Finance and Resources Committee

10:00am, Thursday, 19th September 2024

Treasury Management: Annual Report 2023/24

Executive/routine
Wards

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 Notes the Annual Report on Treasury Management for 2023/24;

1.1.2 Remits the report to Council for approval; and

1.1.3 Refers the report to the Governance, Risk and Best Value Committee for their scrutiny.

Dr Deborah Smart

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Report

Treasury Management: Annual Report 2023/24

2. Executive Summary

2.1 The purpose of this report is to give an update on Treasury Management activity in 2023/24.

3. Background

3.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management must be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year.

4. Main report

4.1 Treasury Management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code. Appendix 1 contains Prudential Indicators showing the actual out-turn for 2023/24. The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.

4.2 Appendix 2 gives a short economic review of the year, including a commentary from the Council's Treasury Advisors.

4.3 Appendix 3 gives an overview of the Council's borrowing for 2023/24. The Council borrowed £125m from the PWLB during the financial year.

4.4 Appendix 4 shows the Investment Out-turn for 2023/24.

4.5 A list of the Council's borrowing at 31 March 2024 is included in Appendix 5.

4.6 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued monthly, and performance is evaluated against a benchmark of 7-day compounded SONIA (sterling overnight index average) less 6.25 basis points.

4.7 UK Bank Rate was 4.25% at the beginning of the financial year increasing to 5.25% by August and remaining there for the rest of the financial year. The average interest rate on the fund for the year was 5.06% against a benchmark of 4.89%. The cash fund rate at year end was 5.86% against a benchmark of 5.13%.

5. Next Steps

5.1 The Treasury team will continue to operate its Treasury Cash Fund with the aim of out-performing its benchmark of 7-day compounded SONIA less 6.25 basis points and manage the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

6. Financial impact

6.1 The Treasury Cash Fund has generated significant additional income for the Council:

7. Equality and Poverty Impact

7.1 n/a.

8. Climate and Nature Emergency Implications

8.1 The Council's Treasury Management Policy Statements specify a list of approved investment types, and this list does not include investment in equities (other than in Council companies) or Corporate Bonds (other than issued by financial institutions). As such the Council has no direct or indirect investments in fossil fuel companies.

8.2 However, the most recent version of the Treasury Management Code has placed a greater emphasis on ESG issues, suggesting in the Treasury Management Practices that:

"The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level."

8.3 As the code notes, ESG within Treasury portfolios is a developing area, and an update on the Council's position is given in Appendix 6.

9. Risk, policy, compliance, governance and community impact

9.1 To support Elected Members in discharging their duties in relation to the Council's Treasury Management activities, it is intended to make some structured training available in advance of the 2024/25 Strategy report.

10. Background reading/external references

10.1 n/a

11. Appendices

11.1 Appendix 1: Prudential Indicators Out-turn

11.2 Appendix 2: Economic Review of 2023/24

11.3 Appendix 3: Borrowing Out-turn 2023/24

11.4 Appendix 4: Investment Out-turn 2023/24

11.5 Appendix 5: Outstanding Debt as at 31st March 2024

11.6 Appendix 6: Update on ESG Issues

Appendix 1

Prudential Indicators

Indicator 1 - Estimate of Capital Expenditure
The actual capital expenditure outturn for 2023-24 and the estimates of capital expenditure to be incurred for future years:

	Capital Expenditure - General Services						
	2023/24 Actual	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
Rolled Forward Capital Investment Programme	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
General Fund	287,394	361,443	345,922	210,715	155,121	98,038	81,280
Housing Revenue Account	136,531	180,383	345,964	324,689	471,383	463,983	415,268
Total Capital Expenditure	**423,925**	**541,826**	**691,886**	**535,404**	**626,504**	**562,021**	**496,549**

Note that the 2024-2030 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream
Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2023-24 are:

	Ratio of Financing Costs to Net Revenue Stream						
	2023/24 Actual	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
	%	%	%	%	%	%	%
General Services	8.0%	8.1%	8.4%	8.5%	8.4%	8.2%	8.2%
Housing Revenue Account (HRA)	32.4%	40.0%	43.8%	49.7%	54.2%	57.7%	60.4%

Note: Figures for 2025/26 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

Indicator 3 - Capital Financing Requirement

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2024 are:

	Capital Financing Requirement						
	2023/24 Actual £m	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**	**2027/28 Estimate £m**	**2028/29 Estimate £m**	**2029/30 Estimate £m**
General Services (including Finance Leases / Right of Use Assets/ Service Concession Flexibility)	1,710	1,868	1,934	1,935	1,908	1,855	1,780
Housing Revenue Account (HRA)	490	604	767	938	1,121	1,291	1,470
NHT LLPs	44	9	0	0	0	0	0
Edinburgh Living LLPs	67	72	163	212	239	236	233
Total Capital Financing Requirement	**2,312**	**2,553**	**2,864**	**3,084**	**3,268**	**3,382**	**3,483**

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequences of all of the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

The impact of applying the service concession arrangements from 1st April 2023 is included in the above figures.

The capital financing requirement for the NHT LLPs includes an estimate for repayments of advances. Exit strategies are still to be finalised for the remaining three LLPs, however five have now repaid their loans in full.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.
In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

Gross Debt and the Capital Financing Requirement	2023/24 Actual £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Debt	2,027	2,210	2,552	2,779	2,980	3,081	3,032
Capital Financing Requirements	2,312	2,553	2,864	3,084	3,268	3,382	3,483
(Over) / under limit by:	**285**	**343**	**311**	**305**	**288**	**301**	**451**

The authority does not currently envisage borrowing in excess of its capital financing requirement over the next few years. This takes into account current commitments, existing plans and assumptions around cash balances and the proposals in this budget. The figures do not include any expenditure and associated funding requirements, other than projects specifically approved by Council, for the Local Development Plan (LDP) or City Deal.

Indicator 4 - Authorised Limit for External Debt

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated authority to the Service Director for Finance and Procurement, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

Authorised Limit for External Debt	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Borrowing	2,533	2,825	3,085	3,140	3,220	3,318	3,445
Credit Arrangements (including leases and Right of Use assets)	511	490	470	454	440	428	412
Authorised Limit for External Debt	**3,044**	**3,315**	**3,556**	**3,594**	**3,660**	**3,745**	**3,857**

These authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely (but not worst case) scenario with sufficient headroom to allow for operational treasury management. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

Indicator 5 - Operational Boundary for External Debt

The operational boundary equates to the estimated maximum of external debt. It is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and credit arrangements are separately identified. The Council has also delegated authority to the Service Director for Finance and Procurement, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and credit arrangements, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	Operational Boundary for External Debt						
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Borrowing	2,483	2,775	3,035	3,090	3,170	3,268	3,395
Credit Arrangements (including leases)	511	490	470	454	440	428	412
Operational Boundary for External Debt	**2,994**	**3,265**	**3,506**	**3,544**	**3,610**	**3,695**	**3,807**

Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans

The authority can set its own local indicators to measure the affordability of its capital investment plans. The Service Director for Finance and Procurement considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2024-25 and for future years will be considered as part of the longer term financial frameworks.

	Loans Charges Liability						
	2023/24 Actual £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances							
Loans Fund Advances in year	74,994	232,536	148,241	84,394	57,885	30,457	13,705
Year 1 - Interest Only	1,500	4,651	2,965	1,688	1,158	609	274
Year 2 - Interest and Principal Repayment	5,500	17,053	10,871	6,189	4,245	2,234	1,005
Housing Revenue Account (HRA) - New Loans Fund Advances							
Loans Fund Advances in year (excl. LLP programme *)	88,190	137,374	189,604	203,627	221,340	215,485	229,322
Year 1 - Interest Only	1,874	2,919	4,029	4,327	4,703	4,579	4,873
Year 2 - Interest and Principal Repayment	6,688	8,409	11,904	12,712	13,738	13,408	14,227

* The loans charges associated with the borrowing required for the house building programme for onward transferred to the LLPs will be met from the LLPs and does therefore not have a net impact on the HRA or General Services revenue budget. Tram repayments are based on the income model and will commence from 2024/25 as the line to Newhaven is operational.

Consideration of options for the capital programme

In considering its programme for capital investment, Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax or house rents;
- prudence and sustainability, e.g. implications for external borrowing;
- value for money, e.g. option appraisal;
- stewardship of assets, e.g. asset management planning;
- service objectives, e.g. strategic planning for the authority;
- practicality, e.g. achievability of the forward plan.

Appendix 2

Economic Review of 2023/24

The Council's treasury advisor, Arlingclose, has provided the following economic review of the year:

UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Figure A2.1 below shows PWLB borrowing rates since 2005. This shows the increase in borrowing rates due rising inflation followed by a modest recovery as inflation fell and the expectation of cuts in UK Bank Rate increased.

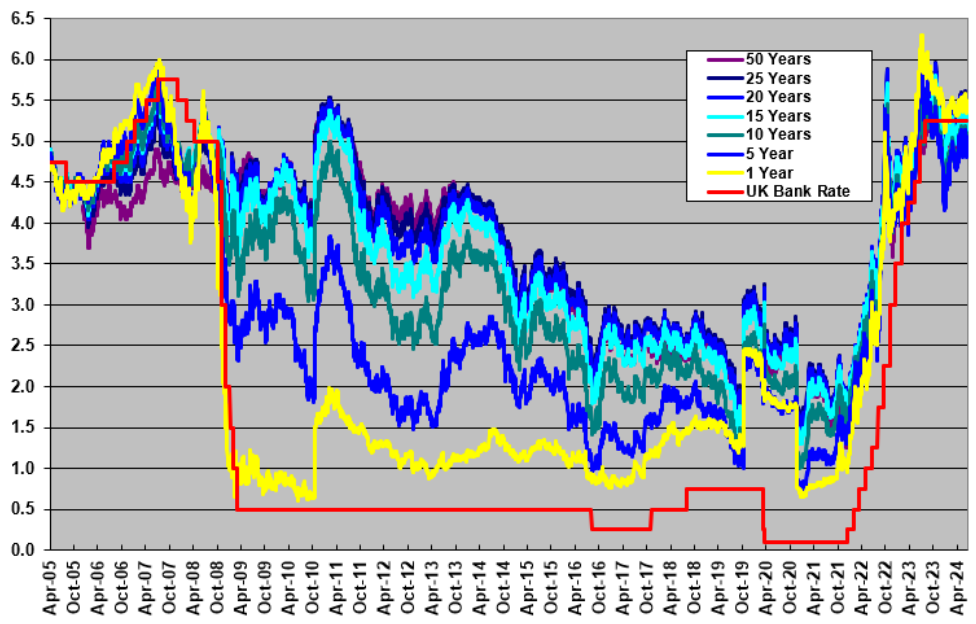

Figure A2.1 – PWLB Rates from April 2005 to Date

Source: DMO

Appendix 3

Borrowing Out-turn 2023/24

2023/24 Borrowing

Table A3.1 below summarises the movements in the Council's borrowing during 2023/24.

Type of Loan	Balance 01.04.2023 £m	Borrowing Raised £m	Borrowing Repaid £m	Balance 31.03.2024 £m
PWLB - fixed	1,163.72	125.00	-42.80	1,245.92
Salix Finance Ltd	0.22		-0.15	0.08
Market	291.40		-21.82	269.58
	1,455.34	125.00	-64.77	1,515.58
Capital Advances	1,707.37			1,808.81
Under-borrowed	252.03		Under-borrowed	293.23

Table A3.1 – Outstanding Debt Portfolio 2023/24

Figure A2.1 above shows the relatively high PWLB borrowing rates during the financial year. The Council's under-borrowed position was increased during the year as investments were reduced to temporarily fund capital expenditure in the anticipation of lower PWLB borrowing rates in 2024/25. Nevertheless, a couple of opportunities to borrow were taken during the year and the Council borrowed £125m during 2023/24.

Figure A3.1 below shows the sources of borrowing at 31 March 2024.

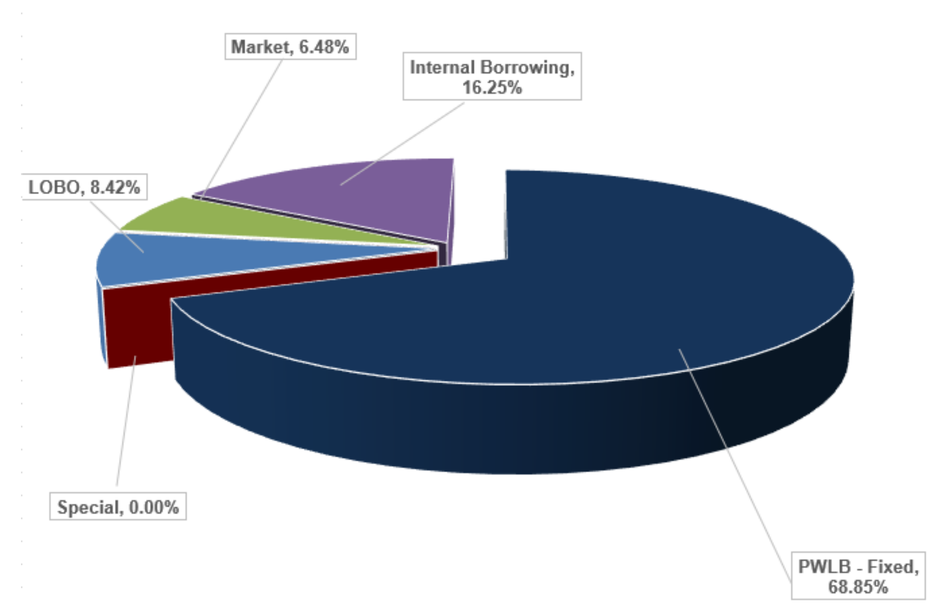

Figure A3.1 – CEC Debt Portfolio (31 March 2024)

The PWLB and market loans are fixed rate so there is no interest rate risk on 69% of the loans portfolio. The 8% of the portfolio in LOBO loans is fixed rate but as interest rates rise, there is an increased possibility that an increase in the rate on the loan might be requested. There is therefore a level of interest rate risk on these loans. Two loans were subject to a request for a rate increase in 2023/24 and the Council exercised its option to repay the loans.

Figure A3.2 below shows the Council's Loans Fund Capital Advances, the level of actual external debt, and the interest cost of that debt. These costs include not only external interest paid on loans, but also the internal cost of foregoing external interest on deposits while they are used to temporarily fund capital expenditure in lieu of external borrowing.

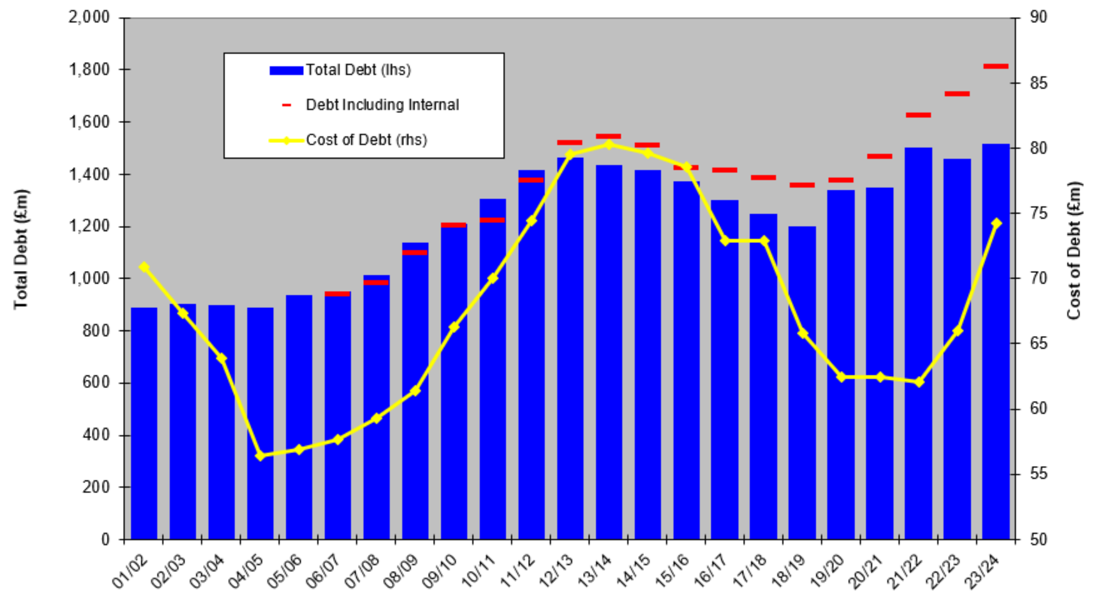

Figure A3.2 – CEC Debt and its Annual Cost

As previously reported, the Council borrowed £125m in 2023/24. Between March 2020 and March 2023, the Council's debt increased from £1.455bn to £1.516bn.

The cost of debt increased from £66.0m in 2022/23 to £74.3m in 2023/24. The external interest cost reduced from £61.7m to £58.8m, however due to increasing interest rate, the Capital Financing Charge (effectively the internal lost interest on investments due to using the cash to temporarily fund capital expenditure) went from £0 in 2020/21 to £81k in 2021/22 to £4.46m in 2022/23 to £15.5m in 2023/24.

The capital budget, as set out elsewhere on this agenda, shows estimated loans fund advances of £732m for the General Fund and £967m for the HRA in the period 2024/25 to 2028/29. This level of advances, as was demonstrated by the Liability Benchmark in the 20254/25 Annual Treasury Strategy, requires the Council to undertake substantial external borrowing over the next few years. The Council is therefore exposed to significant interest rate risk over that period.

As rates have started to fall as anticipated, the Council has borrowed £160m to date in 2024/25 to start to mitigate that interest rate risk.

Appendix 4

Investment Out-turn 2023/24

The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued monthly, and performance is evaluated against a benchmark, which is 7-day compounded SONIA less 6.25 basis points.

The Bank of England's Monetary Policy Committee (MPC) increased UK Bank Rate from 4.25% at the start of the financial year to 5.25% at the end, where it remains at the time of writing this report.

Figure A4.1 below shows investment performance since April 2011.

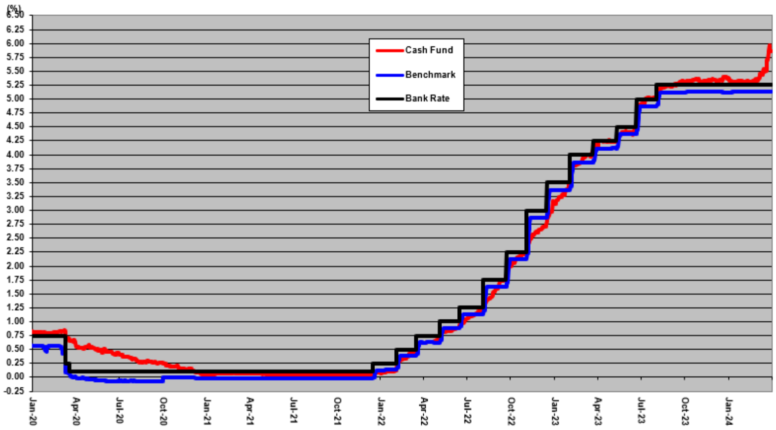

Figure A4.1 - Treasury Cash Fund Investment Performance

The average interest rate on the Cash Fund for the year was 5.06%, against a benchmark of 4.89%. Figure A4.2 below shows the cash fund's performance relative to its benchmark and the 10bp outperformance target set by Lothian Pension Fund.

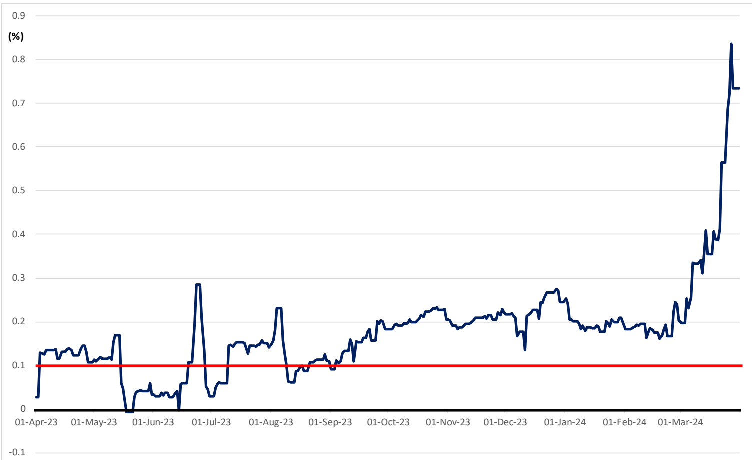

Figure A4.2 – Cash Fund Relative Performance

Source: CEC

The fund generated income of £10m during 2023/24 to CEC.

The cash fund rate at 31 March 2024 was 5.86% against a benchmark of 5.13%. Figure A4.3 is produced by the Council's Treasury Advisors and shows the Cash fund investment return was one of the best relative to their other clients.

Figure A4.4 is also produced by the Council's Treasury Advisors and is a snapshot of the risk/return on the cash fund investments at 31 March 2024 compared to its other clients. This shows that at that point, the cash fund had slightly higher credit risk than other clients but had gained significant out-performance.

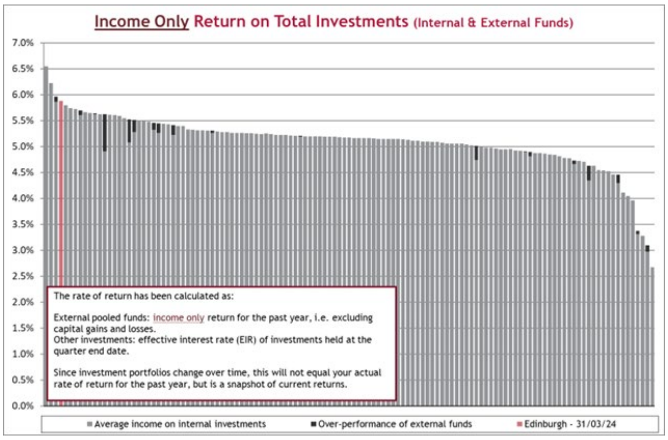

Figure A4.3 – Cash Fund Performance

Source: ARLINGCLOSE

The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money has been invested with banking institutions and was held on instant access call and a 31-day notice account with a highly credit rated institution, money market funds, supranational commercial paper, UK gilts, UK treasury bills, DMADF and other Local Authorities on 31 and 35 day notice linked to UK Bank Rate and short term fixed deposits. Figure A4.5 below shows the distribution of the Cash Fund investments since April 2007.

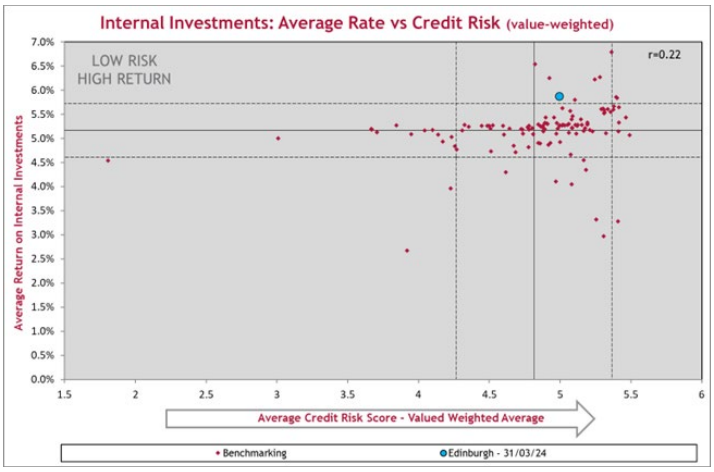

Figure A4.4 – Cash Fund Relative Performance

Source: ARLINGCLOSE

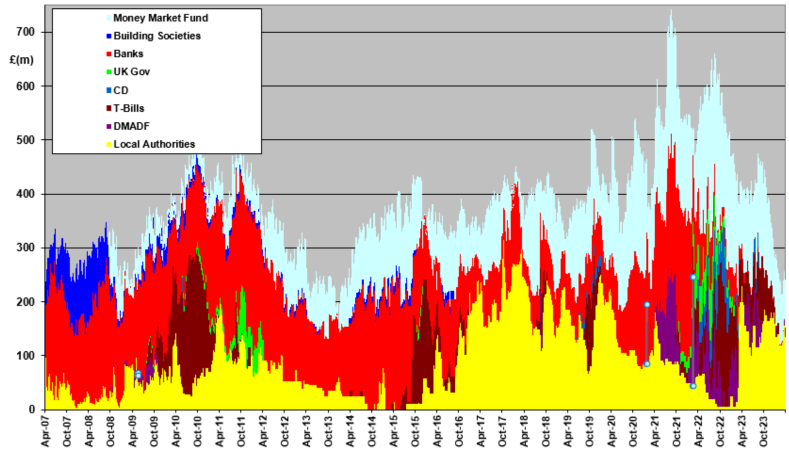

Figure A4.5 – Cash Fund Investments since inception

The strategy remains to seek trades which add value relative to MMF/Bank rates and make a positive contribution towards out-performance while maintaining the security of funds.

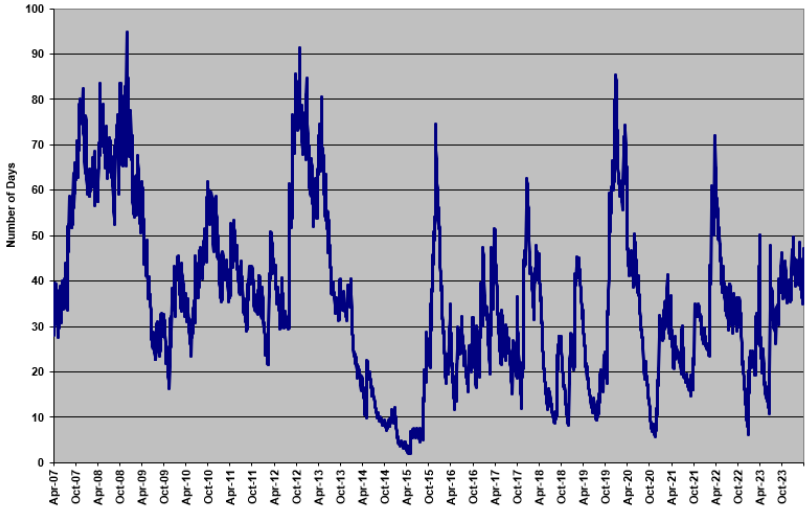

Figure A4.6 - Cash Fund Weighted Average Life

Figure A4.6 shows the weighted average life of the fund and the short duration of the fund as high liquidity was retained to help achieve a higher rate of interest over financial year end. This enabled funds to be placed on fixed deposits at an attractive rate of interest and to ensure sufficient liquidity for cashflow purposes.

Appendix 5

Outstanding Debt as at 31st March 2024

PWLB PROFILE	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING £	INTEREST RATE %	ANNUAL INTEREST £
M	10/05/2010	10/05/2024	10,000,000.00	4.32	432,000.00
M	28/09/1995	28/09/2024	2,895,506.10	8.25	238,879.25
M	14/05/2012	14/11/2024	10,000,000.00	3.36	336,000.00
A	14/12/2009	14/12/2024	848,887.74	3.66	38,627.87
M	17/10/1996	25/03/2025	10,000,000.00	7.875	787,500.00
M	10/05/2010	10/05/2025	5,000,000.00	4.37	218,500.00
M	16/11/2012	16/05/2025	20,000,000.00	2.88	576,000.00
M	13/02/1997	18/05/2025	10,000,000.00	7.375	737,500.00
M	20/02/1997	15/11/2025	20,000,000.00	7.375	1,475,000.00
A	01/12/2009	01/12/2025	2,380,934.34	3.64	97,019.52
M	21/12/1995	21/12/2025	2,397,960.97	7.875	188,839.43
M	21/05/1997	15/05/2026	10,000,000.00	7.125	712,500.00
M	28/05/1997	15/05/2026	10,000,000.00	7.25	725,000.00
M	29/08/1997	15/11/2026	5,000,000.00	7	350,000.00
M	24/06/1997	15/11/2026	5,328,077.00	7.125	379,625.49
M	07/08/1997	15/11/2026	15,000,000.00	6.875	1,031,250.00
M	13/10/1997	25/03/2027	10,000,000.00	6.375	637,500.00
M	22/10/1997	25/03/2027	5,000,000.00	6.5	325,000.00
M	13/11/1997	15/05/2027	3,649,966.00	6.5	237,247.79
M	17/11/1997	15/05/2027	5,000,000.00	6.5	325,000.00
M	13/12/2012	13/06/2027	20,000,000.00	3.18	636,000.00
M	12/03/1998	15/11/2027	8,677,693.00	5.875	509,814.46
M	06/09/2010	06/09/2028	10,000,000.00	3.85	385,000.00
M	14/07/2011	14/07/2029	10,000,000.00	4.9	490,000.00
E	14/07/1950	03/03/2030	1,516.39	3	51.18
M	14/07/2011	14/07/2030	10,000,000.00	4.93	493,000.00
M	04/03/2024	04/03/2031	20,000,000.00	4.74	948,000.00
M	15/03/2024	15/03/2031	25,000,000.00	4.27	1,067,500.00
E	15/06/1951	15/05/2031	1,757.55	3	54.48
M	12/03/2024	12/08/2031	30,000,000.00	4.75	1,425,000.00
M	06/09/2010	06/09/2031	20,000,000.00	3.95	790,000.00
M	15/12/2011	15/06/2032	10,000,000.00	3.98	398,000.00
A	21/12/2023	21/12/2035	25,000,000.00	3.97	976,157.84
A	11/01/2024	11/01/2036	25,000,000.00	3.87	951,472.11
M	15/09/2011	15/09/2036	10,000,000.00	4.47	447,000.00
M	22/09/2011	22/09/2036	10,000,000.00	4.49	449,000.00
M	10/12/2007	10/12/2037	10,000,000.00	4.49	449,000.00
M	08/09/2011	08/09/2038	10,000,000.00	4.67	467,000.00
M	15/09/2011	15/09/2039	10,000,000.00	4.52	452,000.00
M	06/10/2011	06/10/2043	20,000,000.00	4.35	870,000.00
M	09/08/2011	09/02/2046	20,000,000.00	4.8	960,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00

M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	19/05/2006	19/11/2046	10,000,000.00	4.25	425,000.00
M	07/01/2008	07/01/2048	5,000,000.00	4.4	220,000.00
A	24/03/2020	24/03/2050	13,398,388.31	1.64	113,230.96
A	26/03/2020	26/03/2050	4,454,771.52	1.49	111,555.74
A	26/03/2021	26/03/2051	9,218,443.20	1.75	164,806.87
A	12/07/2021	12/07/2051	37,417,808.89	1.78	680,030.06
M	27/01/2006	27/07/2051	1,250,000.00	3.7	46,250.00
M	16/01/2007	16/07/2052	40,000,000.00	4.25	1,700,000.00
M	30/01/2007	30/07/2052	10,000,000.00	4.35	435,000.00
M	13/02/2007	13/08/2052	20,000,000.00	4.35	870,000.00
M	20/02/2007	20/08/2052	70,000,000.00	4.35	3,045,000.00
M	22/02/2007	22/08/2052	50,000,000.00	4.35	2,175,000.00
M	08/03/2007	08/09/2052	5,000,000.00	4.25	212,500.00
M	30/05/2007	30/11/2052	10,000,000.00	4.6	460,000.00
M	11/06/2007	11/12/2052	15,000,000.00	4.7	705,000.00
M	12/06/2007	12/12/2052	25,000,000.00	4.75	1,187,500.00
M	05/07/2007	05/01/2053	12,000,000.00	4.8	576,000.00
M	25/07/2007	25/01/2053	5,000,000.00	4.65	232,500.00
M	10/08/2007	10/02/2053	5,000,000.00	4.55	227,500.00
M	24/08/2007	24/02/2053	7,500,000.00	4.5	337,500.00
M	13/09/2007	13/03/2053	5,000,000.00	4.5	225,000.00
A	14/10/2019	10/04/2053	101,428,795.61	2.69	2,773,513.63
M	12/10/2007	12/04/2053	5,000,000.00	4.6	230,000.00
A	01/07/2021	01/07/2053	47,126,425.59	1.98	950,453.33
M	05/11/2007	05/05/2057	5,000,000.00	4.6	230,000.00
M	15/08/2008	15/02/2058	5,000,000.00	4.39	219,500.00
A	25/01/2019	25/01/2059	2,528,367.76	2.65	67,866.69
A	11/06/2019	11/06/2059	1,189,929.79	2.23	26,657.62
A	01/10/2019	01/10/2059	1,247,117.59	1.74	22,023.17
A	02/10/2019	02/10/2059	37,163,299.87	1.8	672,231.65
A	05/11/2019	05/11/2059	6,745,426.40	2.96	201,976.68
A	28/11/2019	28/11/2059	1,234,682.27	3.03	37,837.69
A	02/12/2019	02/12/2059	2,658,077.72	3.03	81,458.61
A	20/01/2020	20/01/2060	1,857,305.16	1.77	33,361.18
A	20/01/2020	20/01/2060	432,844.56	2.97	12,734.03
M	04/10/2019	04/04/2060	40,000,000.00	1.69	676,000.00
A	07/12/2021	07/12/2060	18,410,603.85	1.8	336,090.50
M	02/12/2011	02/12/2061	5,000,000.00	3.98	199,000.00
A	07/12/2021	07/12/2061	4,019,120.42	1.79	72,927.92
A	19/05/2022	19/05/2062	3,032,333.92	2.86	87,644.76
A	02/11/2022	02/11/2062	7,928,132.79	4.61	367,981.17
A	24/03/2022	24/03/2063	17,499,112.74	2.65	468,780.64
M	26/03/2020	26/03/2070	10,000,000.00	1.29	129,000.00
M	12/07/2021	12/07/2071	50,000,000.00	1.74	870,000.00
M	23/12/2021	23/12/2071	25,000,000.00	1.45	362,500.00
			1,245,923,287.05		

Non-LOBO Profile	Start Date	Maturity Date	Principal Outstanding	Interest Rate	Annual Interest
			£	%	£
M	08/10/2020	08/10/2045	54,681,053.30	2.613	1,511,165.09
M	30/06/2005	30/06/2065	5,000,000.00	4.4	220,000.00
M	07/07/2005	07/07/2065	5,000,000.00	4.4	220,000.00
M	21/12/2005	21/12/2065	5,000,000.00	4.99	249,500.00
M	28/12/2005	24/12/2065	12,500,000.00	4.99	623,750.00
M	14/03/2006	15/03/2066	15,000,000.00	5	750,000.00
M	18/08/2006	18/08/2066	10,000,000.00	5.25	525,000.00
M	01/02/2008	01/02/2078	10,000,000.00	3.95	395,000.00
			117,181,053.30		

LOBO Profile	Start Date	Maturity Date	Principal Outstanding	Interest Rate	Annual Interest
			£	%	£
M	12/11/1998	13/11/2028	3,000,000.00	4.75	142,500.00
M	15/12/2003	15/12/2053	10,000,000.00	5.25	525,000.00
M	18/02/2004	18/02/2054	10,000,000.00	4.54	454,000.00
M	28/04/2005	28/04/2055	12,900,000.00	4.75	612,750.00
M	01/07/2005	01/07/2065	10,000,000.00	3.86	386,000.00
M	24/08/2005	24/08/2065	5,000,000.00	4.4	220,000.00
M	13/09/2005	14/09/2065	5,000,000.00	3.95	197,500.00
M	03/10/2005	05/10/2065	5,000,000.00	4.375	218,750.00
M	23/12/2005	23/12/2065	10,000,000.00	4.75	475,000.00
M	06/03/2006	04/03/2066	5,000,000.00	4.625	231,250.00
M	17/03/2006	17/03/2066	10,000,000.00	5.25	525,000.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	05/06/2006	07/06/2066	20,000,000.00	5.25	1,050,000.00
M	05/06/2006	07/06/2066	16,500,000.00	5.25	866,250.00
			152,400,000.00		

SPECIAL FIXED/ VAR	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING £	INTEREST RATE %	ANNUAL INTEREST £
F	29/03/2019	01/04/2029	76,988.23	0	0.00
			76,988.23		

Appendix 6

Update on ESG Issues

The 2024/25 Annual Treasury Management Strategy included some information on different scheme in relation to cash management activities. The Council's Treasury Advisors have provided the following narrative to explore the purpose of the schemes:

UN Principles for Responsible Banking (UN PRB)

The aim here is to accelerate a positive global transition for people and the planet. The UN PRB has 330 signatories representing over half the global banking industry. Through the Principles, banks commit and take action to: align their core strategy, decision-making, lending and investment with the UN Sustainable Development Goals (UN SDGs) and the Paris Agreement; work responsibly with clients and customers to encourage sustainable practices; consult, engage and partner with relevant stakeholders to achieve society's goals; have effective governance and a culture of responsible banking; transparency and accountability for the bank's positive and negative impacts and contribution to society's goals.

Net Zero Banking Alliance (NZBA)

Launched in April 2021 the Alliance is a group of over 130 global banks covering about 40% of global banking assets which have committed to align their lending, investment and capital markets activities with net-zero greenhouse gas emissions (GHG) by 2050 or sooner. Banks set science-based targets for 2030 and 2050 along with intermediary targets every 5 years from 2030 onwards. The banks' 2030 targets for financed emissions using 1.5°C scenarios are those sectors which are the most GHG-intensive within their portfolios. Banks are to publish annually their absolute emissions and emissions intensity in line with best practice and disclose progress against their transition strategies.

Principles for Responsible Investment (UN PRI)

The PRI is an investor initiative in partnership with the United Nations' Environment Programme Finance Initiative and the UN Global Compact. The PRI's aim is to encourage investors to responsible investment to enhance returns and better manage risks. It has nearly 5300 signatories, comprising investment managers (c.77%) asset owners and service providers, who commit to: incorporating ESG issues into investment analysis and decision-making; being active owners; seek appropriate disclosures from investee companies; work collaboratively to enhance effectiveness and report on activities and progress. Signatories reports through the PRI Transparency Reporting Framework on their ESG approach, ESG incorporation into the investment process, approach to managing climate-related risks and approach to stewardship. Signatories apply best practice for responsible investment (screening/exclusions/integration) in the way that is most relevant to their portfolios.

Net Zero Asset Managers Initiative (NZAMI)

Launched in December 2020 and now with 325 signatories with US$57 trillion of assets under management, this international group of asset managers commits to accelerating the transition towards global net-zero and helping deliver the goals of the Paris Agreement whilst ensuring a 'just transition'. In addition to their fiduciary duty to their clients and beneficiaries, managers support investment aligned with net-zero GHG emissions by 2050 or sooner. The NZAM commitments include setting interim targets for 2030. Managers will be accountable through their annual climate-related financial disclosures (TCFD) and their climate action plan. It does not mean that asset managers need to divest a given asset, as engagement and stewardship are important levers and may have more impact on real economy emissions than by simply divesting.*

**The necessity for a 'just transition' was written into the 2015 Paris Agreement to recognise that the transition to a low-carbon economy needs to be both fast and fair. It is about managing the process towards inclusive sustainable growth in which employees and communities are not left behind or overlooked.*

UK Stewardship Code 2020

Published by the Financial Reporting Council, the UK Stewardship Code 2020 views active ownership as the "responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society". This version of the Code has a strong focus on active ownership activities and outcomes, setting standards for those investing money on behalf of UK savers, pensioner and expecting signatories to progress beyond articulating policies to "applying and explaining" and increasing transparency and disclosure. The Code's principles focus on "Purpose and Governance", "Investment Approach", "Engagement" and "Exercising Rights and Responsibilities". Signatories report annually with specific evidence on the Code's application and on successes and setbacks.

The Code has 287 signatories with £50.1 trillion in assets under management (July 2024), comprising 196 asset managers, 72 asset owners, and 19 service providers. Signatories work individually as well as collaboratively.

The Council is not eligible to join either of the banking initiatives or the asset managers one, but as an asset owner the Council could become a signatory to the UN PRI and the Stewardship Code. We are investigating this option further.

We are also seeking to procure objective data on the ESG criteria of our financial institution counterparties. However, as suggested by the Treasury Management Code, meaningful data is not readily available. We will continue to explore what options are available to the Council.

In the meantime, we have commenced the process to open an account with HSBC's ESG Liquidity Fund.