TREASURY MANAGEMENT STRATEGY,
TREASURY MANAGEMENT INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY - 2025/26

1. TREASURY MANAGEMENT STRATEGY

1.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.2 The Act also requires a Statement of Minimum Revenue Position, which is the amount set aside from revenue for the repayment of debt principal.

1.3 Based on the guidance in the Treasury Management Code, the reporting arrangements of the 2025/26 Treasury Management Strategy will require a full meeting of the Council to:-

- agree and maintain a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;

- agree and maintain treasury management practices which set out the manner in which the Council will seek to achieve those policies and objectives;

- agree an annual Treasury Management Strategy Statement (including the Annual Investment Strategy and Minimum Revenue Provision Policy) for 2025/26;

- nominate the Governance and Audit Committee, on behalf of the Council, to receive an annual performance report covering activities during the previous year;

- nominate the Cabinet Member for Resources to receive a mid-year report covering activities during the year and the ongoing review of counter parties;

- delegate responsibilities for implementing and monitoring treasury management policies and practices and performance indicators, and for the execution and administration of treasury management decisions to the Executive Director (Resources); and,

- delegate the role of scrutiny of treasury management strategy and policies to the Governance and Audit Committee.

1.4 The Treasury Management Strategy for 2025/26 is based upon the Acting Chief Finance Officer's views on interest rates, supplemented with leading market forecasts provided by the Council's treasury management advisors (Arlingclose). The Economic background and interest rate forecasts that form the basis of this strategy report can be found in Annex 1.

1.5 On 31 December 2024, the Council held £216.379m of total gross debt (including Private Finance Initiative schemes, Finance Leases and Transferred debt) and £33.530m of investments. This is set out in further detail at Annex 2. Forecast changes in these sums are shown in the balance sheet analysis in the below table:

Table 1 - Balance sheet summary and forecast

	31/03/24 Actual £m	**31/03/25 Estimate £m**	**31/03/26 Forecast £m**	**31/03/27 Forecast £m**	**31/03/28 Forecast £m**
Total Capital Financing Requirement (CFR) *(Including "Other debt" of PFI and finance leases)*	**280.326**	**286.431**	**293.667**	**296.358**	**295.00**
Less: Other debt CFR	-101.695	-104.001	-106.469	-108.752	-110.000
Loans CFR	**178.631**	**182.430**	**187.198**	**187.606**	**185.000**
Less: External borrowing (excludes PFI and Finance leases)	-112.379	-112.379	-111.231	-111.231	-109.319
Internal borrowing(over)	**66.252**	**70.052**	**75.966**	**76.375**	**75.681**
Less: Balance sheet resources	-114.192	-103.617	-90.214	-90.256	-90.298
Treasury Investment forecast	**-47.940**	**-33.565**	**-14.248**	**-13.881**	**-14.617**

1.6 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

1.7 Where possible, the Council will use its cash balances to fund its capital expenditure rather than use external borrowing (a method referred to as internal borrowing). However, as table 1 suggests that the forecast investment levels in 2025/26 onwards could fall below the Councils current long term investment levels of £27.000m, it is an indicator that borrowing may be required in 2025/26 in place of the continuation of internal borrowing.

1.8 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast Capital Financing Requirement over the next three years. Table 1 above shows that the Council expects to comply with this recommendation during 2024/25 and for the forecast period.

1.9 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing (see Table 2). This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

1.10 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator - Liability Benchmark

	31/03/24 Actual £m	**31/03/25 Estimate £m**	**31/03/26 Forecast £m**	**31/03/27 Forecast £m**	**31/03/28 Forecast £m**
Loans CFR	178.631	182.430	187.198	187.606	185.000
Less: Balance sheet resources	-114.192	-103.617	-90.214	-90.256	-90.298
Net loans requirement	64.439	78.814	96.984	97.350	94.702
Plus: Liquidity allowance	10.000	10.000	10.000	10.000	10.000
Equals: Liability Benchmark	**74.439**	**88.814**	**106.984**	**107.350**	**104.702**
Forecast borrowing*	**112.379**	**112.379**	**111.231**	**111.231**	**109.319**

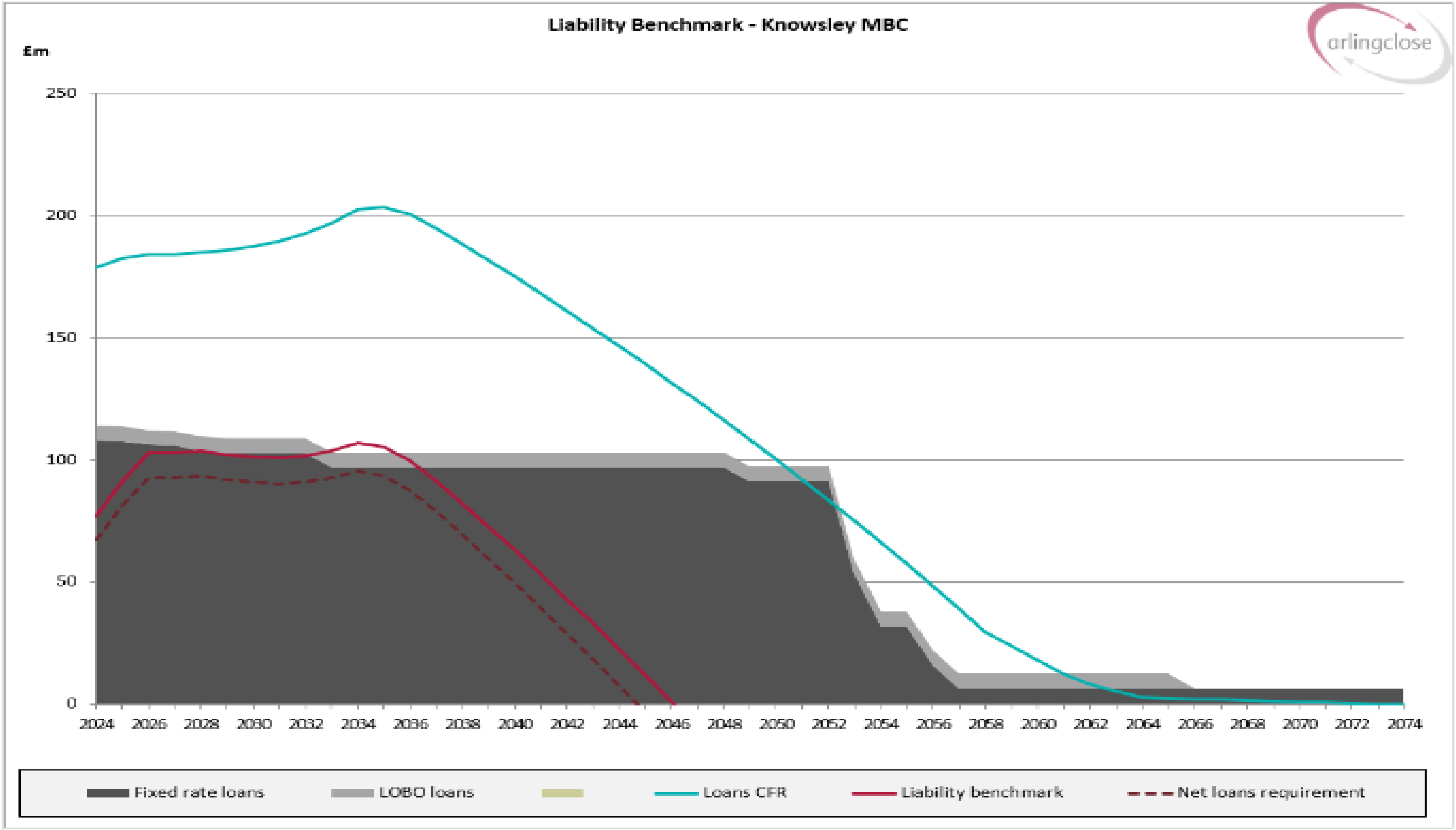
***Note:** *excludes PFI and finance leases and transferred debt*

1.11 Following on from the balance sheet forecasts in Table 1, the long-term liability benchmark assumes capital expenditure funded by external borrowing of £3.050m in 2024/25 and £4.405m in 2025/26. Table 2 above shows that the Council expects borrowing to remain above its liability benchmark. This is because cash flows to date have been below the assumptions made when the loans were taken out. Excess borrowing will lead to cash that needs to be invested which thereby increases the risk of the Council losing money. However, this risk is mitigated by the Council's robust Investment Strategy as detailed in section 5. In addition to this, the Council's borrowing has fixed maturity dates and therefore it is not possible to reduce borrowing accordingly.

1.12 The below chart shows the liability benchmark, depicted by the solid red line, together with the maturity profile of the Councils existing borrowing shown by the solid grey blocks. It also shows the Council's Capital Financing Requirement shown by the solid blue line.

1.13 The liability benchmark chart shows that the Council has more borrowing than is required, as the solid blocks of borrowing are higher than the liability benchmark line. As mentioned in paragraph 1.11 this is because the Council's maturity loans that cannot be repaid without incurring significant costs. The graph also shows that the Capital Financing Requirement is higher than the Council's existing borrowing thereby demonstrating that the Council is using its cash balances to fund capital schemes rather than taking out further borrowing. It is anticipated that the Capital Financing Requirement will remain above borrowing until 2051.

Liability Benchmark Chart



2. BORROWING STRATEGY

2.1 The Council's main objective when borrowing is to strike a balance between securing low interest costs and achieving cost certainty over the loan period. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

2.2 The Council currently holds £112.379m of treasury management loans. The balance sheet forecast in Table 1 above shows that the Council may fall into a borrowing position in 2025/26 in order to fund it's capital expenditure. The Council may borrow to fund future years' requirements in advance, for example if interest rates were attractive, providing this does not exceed the treasury management authorised limit for borrowing for that year.

2.3 Table 3 below sets out the proposed limits to the Council's borrowing.

Table 3 – Authorised Limit and Operational Boundary

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Authorised Limit – Borrowing	240.000	250.000	250.000	250.000
Authorised Limit – Private Finance Initiative and Leases	130.000	120.000	120.000	120.000
Total Authorised Limit	**370.000**	**370.000**	**370.000**	**370.000**
Operational Boundary – Borrowing	210.000	220.000	220.000	220.000
Operational Boundary – Private Finance Initiative and Leases	120.000	110.000	110.000	110.000
Total Operational Boundary	**330.000**	**330.000**	**330.000**	**330.000**

2.4 Given the continuing financial pressures faced by the Council, the Treasury Management and Borrowing Strategies must continue to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to use internal resources or short-term loans to cover unexpected cash flow shortages. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators, 2.5 The benefits of internal and short-term borrowing instead of long-term borrowing will be monitored against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this ‘cost of carry’ and breakeven analysis to determine whether the Council should borrow 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.

2.6 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board but will consider the long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over -reliance on one source of funding in line with the CIPFA Code. Public Works Loan Board loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council intends to avoid this activity and retain access to Public Works Loan Board loans. Purchasing of investment assets will be for regeneration programmes only.

2.7 Alternatively, the Council may arrange forward-starting loans during 2025/26, 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 Council may borrow short-term loans to cover unplanned cash flow shortages.

2.8 The Executive Director (Resources) will take appropriate independent advice and adopt a flexible and pragmatic approach to the borrowing requirement. When circumstances change, any relevant decisions will be reported to the Cabinet Member for Resources.

2.9 The new borrowing estimate for 2025/26 is based on current service provision. The borrowing estimate also includes the credit arrangements required for the Council’s Private Finance Initiative schemes which are built into Council wide budgets.

3. SOURCES OF BORROWING AND IMPLICATIONS

3.1 The approved sources of long term and short-term borrowing the Council will keep under review are:-

- HM Treasury's Public Works Loan Board Lending facility;
- Internal;
- National Wealth Fund Ltd (former UK Infrastructure Bank Ltd)
- Local authorities/police and fire authorities;
- Any institution approved for investments (see investment strategy);
- 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;
- Retail investors via a regulated peer-to-peer platform; and
- UK Municipal Bonds Agency plc and any other special purpose companies created to enable joint local authority bond issues

3.2 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases;
- hire purchase;
- Private Finance Initiative;
- sale and leaseback; and,
- similar asset-based finance.

3.3 The Council has £6m of "Lender's Option Borrower's Option" (LOBO) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or repay the loan at no additional cost. The Council currently has one such loan in the option period, and while this has not yet been exercised the higher levels of interest rates at present may make it more likely that the lender will exercise their option. If they do, the Council will repay the loan to reduce financing risk in later years. Loans which could be called in 2024/25 are therefore regarded as short-term borrowing. Any revised terms of a loan will not be accepted unless they are beneficial to the Council.

3.4 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the Public Works Loan Board. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the Public Works Loan Board for two reasons:

- Borrowing authorities are required to provide bond investors with a guarantee to refund their investment if the agency is unable to for any reason; and
- There will be a lead time of several months between committing to borrow and knowing the interest rate payable.

Any decision to borrow from the Agency will be the subject of a separate report to the Cabinet Member for Resources.

3.5 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see below paragraph 7.1).

4. DEBT RESCHEDULING

4.1 The Public Works Loan Board allows Councils 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 Council may therefore replace or repay loans where this is expected to achieve an overall cost saving or a reduction in risk. The higher levels of interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

4.2 In consultation with Arlingclose, the Council will continue to monitor the overall debt portfolio to identify suitable options for early repayment of debt. Any borrowing and rescheduling activity will be reported in accordance with the reporting requirements set out in this Strategy.

5 TREASURY MANAGEMENT INVESTMENT STRATEGY

5.1 The Council holds treasury management investment funds representing income received in advance of expenditure plus balances and reserves held. In 2024/25 to date the Council's investment balance has ranged from £72.247m to £33.530m. The treasury management investment balances held at the time of writing this report are £45.490m as detailed in Annex 2. The forecast closing investment balance at 31 March 2025 is £33.565m assuming levels of balance sheet resources as detailed in Table 1 of this report.

5.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and consider the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of loss from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council 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.

5.3 As demonstrated by the liability benchmark in paragraph 1.10 above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

5.4 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments to mitigate the risk of treasury management decisions – such as managing interest rate risk.

5.5 The Council may therefore decide to diversify into more secure long-term investments or higher yielding asset classes. This is especially the case in the medium to long term for the estimated £40m of uncommitted working capital that is available for longer-term investment. At the time of writing this report the Council has £27m invested long-term.

5.6 The Council aims to be a responsible investor and will consider environmental, social and governance issues when investing. Environmental, social and governance considerations are increasingly a factor in global investors' decision making, but national best practice for evaluating investment opportunities is still developing and the Council's treasury management policies do not currently include an assessment of environmental, social and governance factors at an individual investment level. However, when investing in banks and financial institutions, the Council prioritises those that are signatories to the UN Principles for Responsible Banking and also funds operated by signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5.7 Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.8 *Investment Counterparties*

5.8.1 The Council may invest its surplus funds with any of the counterparties listed below, subject to the maximum cash and time limits determined by Arlingclose throughout the year:

- Banks* and other organisations whose lowest published long-term credit rating of A- or above (Banks Secured and Unsecured);
- UK Government;
- Secured investment*;
- UK Local Authorities and other Government entities;
- UK registered providers* (unsecured) of social housing;
- Pooled Funds and Real Estate Investment Trusts;
- UK Building Societies* (unsecured);
- Corporates;
- Money market funds*;
- Strategic pooled funds;
- other pooled funds including Property Funds (External Funds); and,
- Any other organisation, subject to an external credit assessment and specific advice from Arlingclose.

5.8.2 The Council's current lending list details the cash and time limits per Counterparty as shown in Annex 3. The Council 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 Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Councils medium-term financial plan and cash flow forecast in consultation with Arlingclose.

5.8.3 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.8.4 For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar quality. Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks are all classed as Banks unsecured deposits. 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. Arrangements relating to operational bank accounts are noted below.

5.8.5 Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies are all classed as Banks secured deposits. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they 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 to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

5.8.6 Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral banks are not subject to bail in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and may be made in unlimited amounts for up to 50 years.

5.8.7 Registered Provider loans are loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

5.8.8 Deposits to corporate firms such as bonds and commercial paper issued by companies other than banks and registered providers, are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or as part of a diversified pool in order to spread the risk widely.

5.8.9 Pooled funds, including exchange traded funds, have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same day liquidity and very low or no volatility will be used as an alternative to instant access accounts, while pooled funds whose value changes with market process and have a notice period will be used for longer investment periods. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. They allow the Council 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, but are available for withdrawal or can be sold on an exchange after a notice period, their performance and continued suitability will be monitored regularly.

5.8.10 Real estate investment trusts are 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, real estate investment funds 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.

5.8.11 The Council may also invest cash with other organisations, for example by making loans to small businesses. Due to their higher perceived risk of unrated business, such investments may provide considerably higher rates of return. They will however only be made following a favourable credit assessment and on specific advice from Arlingclose. The Cabinet Member for Resources will also be consulted on these matters as part of the ongoing review of counter parties.

5.8.12 The Council may take decisions to make investments or loans to third parties for non-Treasury Management purposes. These investments will be for purposes other than achieving an optimum return for example, social value. If any such investments are to be made, appropriate credit assessments will be made where necessary and they will be built into the Council's Investment Strategy.

5.8.13 The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept within the credit limits set. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

5.9 *Creditworthiness Policy*

5.9.1 Since July 2011, the Council has used the creditworthiness service provided by Arlingclose. The credit rating agencies in current use are listed in the Treasury Management Practice document. Credit ratings are obtained and monitored by the Council's treasury management team in consultation with Arlingclose, who notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

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

5.9.4 The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

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

6 TREASURY MANAGEMENT INDICATORS

6.1 The Council measures and manages its exposures to treasury management risks using the following indicators:

a) **Security and the credit risk Indicator:** The Council adopts a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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 are assigned a score based on their perceived risk.

Credit risk indicator	Target	Actual 31/12/24
Portfolio average credit rating	A	AA+

b) **Liquidity:** For the purpose of liquidity management the Council 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 Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

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

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0
Upper limit on one-year revenue impact of a 1% fall in interest rates	£730,000

The interest rate indicator has been calculated on the assumption that as the Council currently has no variable rate borrowing, there will be no interest rate risk if interest rates rise as interest payable on loans will remain the same. The Council however would gain on interest payable on its short-term investments. The impact of a 1% fall in interest rates has been calculated based on the highest short-term liquid investment balances held in money market funds for the period 1 April 2024 to 12 December 2024.

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

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	50%

The maturity date of borrowing is the earliest date on which the lender can demand repayment. Therefore, the Councils £6.000m LOBO that is currently "on call" will fall within the "under 12 months" period.

e) **Price risk indicator – long term treasury management investments:** The purpose of this indicator is to control the Councils exposure to the risk of incurring losses by seeking early repayment of its investments if it struggles to meet its day-to-day cash flow demands. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£40m	£40m	£40m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

7 OTHER CIPFA CODE REQUIREMENTS

7.1 Financial Derivatives are borrowing or investments where the value is based on the performance of another asset - such as stocks or bonds. Local authorities have previously used financial derivatives embedded into loans and investments - 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 (Section 1 of the *Localism Act 2011)* removes much of the uncertainty over the use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.2 The Council will only use standalone financial derivatives (e.g. swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial and credit risks that the Council is exposed to. Additional risks such as credit exposure to derivative counterparties will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.3 Financial derivative transactions may be arranged with any counterparty that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury management Practices document will count against the counterparty credit limit.

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

7.5 **Markets in Financial Instruments Directive (MIFID)**: The Council has opted up to professional status with its providers of financial services (including advisers, banks, brokers and fund managers) allowing it access to a greater range of services without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities the Council's Acting Chief Finance Officer believes this to be the most appropriate status.

7.6 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Council's Acting Chief Finance Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

7.7 Examples of alternative strategies, with their financial and risk management implications, are listed below.

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

8 2025/26 MINIMUM REVENUE PROVISION STATEMENT

8.1 The Minimum Revenue Provision is the minimum amount of money the Council must set aside each year to repay debt. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 place a duty on local authorities to make a prudent provision for debt redemption. The Council’s Minimum Revenue Provision policy is contained in Annex 3 of this Strategy.

8.2 The Council will continue to assess its Minimum Revenue Provision for 2025/26 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003. The background and options available to the Council are included within Annex 3 to this Strategy.

8.3 A large proportion of the Minimum Revenue Provision for 2025/26 will relate to the Council’s historic debt liability. As the Council is free to determine its own method for calculating prudent provision, it is proposed that as in previous years it would be appropriate, affordable and reasonable to repay a fixed amount each financial year (calculated at 2% of the outstanding debt balance at 31 March 2014). This would equate to a 50-year repayment period which is considered a reasonable assumption for the lives of the assets funded by this expenditure.

8.4 For new prudential borrowing the Minimum Revenue Provision will be determined by charging the expenditure over the expected useful life of the relevant asset - starting in the year after the asset becomes operational.

8.5 For accounting purposes, estimated life periods for assets will be determined by the Executive Director (Resources) in accordance with national guidance, although, in some circumstances, it may be appropriate to determine alternative useful life periods and prudent Minimum Revenue Provision in exceptional circumstances where the recommendations of the guidance would not be appropriate.

8.6 As some types of capital expenditure incurred by the Council cannot directly be related to an individual asset, asset lives will be assessed on the basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. In addition, whatever type of expenditure is involved, investment will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

8.7 Where the Council borrows to meet expenditure which is treated as capital expenditure by virtue of a capitalisation direction, an estimated life period of 20 years is specified in the guidance, since the Government does not wish to encourage reliance upon such practice.

8.8 The Council may consider from time to time making additional contributions to the Minimum Revenue Provision when it is deemed prudent to do so by the Executive Director (Resources).

8.9 Wherever possible, the Council will also consider using capital receipts to finance short-term assets, leaving borrowing to finance the longer-term assets. This will therefore assist in matching loan duration with estimated asset life.

8.10 The Minimum Revenue Provision in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards based Accounting Code of Practice will be in line with the method outlined in paragraph 8.4 above.

8.11 The Executive Director (Resources) will continue to work with the treasury management advisors throughout the year to ensure this Minimum Revenue Provision Policy remains prudent and helps to maximise the Council's use of resources.

9 POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS

9.1 The Council uses Arlingclose as its external treasury management advisors but recognises that responsibility for treasury management decisions remains with the Council at all times and will therefore ensure that undue reliance is not placed upon its external service providers.

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

<u>Annexes:-</u>

Annex 1	Economic and Interest Rate Forecast
Annex 2	Existing Debt and Investment Position
Annex 3	Councils Lending List and Limits
Annex 4	Background to the Minimum Revenue Provision Policy Statement 2025/26

APPENDIX A - ANNEX 1

ECONOMIC BACKGROUND AND INTEREST RATE FORECAST (January 2025)

Economic Background

The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

The Bank of England (BoE) cut the Bank Rate to 4.50% at its February 2025 meeting, having held it at 4.75% in December 2024. At the February meeting, seven Committee members voted to reduce the Bank Rate to 4.50% while two members preferred to maintain it at 4.75%.

Office for National Statistics (ONS) figures reported the annual Consumer Price Index (CPI) inflation rate at 2.5% in December024, down from 2.6% in the previous month and in line with expectations. Core CPI also rose by3.2%, down from 3.5% the previous month. The outlook for CPI inflation in December showed it rising above the 2% target from 2024 into 2025 and rising toabove 3% in the near term due to unfavourable base effects, particularly energy prices. The MPC revised its inflation forecast upwards significantly, with the CPI rate now expected to peak at 3.7% in mid-2025.

Interest rate forecast

Arlingclose forecasts that the Bank Rate will reduce to a low of 3.75% in 2025 to stimulate the UK economy.

An economic and interest rate forecast provided by Arlingclose is below:

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.50	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.90	4.60	4.35	4.10	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.15	4.20	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.10	4.10	4.10
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05
10yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.46	4.50	4.45	4.30	4.25	4.25	4.25	4.25	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05
20yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.98	5.00	4.90	4.80	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90
50yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.34	4.70	4.60	4.50	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90

APPENDIX A - ANNEX 2

EXISITING DEBT AND INVESTMENT POSITION
(10 February 2025)

	Actual Portfolio £m	Average Rate %
External borrowing:		
Long term:		
Public Works Loan Board	100.079	4.501
LOBO loans from banks	6.000	3.710
Other loans	6.300	4.080
Short term loans	0.000	0.000
Total external borrowing	**112.379**	**4.435**
Other long-term liabilities:		
Private Finance Initiative	103.755	n/a
Transferred Debt	0.246	n/a
Total other long-term liabilities	**104.001**	**n/a**
Total gross external debt	**216.379**	**n/a**
Treasury investments:		
Money Market Funds	17.490	4.573
Fund Managers	27.000	5.094
Other deposits	1.000	4.75
Total treasury investments	**45.490**	**4.881**
Net debt	**170.889**	**N/A**

APPENDIX A- ANNEX 3

LENDING LIST AND LIMITS
(February 2025)

Knowsley Credit List

Counterparty	Country of Domicile	AUTHORITY SPECIFIC LIMITS Individual Cash Limit (£/%)	Group Cash Limit (£/%)	Max Investment period	Secured Limit
UNITED KINGDOM: BANKS					
BANK OF SCOTLAND PLC	GB			6 months	
LLOYDS BANK CORPORATE MARKET	GB			100 days	
LLOYDS BANK PLC	GB		£4m	6 months	
BARCLAYS BANK PLC	GB			6 months	
BARCLAYS BANK UK PLC	GB		£4m	6 months	
HANDELSBANKEN PLC	GB		£4m	6 months	
CLYDESDALE BANK (also trades as Virgin Money)	GB		£4m	100 days	
HSBC BANK PLC	GB			6 months	
HSBC UK BANK PLC	GB		£4m	6 months	
NATIONAL WESTMINSTER BANK	GB			6 months	
ROYAL BANK OF SCOTLAND PLC/T	GB			6 months	
NATWEST MARKETS PLC	GB		£4m	6 months	
SANTANDER UK PLC	GB		£4m	6 months	
STANDARD CHARTERED BANK	GB		£4m	6 months	
UK: BUILDING SOCIETIES					
NATIONWIDE BUILDING SOCIETY	GB	£4m		6 months	
UK: LOCAL AUTHORITIES					
ALL LOCAL AUTHORITIES **(EXCLUDING SLOUGH BOROUGH COUNCIL, THURROCK COUNCIL , WOKING COUNCIL, BIRMINGHAM COUNCIL, WARRINGTON COUNCIL, NOTTINGHAM COUNCIL AND LONDON BOROUGH OF CROYDON)**		£7m		1 year	
ALL POLICE AUTHORITIES		£7m		1 year	

OTHER INSTITUTIONS AND FUND MANAGERS FOR LONG TERM INVESTMENTS IN CONSULTATION WITH ARLINGCLOSE	Country of Domicile	All Lending limits to be agreed with Arlingclose	Group Cash Limit (£/%)	Max Investment Period (in consultation with Arlingclose)
LCR FINANCE PLC (UK)	EN			10 years
NETWORK RAIL INFRASTRUCTURE	GB			10 years
EUROPEAN INVESTMENT BANK	LX			25 years
WELLCOME TRUST FINANCE PLC	GB			15 years
UK GOVERNMENT	GB			50 years

Money Market Funds on Arlingclose List	Country of Domicile	COUNCIL SPECIFIC LIMITS		
		Individual Cash Limit (£/%)	Group Cash Limit (£/%)	Max Investment period
ABERDEEN ASSET MANAGEMENT	LX	£89.5m	**Each money Fund - up to a max of £7m or lower if the individual cash limit is less than £7m.**	n/a - short term cash flow
BLACKROCK	IR	£216.0m		n/a - short term cash flow
BNP PARIBAS ASSET MANAGEMENT	LX	£16.3m		
DWS	IR	£28.4m		n/a - short term cash flow
FEDERATED INVESTORS (UK)	GB	£37.0m		n/a - short term cash flow
FIDELITY INTERNATIONAL	IR	£7.7m		
GOLDMAN SACHS ASSET MANAGEMENT	IR	£54.9m		
INSIGHT INVESTMENTS	IR	£109.0m		n/a - short term cash flow
AVIVA INVESTORS	IR	£106.7m		n/a - short term cash flow
AVIVA INVESTORS GOV	IR	£90.8m		n/a - short term cash flow
INVESCO AIM	IR	£8.0m		
INSIGHT INVESTMENTS	IR	£109.0m		n/a - short term cash flow

EXTERNAL FUND MANAGERS	
M & G GLOBAL DIVIDEND FUND	Investment period advised by Arlingclose
UBS MULTI ASSET FUND	Investment period advised by Arlingclose
SHRODERS INCOME MAXIMISER FUND	Investment period advised by Arlingclose
CITY FINANCIAL MULTI ASSET DIVERSIFIED FUND	Investment period advised by Arlingclose
CCLA PROPERTY FUND	Investment period advised by Arlingclose
NETWORK HOUSING GROUP	Investment period advised by Arlingclose
KAMES DIVERSIFIED MONTHLY INCOME FUND	Investment period advised by Arlingclose
UBS GLOBAL INCOME EQUITY FUND	Investment period advised by Arlingclose
FUNDAMENTUM	Investment period advised by Arlingclose
M&G STRATEGIC CORPORATE BOND	Investment period advised by Arlingclose
COLUMBIA THREADNEEDLE STRATEGIC BOND	Investment period advised by Arlingclose

APPENDIX A - ANNEX 4

BACKGROUND TO THE MINIMUM REVENUE PROVISION POLICY STATEMENT - 2025/26

1. What is Minimum Revenue Provision?

1.1. Each year, the Council borrows money in order to finance some of its capital expenditure. The rules for Minimum Revenue Provision are set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 and require local authorities to set aside each year, from their revenue account, a prudent provision for debt redemption. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024.

1.2. The broad aim of a prudent amount is to ensure that the debt is repaid over a period that is either reasonably commensurate with the period over which the capital expenditure provides benefit, or, in the case of borrowing supported by formula grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance.

1.4. MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.

1.5. The 2003 Regulations were further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of the capital financing requirement from its calculation, unless by an exception set out in statute. Further, that capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue. Specific exceptions were introduced for capital loans, alongside appropriate risk mitigations. These measures were taken to strengthen compliance with the duty to make MRP.

2. Government Guidance

2.1. The Guidance offers four main options under which Minimum Revenue Provision could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to "have regard" to the guidance therefore means that:-

1. Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its Minimum Revenue Provision to be prudent; and,

2. It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

Option 1 - Regulatory Method

Under the previous regulations, Minimum Revenue Provision was set at a uniform rate of 4% of the Capital Financing Requirement on a reducing balance method (which in effect meant that Minimum Revenue Provision charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of the new approach.

Option 2 - Capital Financing Requirement Method

This is a variation on Option 1 and is based upon a charge of 4% of the aggregate Capital Financing Requirement without any adjustment for certain factors which were brought into account under the previous statutory Minimum Revenue Provision calculation. The Capital Financing Requirement is the measure of an authority's outstanding debt liability as depicted by its balance sheet.

Option 3 - Asset Life Method

This method may be applied to most new capital expenditure. Under this Option, it is intended that Minimum Revenue Provision should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages to this Option:-

- longer life assets (e.g. freehold land) can be charged over a longer period than would arise under Options 1 and 2; and,

- no Minimum Revenue Provision charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being a 'Minimum Revenue Provision holiday'). This flexibility is not available under Options 1 and 2.

There are two methods of calculating charges under Option 3:-

a. equal instalment method – equal annual instalments; or,

b. annuity method – annual payments gradually increase during the life of the asset.

Option 4 - Depreciation Method

Under this option, Minimum Revenue Provision charges are linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions). This is a more complex approach than Option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under Option 3.

3 2025/26 Minimum Revenue Provision Policy

3.1 For prudential borrowing taken out prior to the introduction of the Prudential Code in 2008/09, the Council has determined that a fixed amount calculated at 2% of the outstanding balance as at 2014 would be prudent. This would equate to a 50-year repayment period which is considered as reasonable average assumption for the lives of the assets funded by this expenditure. The annual payment is therefore £1.860m per year.

3.2 For prudential borrowing taken out from 2008/09 onwards, the minimum revenue provision will be determined by charging the expenditure over the expected useful life of the relevant asset in line with Option 3 of the guidance. The charge will be calculated on an annuity basis using an appropriate interest rate. For example, a building would be deemed to have a useful life of 50 years so the 50-year annuity Loan Board rate may be chosen to calculate the annual payments.

3.3 For assets acquired under Private Finance Initiatives or finance leases, the Minimum Revenue Provision will be calculated in the same way as all other assets as detailed in paragraph 3.2 above, however the interest rate used in the lease calculations maybe used instead.

3.4 Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the Minimum Revenue Provision charges will be adjusted so that the overall charge over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability. For the Council's PFI arrangements, this has resulted in a lower annual Minimum Revenue Provision charge for these assets. In 2025/26 the charge is estimated to be £1.5m lower than under the previous methodology with further ongoing savings of £20m over the next 20 years. Additional costs arising from the new approach would not have an impact on the Council's budget until 2046/47, and this is considered manageable within the Council's financial strategy.

3.5 For capital expenditure on loans to third parties which are made primarily for financial return rather than for direct service provision, Minimum Revenue Provision will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying Minimum Revenue Provision until the year after the assets become operational. The Minimum Revenue Provision charge will be reduced by the value of any repayments of loan principal received during in the year, with the resultant capital receipts applied to finance the expenditure instead.

3.6 For capital expenditure on loans to third parties which were made primarily for service purposes, the Council will make nil Minimum Revenue Provision - except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

3.7 For capital loans made on or after 7 May 2024 where an expected credit loss is recognised during the year, the Minimum Revenue Provision charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

3.8 For capital loans made before 7 May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, Minimum Revenue Provision will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

3.9 Proceeds from the sale of capital assets are classed as capital receipts, and are typically used to finance new capital expenditure. Where the Council decides instead to use capital receipts to repay debt and hence reduce the Capital Financing Requirement, the calculation of Minimum Revenue Provision will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the Minimum Revenue Provision charge in respect of the same loans in the year of receipt, if any.

- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.

- Capital receipts arising from other assets which form an identified part of the Council's Minimum Revenue Provision calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

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