Liquidity & Yield (SLY) criteria as set out in the current Treasury Management Strategy, and
- investments are not contrary to the values outlined in the Ethical Investment Framework (Appendix Bvii)

4.6 Related Matters

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).

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 will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with CIPFA Code, the Authority will seek external advice and will consider that the advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive (MIFID): The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater 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 Chief Financial Officer believes this to be the most appropriate status.

5.0 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2025/26

5.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) provides four ready-made options for calculating MRP. An authority can use a mix of these options if it considers it appropriate to do so.

The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the guidance as far as these are relevant.

The four options set-out in the guidance include -

For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be:

- 4% reducing balance (regulatory method) - MRP will follow the historical practice outlined in former regulations as 4% of the opening GF CFR balance less adjustment A (Option 1); or
- 4% reducing balance (CFR method) (Option 2) – MRP will be calculated as 4% of the opening GF CFR balance; or

From 1 April 2008 for all unsupported borrowing the MRP policy will be (amend as appropriate):

- Asset life method (straight line) (Option 3)
- Asset life method (annuity) (Option 4)

The Authority is recommended to approve the following MRP Statement:

5.1.2 MRP Statement 2025/26

The Council will calculate MRP by the following methods –

Historic MRP (re pre 2007/08 borrowing). This will be calculated by dividing the balance at 31/3/07 (calculated in accordance with regulations) by 50 for an annual charge that charges over a finite period rather than a 4% reducing balance. This methodology is broadly in line with Option 3.

MRP in respect of prudential borrowing (subject to the 5.1.2 and 5.1.3 below), government supported allocations since 2007/08 and PFI will be charged over the life of the asset on an annuity basis - Option 3 in the regulations.

Regulation 27(3) allows a local authority to charge MRP in the financial year following the one in which capital expenditure finance by debt was incurred. Therefore, capital expenditure financed by borrowing in 2024/25 will not be subject to an MRP charge until 2025/26, or in the financial year following the one which the asset first becomes available for use.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

5.1.2 Capital loans

Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan.

The Authority has issued capital loans that are categorised non-commercial loans and has chosen to not apply MRP in accordance with the statutory guidance.

5.1.3 Share Capital

Where an Authority incurs expenditure that is capitalised on or after April 2008, which is financed by borrowing for the acquisition of share capital, Regulation 25(1)(d) Acquisition of share capital sets out the maximum period for an authority to provide MRP of 20 years.

The Authority has incurred expenditure that has been capitalised which is finance from borrowing for the acquisition of share capital. This expenditure relates solely to share capital in NuPlace Ltd, the Council's wholly owned subsidiary. MRP relating to such expenditure has been calculated in accordance with the statutory guidance, in line with Option 3 however the asset life has been included as 20 years.

5.1.4 MRP Overpayments

Under the MRP guidance, charges made in excess of the statutory MRP can be made and are known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

The Council has not made any VRPs to date.

6.0 TREASURY MANAGEMENT POLICY STATEMENT 2025/26

6.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Treasury Management Code (TM Code)), as described in Section 5 of the TM Code.

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Investment Management Practices (IMPs) for investments that are not for treasury management purposes.

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Audit Committee and for the execution and administration of treasury management decisions to Director: Finance, People & IDT, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

6.2 Policies and objectives of Treasury Management Activities

The Council defines its treasury management activities as:

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

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

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

The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt. The Council will look to minimise borrowing through the use of maturing investments to fund capital expenditure rather than reinvestment.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations. Generally as investments mature they will not be reinvested but be used to minimise borrowing.

7.0 OTHER ITEMS

7.1 Financial Implications

The budget for investment income in 2025/26 is £0.675m, based on an average investment portfolio of £15.0m at an interest rate of 4.5%. The budget for debt interest paid in 2025/26 is £16.102m, based on an average debt portfolio of £396.589m at an average interest rate of 4.06%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. Such differences will be reported through regular financial monitoring to Cabinet.

7.2 Balanced Budget Requirement:

The Authority complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

7.3 Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

The Director: Finance, People & IDT will report to the Audit Committee on treasury management activity / performance and Performance Indicators as follows -

- Half yearly against the strategy approved for the year. The authority will produce an outturn report on its treasury activity no later than 31st July after the financial year end and an update report alongside the Treasury Strategy in the last quarter of the financial year.

Audit Committee will be responsible of the scrutiny of treasury management activity and practices.

A detailed list of the Treasury Management Section of Delegation and the Treasury Management Role of the Section 151 Officer are included at Appendix Biv.

7.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The scale and nature of knowledge and training requirements will depend on the size and complexity of the organisation's treasury management needs.

Based on our treasury management portfolio the approach we will adopt is:

- Record attendance at training and circulate training materials to those unable to attend; also ensure action is taken where poor attendance is identified.
- Discuss and agree learning plans as part of APPD / 1-to-1 for treasury management officers; consider training plan requirements for members.
- Consider self-assessment requirements for both treasury management officers and relevant members.
- Periodically ask treasury management officers and relevant members to highlight any training needs.

Training has been undertaken by members in July 2023, January 2024 and January 2025 and further training will be arranged as required.

A formal record of the training received by officers central to the Treasury function will be recorded as part of the APPD process. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Treasury Function.

7.5 Treasury Management Consultants

The Authority uses Link Group, Link Treasury Services Limited 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 our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services 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.

APPENDIX Bi

Existing Treasury Portfolio Projected Forward to 2027/28

Treasury Portfolio (£m)	Current Portfolio	%	31.3.25 Estimate	31.3.26 Estimate	31.3.27 Estimate	31.3.28 Estimate
Treasury Investments:						
Banks	5.420	17.3	2.500	2.50	2.50	2.50
Money Markets	4.980	16.0	4.980	4.98	4.98	4.98
DMADF	20.800	66.7	7.520	7.52	7.52	7.52
Total Treasury Investments	**31.200**	**100.0**	**15.000**	**15.0**	**15.0**	**15.0**
Treasury external borrowing						
Local Authorities & other temporary loans	148.029	31.9	130.029	100.029	100.029	100.029
PWLB	239.426	51.6	255.104	367.738	441.958	487.921
Market Loans	15.000	3.2	15.000	15.000	15.000	15.000
LOBO	20.000	4.3	20.000	20.000	20.000	20.000
Municipal Loans	0.212	0.0	0.179	0.110	0.037	0.000
Total Treasury external borrowing	**422.667**	**91.0**	**420.312**	**502.877**	**577.024**	**622.950**
Net Treasury investments / (borrowing)	**(391.467)**		**(405.312)**	**(487.877)**	**(562.024)**	**(607.950)**
Long Term Liabilities						
PFI	(41.142)	9.0	(41.142)	(38.428)	(38.138)	(34.317)
Finance Leases	(0.028)	0.0	(0.028)	(0.029)	0.000	0.000
Total Long-Term Liabilities	**(41.170)**	**9.0**	**(41.170)**	**(38.457)**	**(38.138)**	**(34.317)**
Net investments / (borrowing)	**(432.637)**	**100.0**	**(446.482)**	**(526.334)**	**(600.162)**	**(642.267)**

Capital and Treasury Management Prudential Indicators 2024/25 – 2027/28

1.0 Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

The Authority measures and manages its exposure to treasury management risks using the following indicators.

Committee is asked to approve the following Capital and Treasury Management Prudential Indicators for 2025/26.

2.0 Capital Expenditure and Financing:

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

Capital expenditure (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Total	83.485	93.151	151.563	80.381	45.926

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital receipts	1.852	4.613	5.136	6.000	0.000
Capital grants	35.114	39.252	56.477	0.104	0.000
Revenue	1.435	0.343	0.992	0.000	0.000
External	6.717	7.087	6.393	0.130	0.000
Net financing need for the year	38.367	41.856	82.565	74.147	45.926
Total Financing	**83.485**	**93.151**	**151.563**	**80.381**	**45.926**

3.0 The Authority's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). See Table 2 – Capital Financing Requirement (CFR) in Section 1.7 above.

The Authority is asked to approve the CFR projections below:

Capital Financing Requirement (£m)	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Total CFR	555.727	592.477	670.577	742.583	782.840
Movement in CFR		36.750	78.100	72.006	40.257

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. The CFR Table above shows that the Authority expects to fully comply with this recommendation.

4.0 Limits to Borrowing Activity:

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary (£m)	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	635.0	645.0	725.0	765.0
Other long-term liabilities	50.0	50.0	50.0	40.0
Total	**685.0**	**695.0**	**775.0**	**805.0**

The Authorised Limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

Authorised Limit (£m)	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	655.0	665.0	745.0	785.0
Other long-term liabilities	54.0	54.0	54.0	44.0
Total	**709.0**	**719.0**	**799.0**	**829.0**

5.0 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 the Capital Financing Requirement (CFR), but that cash and investment balances are kept to a minimum level of £15m at each year-end to maintain sufficient liquidity but minimise credit risk.

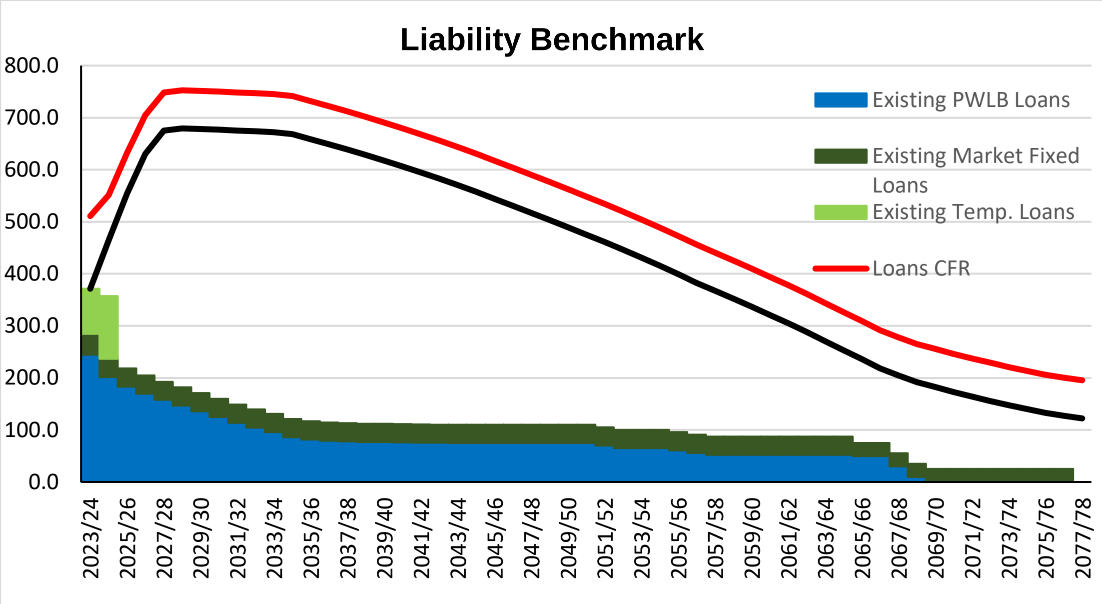
Liability Benchmark (£m)	31.3.24 Actual	31.3.25 Estimate	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
CFR	555.727	592.477	670.577	742.583	782.840
Less: PFI & Leases	44.573	41.170	38.457	38.138	34.317
Loans CFR	**511.154**	**551.307**	**632.120**	**704.445**	**748.523**
Less: Balance Sheet Resources	157.699	101.529	93.131	89.482	88.550
Net Loans Requirement	**353.455**	**449.778**	**538.989**	**614.963**	**659.973**
Plus: Liquidity Allowance	17.868	15.000	15.000	15.000	15.000
Liability Benchmark	**371.323**	**464.778**	**553.989**	**629.963**	**674.973**

Following on from the medium-term forecasts in the table above, the long-term liability benchmark has been calculated (see chart below) and assumes capital expenditure funded by borrowing in line with the capital programme, minimum revenue provision on new capital expenditure based on appropriate asset lives and balance sheet resources reducing in line with anticipated use of reserves.

The liability benchmark is a projection of the amount of loan debt outstanding which the authority needs each year into the future, in order to fund its existing debt liabilities, planned prudential borrowing and other cash flows.

The headroom for the future borrowing requirement is shown by the gap between the authority's existing loans which are still outstanding at a given future date, and the authority's future need for borrowing (as shown by the liability benchmark).

It therefore shows how closely the existing loans book fits the future needs of the authority based only on its current plans. Any shortfall will need to be met by future borrowing; any excess will have to be invested (unless existing borrowing is prematurely repaid). Refinancing risk, interest rate risk and credit risk can be minimized or reduced by ensuring that the existing loans portfolio shows a profile close to the liability benchmark.



For Telford & Wrekin Council, the benchmark shows that our current level of external borrowing is below the amount needed to fund commitments and therefore future borrowing will be required.

In particular, the liability benchmark identifies the maturities needed for new borrowing, in order to match future liabilities. It therefore avoids borrowing for too long or too short. Local authorities have sometimes used the CFR as their benchmark of borrowing needs, but this is likely to result in substantial over-borrowing because authorities generally have systemic in-hand cash flows and balances which keep actual debt (net of treasury investments) well below the CFR. Borrowing needs are based on cash flows, not the CFR – accepting the need for a reasonable but not excessive holding of short-term investments for liquidity management.

The liability benchmark makes no assumption about the level of future prudential borrowing in as yet unknown capital budgets. This avoids making large assumptions which may prove to be spectacularly wrong; but the main reason is that it enables the benchmark to be compared like-for-like with the existing loans portfolio to identify the future borrowing and investment needs arising from the authority's existing plans. It shows us what the current debt maturity profile should be to match the authority's current borrowing commitments less MRP and other forecast cash flows. Matching the portfolio to the need minimises treasury risks.

6.0 Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. For loans with Lender Options / Borrower Options (LOBOs) this is assumed as the final maturity date.

Maturity structure of fixed rate borrowing	Lower Limit for 2025/26 %	Upper Limit for 2025/26 %	Existing level 31.12.24 %
under 12 months	0	70	14
12 months and within 24 months	0	30	33
24 months and within 5 years	0	50	9
5 years and within 10 years	0	75	13
10 years and within 20 years	0	75	5
20 years and within 30 years	0	75	2
30 years and within 40 years	0	100	3
40 years and within 50 years	0	100	15
50 years and above	0	100	6

7.0 Security of Investments:

The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted credit score 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 would be assigned a score based on their perceived risk.

Credit Risk Indicator	Target	Current (31.12.24)
Portfolio average credit score	6 or lower, (which is equivalent to a credit rating of 'A' or higher)	1.69

8.0 Principal sums invested for periods longer than a year:

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:

Limit on principal sums invested for periods longer than a year	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
Limit on total investments	95	95	95

Interest Rate Forecasts and Economic Background

Interest rate forecasts 2024 - 2027

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

PWLB forecasts are based on PWLB certainty rates.

Economic Background (to 12 December 2024)

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

Over the aforementioned period, the economy's stagnation in June and July pointed more to a mild slowdown in UK GDP growth than a sudden drop back into a recession. However, in the interim period, to 12 December, arguably the biggest impact on the economy's performance has been the negative market sentiment in respect of the fallout from the Chancellor's Budget on 30 October.

If we reflect on the 30 October Budget, our central case is that those policy announcements will prove to be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be elevated at 2.7% y/y (Q4 2025) before dropping back to sub-2% in 2027. Nonetheless, since the Budget, the October inflation print has shown the CPI measure of inflation bouncing up to 2.3% y/y with the prospect that it will be close to 3% by the end of the year before falling back slowly through 2025. The RPI measure has also increased significantly to 3.4% y/y.

How high inflation goes will primarily be determined by several key factors. First amongst those is that the major investment in the public sector, according to the Bank of England, will lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises in the June 2025 Spending Review (pushed back from the end of March), and a tepid GDP performance.

Regarding having a sufficiently large pool of flexible and healthy workers, the initial outlook does not look bright. Research from Capital Economics has alluded to an increase of some 500,000 construction workers being needed to provide any chance of the Government hitting its target of 300,000 new homes being built in each of the next five years (234,000 net additional dwellings in England in 2022/23). But the last time such an increase was needed, and construction employment is currently at a nine-year low, it took 12 years to get there (1996 to 2008). Also note, as of October 2024, job vacancies in the construction sector were still higher than at any time in the 20 years preceding the pandemic.

Currently, it also seems likely that net inward migration is set to fall, so there is likely to be a smaller pool of migrant workers available who, in the past, have filled the requirement for construction worker demand. The Government plans to heavily promote training schemes, particularly to the one million 16- to 24-year-olds who are neither in education nor work. But it is arguable as to whether the employee shortfall can be made up from this source in the requisite time, even if more do enter the workforce.

Against, this backdrop, there may be a near-term boost to inflation caused by a wave of public sector cash chasing the same construction providers over the course of the next year or so, whilst wages remain higher than the Bank currently forecasts because of general labour shortages, including in social care where Government accepts there is a 150,000 shortfall at present.

Unemployment stands at a low 4.3% (September), whilst wages are rising at 4.3% y/y (including bonuses) and 4.8% (excluding bonuses). The Bank would ideally like to see further wage moderation to underpin any further gradual relaxing of monetary policy. Indeed, over the next six months, the market is currently only pricing in Bank Rate reductions in February and May – which would see Bank Rate fall to 4.25% - but further cuts, thereafter, are highly likely to be even more data-dependent.

If we focus on borrowing, a term we are likely to hear throughout 2025 is "bond vigilante". Essentially, this represents a generic term for when the market is ill at ease with the level of government borrowing and demands a higher return for holding debt issuance. In the UK, we do not need to go back too far to recall the negative market reaction to the Truss/Kwarteng budget of 2022. But long-term borrowing rates have already gradually moved back to those levels since their recent low point in the middle of September 2024. Of course, the UK is not alone in this respect. Concerns prevail as to what the size of the budget deficit will be in the US, following the election of Donald Trump as President, and in France there are on-going struggles to form a government to address a large budget deficit problem too. Throw into the mix the uncertain outcome to German elections, and there is plenty of bond investor concern to be seen.

Staying with the US, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks continue to abound in Europe, the Middle East and Asia.

In the past month, the US Core CPI measure of inflation has indicated that inflation is still a concern (3.3% y/y, 0.3% m/m), as has the November Producer Prices Data (up 3.0 y/y v a market estimate of 2.6% y/y, 0.4% m/m v an estimate of 0.2% m/m) albeit probably insufficient to deter the FOMC from cutting US rates a further 0.25% at its December meeting. However, with Trump's inauguration as President being held on 20 January, further rate reductions and their timing will very much be determined by his policy announcements and their implications for both inflation and Treasury issuance.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. More recently, however, 10 year gilt yields have spiked back up to 4.35%.

The FTSE 100 reached a peak of 8,380 in the third quarter of 2024 (currently 8.304), but its performance is firmly in the shade of the US S&P500, which has breached the 6,000 threshold on several occasions recently, delivering returns upwards of 25% y/y. The catalyst for any further rally (or not) is likely to be the breadth of AI's impact on business growth and performance.

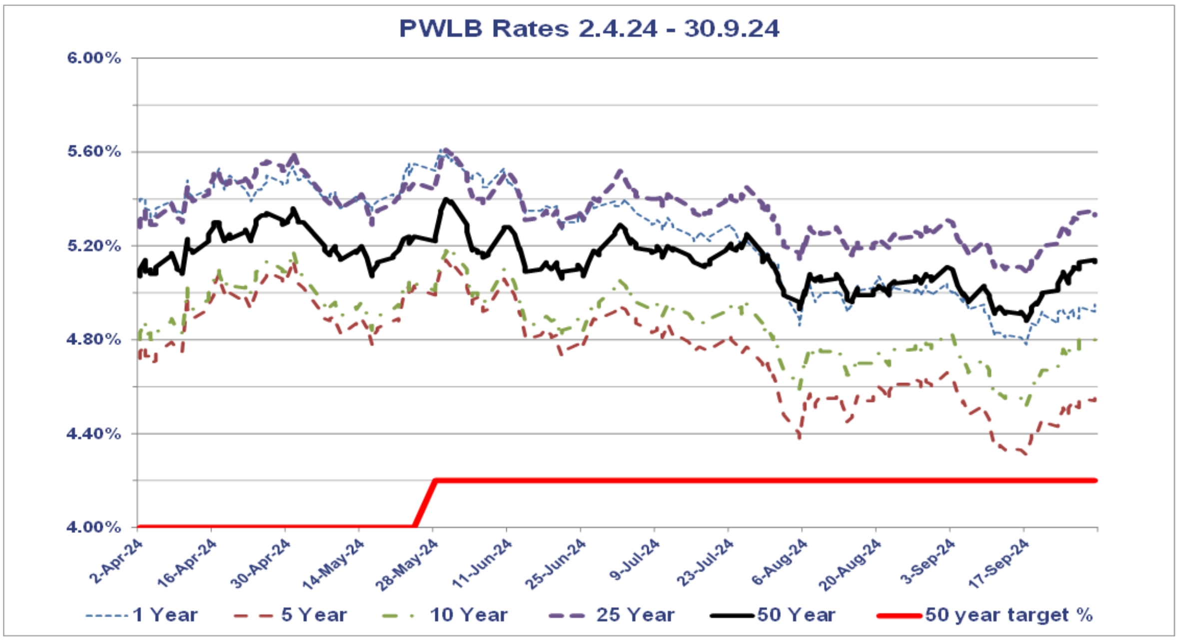
MPC meetings: 9 May, 20 June, 1 August, 19 September, 7 November 2024

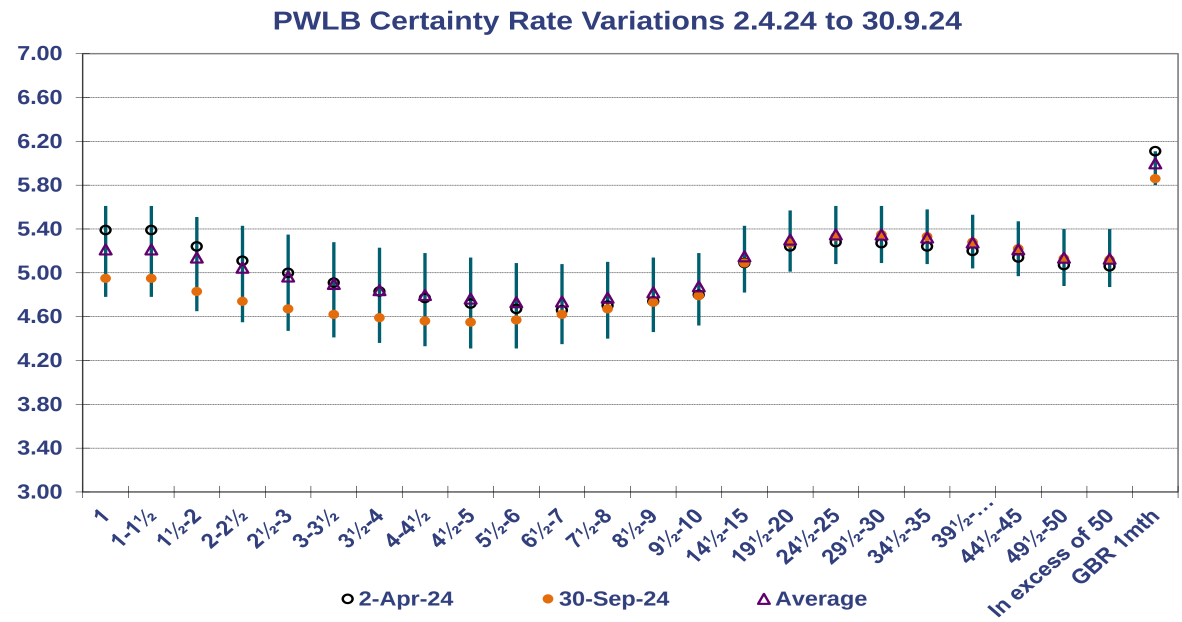
- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.

- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut but the language used by the MPC emphasised “gradual” reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

PWLB RATES 02.04.24 - 30.09.24





HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

Credit and Counterparty Risk Management

Specified Investments: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

Non-specified Investments: These are any investments which do not meet the specified investment criteria. A maximum of £5m will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**** Max % of total investments / £ limit per institution**	**Max. maturity period**
DMADF – UK Government	Yellow	100%	6 months (max. is set by the DMO*)
UK Gilts	Yellow		5 years
UK Treasury Bills	Yellow		364 days (max. is set by the DMO*)
Bonds issued by multilateral development banks	Yellow		5 years
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LNVAV	AAA		Liquid
Money Market Funds VNAV	AAA		Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local Authorities	Yellow	100%	5 years
Term Deposits with Housing Associations	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use

	Minimum credit criteria / colour band	**** Max % of total investments / £ limit per institution**	**Max. maturity period**
Term Deposits with Banks and Building Societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
CDs or Corporate Bonds with Banks and Building Societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
Gilt Funds	UK sovereign rating		

Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

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

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)

AA-
- Belgium
- France
- Qatar
- **U.K.**

Treasury Management Scheme of Delegation

(i) Full Council

- approval of annual strategy and mid year update and annual report, and
- approval of/amendments to the organisations adopted clauses, treasury management policy, treasury management practices, treasury management indicators and prudential indicators

(ii) Full Council / Cabinet

- budget consideration and approval, and
- receiving and reviewing regular monitoring reports and acting on recommendations,

(iii) Audit Committee

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

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

The Council's S151/Chief Financial Officer has delegated authority for all Treasury Management activities and decisions, including borrowing and investments, as long as they are within the overall approved Treasury Management Strategy.

- Recommending the Treasury Management Strategy, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Ethical Investment Framework – Telford and Wrekin Council

At the current time the Council's treasury activity consists principally of making short-dated loans to the UK Government (through the Debt Management Agency Deposit Facility) and to banks and building societies which adheres to the S-L-Y principles of (Security, Liquidity and Yield, in that order).

The preservation of capital is the Council's principal and overriding priority. The banks and building societies on the Council's lending list are selected only if the institutions and the sovereign meet a minimum credit criteria. In accordance with its social and corporate governance responsibilities, the Council seeks to support institutions which additionally have an ethical and responsible approach to environmental and social issues including employment and global trade. These "ethical" criteria and their basis are described below.

1. Environmental and Social Standards

Equator Principles

The Equator Principles (EPs) are a voluntary set of guidelines based on the environmental and social standards practiced by the International Finance Committee when evaluating financing projects. Financial institutions that adopt the Principles agree to use a screening process aiming to ensure that environmental and social assessments help inform decisions to finance development projects. This allows signatories to engage proactively with their stakeholders on environmental and social policy issues.

The EPs are a screening framework for determining, assessing and managing environmental and social risk in project finance transactions for major infrastructure and industrial projects. The EPs are adopted voluntarily by financial institutions and are applied where total project capital costs exceed US$10 million. The EPs are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. They are based on the International Finance Corporation's performance standards on social and environmental sustainability and on the World Bank Group Environmental Health and Safety Guidelines.

Financial institutions which are signatories to the EPs commit to not providing loans to projects where the borrower will not or is unable to comply with their respective social and environmental policies and procedures that implement the EPs.

The following banks relating to institutions on the Council's lending list have adopted the Equator Principles:

- Lloyds Banking Group (parent of Bank of Scotland plc and Lloyds Bank plc)
- Banco Santander (parent of Santander UK plc)
- Svenska Handelsbanken AB (parent of Handelsbanken UK)
- Barclays plc (parent of Barclays Bank)
- HSBC Holding plc (parent of HSBC plc)
- Nat West Group plc
- Royal Bank of Scotland

- Standard Chartered plc
- Australia and New Zealand Banking Group
- Commonwealth Bank Australia
- Westpac Banking Corp.
- Bank of Montreal
- Bank of Nova Scotia
- Canadian Imperial Bank of Commerce
- Royal Bank of Canada
- Nordea Bank Finland
- Deutche Bank AG
- ING Bank NV
- Credit Suisse
- JP Morgan Chase Bank

http://www.equator-principles.com/index.php/members-reporting

2. Human Rights, Labour and Environment

The **UN Global Compact** is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Corporations which sign up to the UN Global Compact are encouraged to themselves embrace and in turn, support and enact, within their sphere of influence, a set of core values which are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The following banks relating to institutions on the Council's lending list are participants/stakeholders of the UN Global Compact:

- Lloyds Banking Group
- Svenska Handelsbanken AB
- Gruppo Santander (ultimate parent of Santander UK plc)
- HSBC
- Royal Bank of Scotland
- Standard Chartered
- Nationwide Building Society
- NatWest Group plc
- The Royal Bank of Scotland Group
- Australia and New Zealand Banking Group
- Commenwealth Bank of Australia
- National Australia Bank
- Westpac Banking Corp.
- Nordea Bank AB
- ING Bank NV
- Rabobank Group
- DBS Bank Ltd
- Credit Suisse

http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html

Limitations to ethical policies:

It should be noted here that the individual institutions which have signed up to the Equator Principles and to the Global Compact screen borrowers before lending for infrastructure and industrial projects.

However, financial institutions also engage daily in money market and interbank lending transactions; the criteria for such lending is based primarily on credit risk assessment (i.e. the assessment of their lending being repaid in full and on time when it is due). Being a signatory to the EPs will not necessarily be a critical feature of such credit assessment and the Council is not in a position to monitor interbank lending. The same applies to an individual financial signing up to the UN Global Compact.

It should also be noted that becoming a signatory of voluntary guidelines (Equator Principle or Global Compact) does not guarantee that that institution's policies and practices are of a better standard than those institutions which are not signatories to the voluntary guidelines.

Activist investment: The Council does not invest directly in shares traded on the markets or in corporate bonds. Not only are such investments inherently higher risk investments, and requires a distinct and separate set of fund management expertise. Under current legislation (SI 2003 No 3146) the purchase of share capital or loan capital of a body corporate is a capital expenditure investment which, on sale or maturity, becomes a capital receipt and is unsuitable for the Council's treasury investments which are primarily the cash management of its operating surpluses and reserves. Corporate bond and equity investments would however be made by the Council's pension fund (run by Shropshire Council.

Other than through its pension fund (which is measured by Shropshire Council), the Council cannot seek to influence decision making at a company by voicing concerns, engaging in a dialogue with management, or lobbying other shareholders for support. Activist investors attempt to purchase sufficient shares or obtain seats on the board with the goal of effecting major change in the company to make the company more valuable financially or socially (for example to change management policies and adopt better governance; optimise shareholder value through acquisitions/divestitures, be more socially responsible etc).

Credit Ratings – A Guide.

Long-term credit ratings and Sovereign Ratings

Fitch Rating' long-term credit ratings are set up along a scale from 'AAA' to 'D', first introduced in 1924 and later adopted and licensed by Standard & Poors (S&P). Moody's also uses a similar scale, but names the categories differently. Like S&P, Fitch also uses intermediate modifiers for each category between AA and CCC (i.e., AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB- etc.).

Investment grade

- **AAA** : the best quality, reliable and stable
- **AA** : good quality, a bit higher risk than AAA
- **A** : economic situation can affect finance
- **BBB** : medium class counterparties, which are satisfactory at the moment

Non-investment grade

- **BB** : more prone to changes in the economy
- **B** : financial situation varies noticeably
- **CCC** : currently vulnerable and dependent on favourable economic conditions to meet its commitments
- **CC** : highly vulnerable, very speculative bonds
- **C** : highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations
- **D** : has defaulted on obligations and Fitch believes that it will generally default on most or all obligations
- **NR** : not publicly rated

Short-term credit ratings

Fitch's short-term ratings indicate the potential level of default within a 12-month period.

- **F1+** : best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment
- **F1** : best quality grade, indicating strong capacity of obligor to meet its financial commitment
- **F2** : good quality grade with satisfactory capacity of obligor to meet its financial commitment
- **F3** : fair quality grade with adequate capacity of obligor to meet its financial commitment but near term adverse conditions could impact the obligor's commitments
- **B** : of speculative nature and obligor has minimal capacity to meet its commitment and vulnerability to short term adverse changes in financial and economic conditions
- **C** : possibility of default is high and the financial commitment of the obligor are dependent upon sustained, favourable business and economic conditions
- **D** : the obligor is in default as it has failed on its financial commitments.

Support Ratings (1 – 5)

The Purpose and Function of Support Ratings
Support Ratings are Fitch Ratings' assessment of a potential supporter's propensity to support a bank and of its ability to support it. Its propensity to support is a judgment made by Fitch Ratings. Its ability to support is set by the potential supporter's own Issuer Default Ratings, both in foreign currency and, where appropriate, in local currency. Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. These ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

Timeliness and Effectiveness Requirements
Fitch Ratings' Support Rating definitions are predicated on the assumption that any necessary "support" is provided on a timely basis. The definitions are also predicated on the assumption that any necessary support will be sufficiently sustained so that the bank being supported is able to continue meeting its financial commitments until the crisis is over.

Obligations and Financial Instruments Covered
In terms of these definitions, unless otherwise specified, "support" is deemed to be in terms of foreign currency. It is assumed that typically the following obligations will be supported: senior debt (secured and unsecured), including insured and uninsured deposits (retail, wholesale and interbank); obligations arising from derivatives transactions and from legally enforceable guarantees and indemnities, letters of credit, and acceptances; trade receivables and obligations arising from court judgments.

Likewise, the agency does not assume that the following capital instruments will be supported when sovereign support is involved: preference/preferred shares or stock; hybrid capital (tier 1 and upper tier 2), including reserve capital instruments (RCIs) and variations upon RCIs; and common/ordinary equity capital. It is also assumed that there will be no support for any moral obligation on securitizations. The sovereign support status of subordinated debt is difficult to categorize in advance; it is assessed on a case by case basis, distinguishing among different jurisdictions.

Definitions:

1: A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.

2: A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.

3: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.

4: A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.

5: A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

GLOSSARY

Term	Meaning
Annuity	A method of repaying a loan where the cash payment remains constant over the life of the loan, but the proportion in interest reduces and the proportion of principal repayment increases over time.
Authorised Borrowing Limit	The maximum amount the authority can borrow at any point of time in the year. This limit should never be exceeded. The limit is set by Full Council at the beginning of March and is a prudential indicator.
Bail-in	A method of rescuing a failing financial institution by cancelling some of its deposits and bonds. Investors may suffer a haircut but may be given shares in the bank as part compensation. See also bail-out
Bail-out	A method of rescuing a failing financial institution by the injection of public money. This protects investors at the expense of the taxpayer.
Call account	A deposit account that can be called back, normally on instant access.
Capital Financing Requirement CFR)	This represents the underlying need for the authority to borrow and represents the assets of the authority less the long term capital liabilities.
Credit Default Swaps (CDS)	CDS are bought by investors to insure against defaults (i.e. the counterparty not being able to repay). The higher the cost/premium then the higher the risk – CDS therefore given a market view of the credit worthiness of an organisation.
Credit Ratings	Rating on the ability of an organisation to meet its obligations; ratings are assigned by independent, specialist companies, such as Fitch and Moody's using market intelligence they gather.
Credit Risk	The risk that the debtor will default on their obligations
Counterparty	The organisation that you are conducting your business with.
Debt Management Account Deposit Facility (H.M. Treasury)	Provided by the Debt Management Office, users can place cash in secure fixed-term deposits. Deposits are guaranteed by the government and therefore have the equivalent of a sovereign triple-A credit rating.
Derivative Instruments	A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage. For example, a stock option is a derivative because it derives its value from

Term	Meaning
	the value of a stock. An interest rate swap is a derivative because it derives its value from one or more interest rate indices.
Discounts	These relate to Public Works Loans Board loans. If rates have increased since the borrowing was undertaken then part of the benefit that PWLB will achieve from being able to loan out at that higher rate are passed back to an authority if they repay the loan early.
Fund Managers	Independent investment managers who work to a specific mandate and if appointed invest funds on behalf of the Council
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Inflation	The rise in prices of goods and services over a period of time.
Interest Rate Risk	The risk that the value of an investment will change due to changes to the interest rate.
Internal Borrowing	This is where the amount of an authority's borrowing is less than its CFR or underlying need to borrow and represents the use of internal balances rather than borrowing from the market.
Liquidity Risk	The risk of not being able to trade an investment quickly to release cash.
LOBO	Lender's Option Borrower's Option – a long term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower's interest rate risk and the loan should therefore attract a lower rate of interest initially.
Minimum Revenue Provision (MRP)	This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Money Market Fund (MMF)	Mutual funds that invest in short term debt instruments. They offer a higher level of security than banks and interest rates are generally higher.
Obligor	An individual or company that owes debt to another individual or company (the creditor), as a result of borrowing or issuing bonds.
Operational Borrowing Limit	The amount the authority would normally borrow at any point of time in the year. This boundary might be exceeded temporarily but only in exceptional circumstances. The limit is set by Full Council at the beginning of March and is a prudential indicator.

Term	Meaning
Premia	This is the penalty applied to the early redemption of PWLB loans where rates have fallen since the loan was undertaken.
Prudential Code	A professional code of practice which provides regulatory framework to local authorities on capital expenditure, investments and borrowing activities.
Prudential Indicators	A set of indicators developed within the Prudential Code which define thresholds for investment and borrowing within a local authority.
PWLB	Public Works Loans Board – a Government agency providing long and short term loans to local authorities. Interest rates are generally lower than the private sector and slightly higher than the rates at which the Government themselves may borrow.
Quantitative Easing	This is where the government buy back their own gilt issuance to effectively pump money into the financial markets of the economy.
Re-scheduling	This relates to repaying existing borrowing early and replacing it with borrowing for a different period usually, but not necessarily, at lower rates
Return	The gain from holding an investment over a given period
Security	An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government or other organisation which offers evidence of debt or equity.
SONIA	Sterling Overnight Interbank Average – a key Bank of England interest rate benchmark; it is a measurement of the cost of borrowing and reflects the average of interest that banks pay to borrow sterling overnight from other financial institutions.
Sovereign Exposure	Risk of exposure to one particular country.
Supranational Bonds	These are bonds (similar to gilts) issued by multi government development organisations and are supported by all of the governments who form part of the organisation. E.g. European Investment Bank and are usually very secure.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.

Telford & Wrekin Co-operative Council | Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

Wednesday 29 January 2025

Updated Position of the AGS Action Plan 2023/24

Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance, Governance & Customer Services	
Lead Director:	Anthea Lowe - Director: Policy & Governance	
Service Area:	Policy & Governance	
Report Author:	Tracey Drummond, Rob Montgomery - Principal Auditor, Audit, Governance & Procurement Lead Manager	
Officer Contact Details:	**Tel:**	**Email:**
	01952 383105	tracey.drummond@telford.gov.uk,
	01952 383103	robert.montgomery@telford.gov.uk
Wards Affected:	All Wards	
Key Decision:	Not Key Decision	
Forward Plan:	Not Applicable	
Report considered by:	Senior Management Team – January 2025 Audit Committee – 29 January 2025	

1.0 Recommendations for decision/noting:

It is recommended that Audit Committee:

1.1 Note the contents of the Annual Governance Statement (AGS) Action Plan for 2023/24, included as Appendix A.

2.0 Purpose of Report

2.1 The purpose of the report is to present the latest version of the AGS Action Plan 2023/24.

3.0 Background

3.1 The report details the progress made in implementing actions detailed in the AGS Action Plan 2023/24.

4.0 Summary of main proposals

4.1 The report is to update the committee on the progress made in implementing actions detailed in the AGS Action Plan 2023/24. This report is for information only.

5.0 Alternative Options

5.1 The Council has an alternative option to not maintain an AGS Action Plan.

6.0 Key Risks

6.1 The risks and opportunities in respect of this report will be appropriately identified and managed.

7.0 Council Priorities

7.1 The report supports the Council's values that are embedded in the delivery of all the Council's priorities.

8.0 Financial Implications

8.1 There are no direct financial implications arising from this report. Implementation of the action plan is met from within existing resouces and budgets.

9.0 Legal and HR Implications

9.1 There are no direct legal or HR implications arising from this report however legal advice and support will be given where appropriate.

10.0 Ward Implications

10.1 There are no specific ward implications.

11.0 Health, Social and Economic Implications

11.1 There are no health, social or economic implications.

12.0 Equality and Diversity Implications

12.1 Transparency supports equalities and demonstrates the Council's commitment to be open and fair.

13.0 Climate Change and Environmental Implications

13.1 The report has limited environmental impact.

14.0 Background Papers

1 None

15.0 Appendices

A AGS Action Plan 2023/24

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	13/01/2025	13/01/2025	AEM
Legal	02/01/2025	21/01/2025	SH

AGS ACTION PLAN FOR 2023/24 FOR IMPLEMENTATION DURING 2024/25

No	Findings	Actions	Lead Officers	Update for January 25 Audit Committee
1.	Ongoing savings proposals, budget constraints and continued strategic management of organisational changes. *Ongoing from previous AGS*	Continued management/reduction of budgets, revised structures and commercial/business approach which links to the continued development and implementation of revised governance framework. Further consultations on future savings where necessary.	• Chief Executive • SMT	Implementation/delivery of savings is actively monitored via SMT throughout the year. Regular financial monitoring is reported to Cabinet/Council. Consultation on the Medium Term Financial Strategy for 25/26 to 28/29 to be carried out between 7th January 2025 and 6th February 2026.
2.	All internal audits consist of an ethics questionnaire that is sent to a sample of staff in the team/areas being audited to demonstrate their understanding of corporate policies and whether staff feel supported. In a small number of responses returned it was noted that: • <u>Some</u> staff had not completed their essential learning	Reports to SMT detailing levels of essential learning completion to continue. Investigation Team to re-publicise fraud related training on Ollie and will monitor levels of completion.	• SMT/SDM • Policy & Development Manager • Audit & Governance Lead Manager	Reports to SMT detailing the levels of essential learning completion are ongoing. Corporate inductions have been re-introduced to maximise awareness of corporate policies, corporate values, benefits, employee led groups etc. The Investigation Team have increased publicity of their team and are receiving increasing number of referrals from services. Fraud prevention/detection is a standard part of induction training. Further communications are being sent out to publicise the training offer.

No	Findings	Actions	Lead Officers	Update for January 25 Audit Committee
	• Some staff could have a better awareness of some corporate policies. These findings have been shared when discussing individual audit reports with relevant SDM's and Directors and taken to SMT as part of reporting corporate recommendations.			
3.	The results of the annual governance certification process highlighted that in some service areas there were reductions in appropriate skilled staff numbers. Difficulties in recruiting have resulted in single points of failure or the use of agency staff. Service Delivery Managers are aware of these issues and where possible are putting measures in place to try and mitigate this. *Ongoing from previous AGS*	Number of initiatives in place including service and workforce planning, apprenticeship scheme, etc. Organisational Development team have introduced new Leadership & Management training and learning programme. This will be rolled out in the Spring of 2023. Additional recruiting measures being used via social media platforms. Continued improvements to recruitment materials and recruitment processes to remove any barriers to potential applicants.	• Chief Executive • Director of Finance & Human Resources • Policy & Development Manager	Strategic workforce planning is underway, with support from WME. The aim is for planning to be completed by the end of March 2025. The aim is to support succession planning to mitigate risks of ageing workforce, single points of failure and national shortages of particular roles. The use of apprenticeships continues. Organisational Development attends SMT and Director team meetings to encourage the use of the apprenticeship levy and to aid planning. An apprenticeship strategy is currently being developed. Phase 2 of the Leadership & Management training and learning

No	Findings	Actions	Lead Officers	Update for January 25 Audit Committee
				programme is nearing completion. Phase 3 will commence in 2025. Social media is being utilised for recruitment with managers able to require Corporate Communication support for this use. The new recruitment system automatically advertises job opportunities on Indeed. An inclusive recruitment champions programme continues to make a positive impact on the recruitment of a diverse workforce.

This page is intentionally left blank

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

29 January 2025

Corporate Risk Register

This page is intentionally left blank

TELFORD & WREKIN COUNCIL STRATEGIC RISK REGISTER

DATE OF LAST REVIEW - NOVEMBER 2024

Definitions used in the risk register:

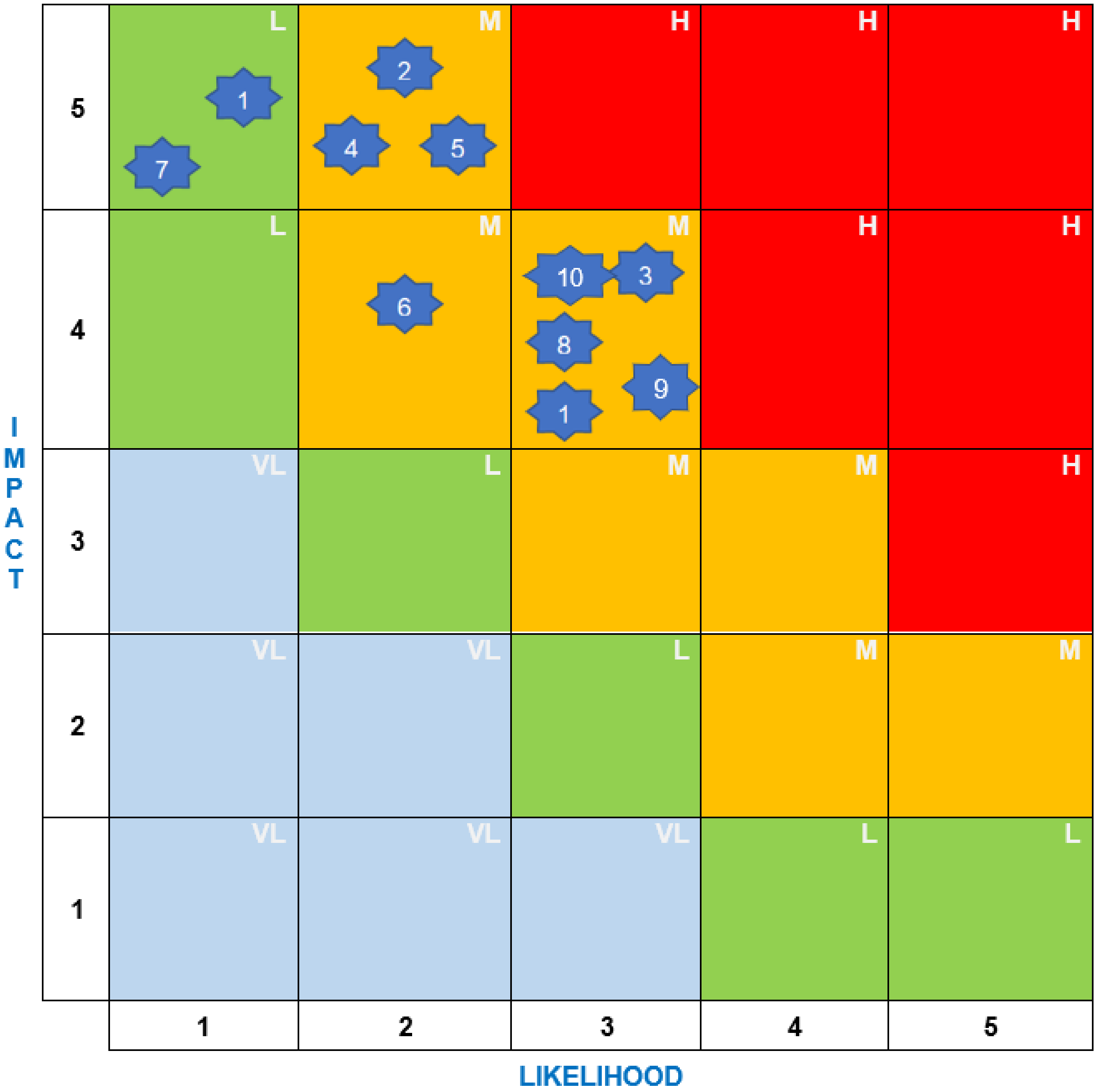
Likelihood of Risk Occurring

Likelihood	Definition
Very Low	May occur in exceptional circumstances
Low	Risk may occur in next 3 years
Medium	The risk is likely to occur more than once in the next 3 years
High	The risk is likely to occur this year
Very High	The risk has occurred and will continue to do so without further action being taken

Impact of Risk if it does Occur

Descriptor	Financial	Reputation	Physical	Environmental	Service
Very Low	None	None	None	None	None
Low	<£250K	Minimal/ minimal media/ social media	Minor	Minor locally, e.g. clearing intrusion on land	Internal disruption only, no loss of service
Medium	£250K to £1m	Extensive local media/social media	Threats of serious injury requiring medical treatment	Moderate Locally, e.g.air quality issue in part of the borough	Disruption/ loss of service less than 48 hours
High	£1m to £5m	National media/social media	Extensive/ multiple injuries	Major local impact, e.g. air quality issue affecting whole borough	Disruption/ loss of service less than 7 days
Very High	>£5m	Extensive national media (lead item)/social media	Extensive multiple injuries/ death	Major national/international, e.g. air quality issue affecting UK as a whole	Severe disruption/ loss of service more than 7 days.

Risk Heat Map



Council Priorities - Key

P1 - Every child, young person and adult lives well in their community
P2 - Everyone feels the benefit form a thriving economy
P3 - All neighbourhoods are a great place to live
P4 - Our natural environment is protected – we take a leading role in addressing climate emergency
P5 – A community focussed innovative council providing effective, efficient and quality services

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R1	Failure to discharge duty of care for a vulnerable child or vulnerable adult. ***PRIORITY:* P1**	Very High without controls Change since last review: =	Very High without controls – Physical Reputation Finance Change since last review: =	a) Safeguarding Partnership (Adults & Children) Community Safety Partnership and Youth Offending Service Management Board scrutinise performance, hold partners to account and drive practice improvement in the light of learning (e.g. Serious Case, Safeguarding Adult & Domestic Homicide Reviews). b) Safeguarding Partnership works to develop systematic working across children and adult landscape. c) The Council will increase investment into Adult Social Care services by £5.9m in 2024/25. The Council's net budget for Adult Social Care will be over £68m in 2024/25. d) The Council's will increase investment into Children's Safeguarding by £7.6m in 2024/25. This makes the net budget for Children's Safeguarding to be nearly £49m in 2024/25.	D Sidaway J Britton S Froud	**Very Low with controls** Change since last review: =	**Very High with controls – Physical Reputation Finance** Change since last review: =

				e) The combined total net budget allocation for these services will be in excess of £117m. f) A general budget contingency of £3.95m, with an additional £2.8m held for inflationary pressures will be available in 2024/25. These can be used to support pressures in any Council budget including Adult Social Care and Children's Safeguarding which account for two thirds of the Council's net budget. **Children:** g) Safeguarding arrangements are routinely reviewed and developed in response to new statutory requirements as they are introduced h) Workforce development strategy – recruitment and retention, learning and development including Systemic Practice across the Council's children's workforce. i) Children's Services - systematic quality assurance role for all managers from frontline Team Manager through to CEX and DCS j) No staff savings target for Children's Social Workers k) A comprehensive package of market factors and recruitment			

				and retention incentives have been implemented to aid the recruitment and retention of social workers l) Work to national inspection standards and respond to actions required from inspections. m) OFSTED inspection of Children's Safeguarding January 2020 achieved "Outstanding"". An action plan has been delivered to respond to the small number of recommendations. n) Independent Review of Child Sexual Exploitation (CSE) commissioned by the Council has been concluded. Recommendations from the review are in the process of being implemented. o) 'Essential learning' for all employees includes both child protection and CSE. **Adults:** p) Adult safeguarding part of Safeguarding Partnership in compliance with Care Act requirements and new Adult Safeguarding Guidance & Regulations. q) Adult Services - systematic quality assurance role for all			

				managers from frontline team manager through to DAS. CQC Assessment of the Council's ability to meet our duties under Part 1 of the Care Act 2014 achieved "Good" in November 2024. An action plan is being delivered to address the areas identified for improvement r) Integrated Care Board's Quality and Performance Committee chaired by the Chief Nurse. s) 'Essential learning' for all employees includes adult safeguarding. t) In-house provide, My Options, has robust governance arrangements following the CQC and Ofsted and regulations of the Health and Social Care Act			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R2	Inability to: a) Match available resources (both financial, people and assets) with statutory obligations, agreed priorities and service standards	Very High without controls Change since last review =	Very High without controls – Physical Reputation Service Change since =	a) Robust commercial approach taken by Council services in terms of increasing income generation b) Rigorous medium term financial planning and regular monitoring and active management through S&FPG, SMT, Business Briefing and Cabinet.	D Sidaway M Brockway	**Low with controls** Change since last review =	**Very High with controls – Physical Reputation Service** Change since =

	b) deliver financial strategy including capital receipts, savings and commercial income c) fund organisational and cultural development in the Council within the constraints of the public sector economy ***PRIORITIES:* P1, P2, P3, P4 and P5**		last review	c) Efficiency Strategy in place which allows the Council to qualify for the Flexible Use of Capital Receipts which enables the funding of revenue costs of reform and service transformation initiatives which deliver efficiencies d) 'Savings programme, service reviews and restructuring. e) Staffing, economic and environmental impact assessments of all savings proposals and appropriate consultation mechanisms in place. f) In-year savings exercises possible if necessary g) Rationalisation of Council assets and accommodation h) Prudent level of uncommitted one-off resources and in-year budget contingency of £3.95m i) Delivery of capital receipts/rigorous monitoring of capital receipts realisation and impact on the budget j) If necessary contingency plans reviewing phasing of planned capital expenditure, schemes included in capital programme, alternative potential disposals and further revenue budget cuts would be identified for consultation k) Regular review of reserves and balances against risk exposure with significant level (£21.7m) of			last review

				uncommitted balances available, held within the Budget Strategy Reserve to support the Council’s Medium Term Financial Strategy l) Track record of sound financial management having out-turned within budget for 16 consecutive years despite significant financial challenges arising from public sector austerity, the COVID pandemic and the current cost-of-living emergency. m) Safeguarding Children Cost Improvement Plan in place which is monitored by senior officers and members. n) Adult Social Care Cost Improvement Plan in place which is monitored by senior officers and members. o) Commercial project(s) for additional income generation as well as wider economic, social and regeneration purposes p) Housing Investment Programme q) Robust assessment of potential new investments through a proper due diligence and business case process to ensure that the Council is not exposed to an unacceptable level of risk either on an individual basis or when considering the entire investment portfolio			

				r) Specialist legal and taxation advice taken as required s) Active Treasury Management in conjunction with regular advice and updates from specialist Treasury Management Advisors t) Cabinet Members regularly briefed u) All necessary strategies, policies and procedures in place to fully comply with CIPFA and MoHCLG codes and regulations with regular review v) Established approval process for agreement of business cases for new investment from the Council's Growth Fund and Invest to Save/Capacity Fund. w) All reports to SMT and Cabinet include a financial comment prepared by, or on behalf of the Council's 151 officer, that identifies the financial implications arising from the recommendations to avoid significant additional ongoing commitments being committed without appropriate consideration. x) Completion of Equality Impact Assessments. y) Undertake regular benchmarking of services including with peer groups and via the LGA			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R3	Losing skills, knowledge and experience (retention & recruitment) in relation to staffing. ***PRIORITIES:*** **P1, P2, P3, P4 and P5**	Very High without controls Change since last review: =	High without controls – Financial Reputation Service Change since last review: =	a) Workforce Development Strategy in place with focus on delivering ambition of the Council being employer of choice. Strategy will focus on: • 'Our workforce will have the skills and abilities to deliver our priorities and will have the opportunity to further develop • Our managers will be leaders and will empower staff to deliver our priorities • 'Our organisation will be more diverse and inclusive offering a voice and fair treatment for all' • 'Our workplace will be healthy and we will support our employees' wellbeing' • Our employment package will be attractive and will offer fair terms and conditions • We will effectively recruit and retain suitably qualified staff across all areas of the council b) Senior Management, SDM and team leader development programmes.	D Sidaway M Brockway A Lowe	**Medium with controls** Change since last review: =	**High with controls –** **Service Reputation Finance** Change since last review: =

Page 156

				c) Each service area has a workforce plan considering • skills gap analysis and needs • apprenticeships d) Specific HR policies: • use of market factor weighting for key groups • flexible working policy • staff benefit schemes e) “Grow your own” scheme for roles that are hard to recruit to. f) Review of induction programme and ongoing training and development completed g) The development of the Council’s employment “offer” is ongoing h) Council values, ethos, rewards and recognition i) Annual Personal Performance and Development discussions for all staff along with regular one to one meetings involving employees and their line managers. j) Staff awards ceremony to celebrate and encourage outstanding performance. k) Review of the use of apprentices l) EDI Strategy in place m) Inclusive Recruitment Champions in place to support managers to maintain a diverse workforce and ensuring the			

				Council advertises vacant posts to reach all parts of the community while maximising the number of applicants. n) Employee survey undertaken in November/December 2024. o) Collaboration with West Midlands Employers and CIPD during 2024 to upskill managers and increase competence and confidence in applying strategic workforce planning principles successfully and consistently p) Working with partners around recruitment and role availability.			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R4	Significant business interruption affecting ability to provide priority services, e.g. critical damage to Council buildings, new pandemic, loss of power or infrastructure etc. ***PRIORITIES:*** **P1, P2, P3, P4 and P5**	Very High without controls Change since last review =	Very High without controls – Physical Reputation Service Change since last review =	a) Each Service Delivery Team has Business Continuity Plans to enable them to respond appropriately (people, systems etc.), these are reviewed annually and updated following team changes and or incidents. b) Corporate Business Continuity Policy is to be reviewed in 2025. The Service Delivery BC Template will then be refreshed and updated c) Continuity plans for loss of key buildings tested in live environment during the pandemic. Different	Executive Directors	**Medium with controls** Change since last review =	**Very High with controls –** **Service Reputation** Change since last review =

				scenario testing requires completion by individual teams. d) Serious Incident Protocol has been adopted but requires review. e) Continue to invest in ICT capital programme. Data centre investment complete. f) Improvement/upgrade/replacement of key IDT systems IDT controls – Disaster Recovery facilities in place based on Priority Services in line with Business Continuity Plans. g) Roll out of "office 365" and the cloud computing. h) Investment in cyber security and awareness programme and training (see risk 7 also). i) Implementation of a 3rd generation firewall. j) Strong and effective support provided by corporate IDT team to support the implementation of new service specific and corporate systems and upgrades to these systems which also ensures effective system testing arrangements. k) Sound operational management of Council buildings			

Page 159

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R5	Inability to manage the health & safety risks in delivering the council's functions (including building security and cyber security). ***PRIORITIES:* P1, P2, P3, P4 and P5**	Very High without controls Change since last review: =	Very High without controls – Physical Reputation Financial Change since last review: =	a) Reviewing, writing and monitoring of health and safety policies, incidents and audit findings through and the Health and Safety Committee who meet 3 times a year. b) Risk based health and safety audit process of Telford & Wrekin buildings and local authority managed schools, which not only audit implementation of health and safety policies but also proactively identifies shortcomings, actions and controls that need to be in place to manage those risks. c) Management of health and safety within services is undertaken annually. Results from audits are fed back to Team Managers, Directors and H&S Committee d) Internal Health and Safety work to Health and Safety Executive (HSE) guidance and revise Policies and Procedures to ensure compliance with legal standards. Revisions reported back through the H&S Committee. e) A Health & Safety Competency Framework has been implemented. It details the	Jo Britton / Director of Public Health	**Low with controls** Change since last review: =	**Very High with controls – Physical Reputation Finance** Change since last review: =

				necessary training and competency of the key roles of the Health & Safety Policy. f) There is a corporate lone worker risk assessment in place. Each service should also consider lone working within their team risk assessments. Lone member risk assessments are undertaken and appropriate processes are in place. There is a council wide lone worker monitoring system available g) System in place for reporting all accidents, incidents and near misses. Non reportable accidents are investigated by each service area. h) All reportable accidents are additionally investigated by Internal Health and Safety Team and significant findings reported to Health and Safety Committee. All findings are reported back to relevant service area management i) Training to ensure health and safety compliance is provided on Health and Safety through a mixture of e-learning and face to face. j) Essential learning training for all employees includes health and safety and fire safety awareness. k) Consultation and communication with Trade			

				Unions occurs through the H&S Committee. l) Personal Safety Precautions Risk Register available to employees. m) Appointed Cyber Security Manager to review and improve cyber security where required. n) Cyber security part of essential learning for all employees. o) Corporate review of list of 1st aiders to ensure adequate resource in place p) Corporate review of list of fire marshals to ensure adequate resource in place q) Enhanced risk assessments for specific individual/services r) Updated personal safety training s) Increased security at main Council buildings and at meetings t) Review of lockdown procedures at key Council buildings and security plans for major events. u) Building security kept under review.			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R6	Inability to deliver effective information governance.	Very High without controls	Very High without controls – Financial	a) The Council has an Information Governance Framework which includes the Corporate Information Security Policy	D Sidaway	**Low with controls**	**High with controls –** **Reputation**

	PRIORITIES: **P1 and P5**	Change since last review =	Reputation Change since last review =	(CISP) and other policies (Data protection, Information Sharing policies) b) Small dedicated team promoting sound Information Governance within the Council and ensuring that good practice is shared across the Council c) Training and awareness programme put in place and Information Governance modules form part of induction and essential learning programmes. d) Data Protection Officer reports regularly to SMT on IG related matters e) Data Protection Officer attends a number of management team meetings. f) General Data Protection Regulations 2018 implemented. g) SMT oversight of reported data breaches h) All data breaches recorded, investigated and lessons learnt identified i) Detailed report is sent to relevant Director in respect to breaches occurring in their service area j) Directors email all employees that have contributed to a data breach or incident highlighting the potential consequences. k) Information Governance related posters in all main Council buildings		Change since last review =	**Finance** Change since last review =

				l) Staff complete randomly generated questions on data protection/information security every quarter m) Regular bulletins on information governance related matters published in staff newsletter n) Completion of annual Data Security and Protection (DSP) toolkit. o) Annual Governance Statement process encompasses key information governance related matters p) Key elements of information governance and IDT security are audited by an external company.			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R7	Inability to respond adequately to a significant emergency affecting the community and/or ability to provide priority services. ***PRIORITIES:*** **P1, P3, P4 and P5**	High without controls Change since last review: =	Very High without controls – Environment Financial Service Change since last review: =	a) Work collaboratively with other Local Resilience Forum partner agencies, maintaining effective working relationships with the relevant bodies b) Council Emergency Plan reviewed and renewed in 2024. c) Human resource challenges to maintain appropriate levels of trained staff to be able to respond to an emergency, for example, to set up rest centres are monitored. For example,	Exec Directors / Director of Public Health	**Medium with controls** Change since last review: =	**Very High with controls –** **Service Reputation Finance Environment** Change since last review: =

				recruitment for volunteer rest centre staff to be undertaken in the Winter 2024. d) Strategic, tactical and recovery training provided for SMT and relevant SDM's. Further training identified for those that have not received any. e) Service level agreement in place with Shropshire County Council to share resource of a Resilience Manager. f) Maintaining appropriate, risk based contingency plans (Civil Resilience Manager) which are reviewed on regular basis g) Operation 'Tangent' – multi agency plan to respond to landslide in the Gorge is in place. It was reviewed and exercised in October 2024. h) Individual Service Delivery Managers are responsible for maintaining and exercising their Business Continuity Plan. These plans would be coordinated corporately and the emergency plan activated if necessary. i) Provider contract monitoring in place. j) Public health mechanisms in place to manage response to significant incidents. However prolonged incidents will result in a significant human resource challenge			

				k) Corporate budget contingency of £3.95m available to cover unforeseen costs arising up to Bellwin threshold where relevant. l) On-call arrangements in place, including for SMT			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R8	Inability to respond to impact of climate emergency on severe weather events including heat, cold and flood. ***PRIORITIES:* P3 and P4**	High without controls Change since last review: =	Very High without controls – Environment Reputation Financial Change since last review: =	a) Investment in highways capital programme. b) Corporate capital budget specifically for projects that support the Council to address/mitigate the impact of climate change are included within capital programme. c) Monitor ground stability in the Gorge and water levels. d) Use and testing of flood barriers in Ironbridge e) Adoption of Climate Emergency Becoming Carbon Neutral action plan which includes a commitment to ensuring that its operation and activities are carbon neutral by 2030.	A Astley	**Medium with controls** Change since last review: =	**High with controls – Environment Reputation Finance** Change since last review: =

				f) Delivering a wide range of schemes to reduce carbon emissions. g) Driving partnership engagement and action on climate change through the Telford and Wrekin Borough Climate Change Partnership h) Addressing biodiversity through actions plans. i) Climate Emergency is at the forefront of the Council's priorities. In addition, there is a new Council priority defined – 'Our natural environment is protected – we are taking a leading role in addressing the climate emergency j) Strong relationships with key partners including the Environment Agency. k) Work of the Environment Scrutiny Committee l) Development and adoption of the Climate Change Adaption Plan			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R9	Projects not delivered effectively - Increasing number of projects and resource challenges to deliver those projects	Very High without controls	Very High without controls – Financial Service	a) Major Projects Board in place b) Capital monitoring undertaken by all services/Directors c) Monitor business plans d) Workforce planning	All of SMT	**Medium with controls** Change since =	**High with controls –** **Financial Service Reputation**

	leads to project failure and inability to continue to deliver existing council services effectively and efficiently. ***PRIORITIES:*** **P1, P2, P3, P4 and P5**	Change since last review =	Reputation Change since last review =			last review	Change since last review =

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R10	Failure to deliver partnership priorities. ***PRIORITIES:*** **P1, P2, P3, P4 and P5**	Very High without controls Change since last review =	Very High without controls – Financial Service Reputation Change since last review =	a) Vision 2032 detailing partnership priorities and shared delivery of actions b) Engagement with those with lived experience in developing strategies c) Partnership agreements in place detailing clear partnership priorities	All of SMT	**Medium with controls** Change since last review =	**High with controls –** **Financial Service Reputation** Change since last review =

Risks Removed for Register

Ref	Risk	Reason for Removal	Date of Removal
R9	Inability to respond to the impact and implications of Brexit.	This risk is no longer applicable.	27/1/2022

Document Version Control

Version	Date	Author	Sent To	Comments
n/a	19/1/21	R Montgomery	SMT	Approval prior to register presented to Audit Committee and Cabinet
2022.2	27/1/22	R Montgomery	SMT	Update of register in respect to additions/changes to mitigating actions and deletion of risk R9
2022.2.1	23/12/22	R Montgomery	SMT	Update in relation to mitigating actions against each risk.
2023.2.2	10/1/24	R Montgomery	SMT	Includes updates provided by SMT
2024.2.3	11/11/24	R Montgomery	SMT	Amendments suggested from previous SMT meeting and additional risks added
2025.0.1	16/12/24	R Montgomery	SMT	Added clear linkages between corporate risks and council priorities