Agenda Item	**4**
Report No	**HC/03/25**

THE HIGHLAND COUNCIL

Committee: The Highland Council

Date: 27 March 2025

Report Title: **Treasury Management Strategy Statement and Investment Statement – 2025/26**

Report By: Chief Officer – Corporate Finance

1. Purpose/Executive Summary

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (the Code). A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Statement (TMSS & IS) to be approved by Council for the forthcoming financial year.

This TMSS & IS has been drafted in accordance with the CIPFA Treasury and Prudential Codes 2021 and guidance notes.

The key objectives of the Prudential Code are to ensure that, within a clear reporting framework, a local authority's capital expenditure plans and investment plans are *affordable* and proportionate, and all external borrowing and long-term liabilities are within *prudent and sustainable levels*.

This is the first TMSS & IS since the Council agreed the Highland Investment Plan (HIP) (May 2024) and the associated financial considerations associated with that. This report incorporates estimated levels of capital investment based upon the HIP principle of an earmarking of a revenue sum equivalent to 2% of council tax income p.a. to support the HIP. With this report also providing forecasts to support Council considerations of affordability, prudence and sustainability.

This report also for the first time factors in the estimated implications of International Financial Reporting Standard (IFRS) 16, which applies to local government 1 April 2024 (in practice meaning to be implemented within the 2024/25 Financial Accounts). In effect, this brings onto the Council balance sheet and into Council assets/liabilities the extent of all lease arrangements the Council has as lessee. At this stage it is initial **forecasts** of IFRS16 implications reflected, which will be updated as the year progresses with more specific financial data related to lease arrangements.

The schedule of permitted investments has also been revised to reflect decisions made by the Council in December 2024 relating to the purchase of D&E Coaches Ltd. Given the Council continues to explore potential opportunities for non-treasury investments in areas such as renewables, income generation and operational service delivery, there may be a need for further review or revision to the schedule of permitted investments on a case-by-case basis.

The report sets out a range of Financial Indicators and datasets, within which the following key points are highlighted within this Executive Summary:

Total External Borrowing is scheduled to increase from an estimated £1.315 Bn in 2024/25 to an estimated £1.649 Bn by 2027/28 reflecting the Council's agreed and forecast capital investment plans. These assumptions are based on the forecast earmarking of funding for HIP investment, with the potential that capital project spending and resulting borrowing may lag behind these forecasts i.e. the need for borrowing is at a slower pace than estimated. Forecasts will be updated to reflect any subsequent capital programme and project priority decisions. These totals reflect the combined and total forecast debt position across the Council, including General Fund and Housing Revenue Account (HRA).

Affordability of course is a key consideration, and the report incorporates the following indicators as key measures of affordability, reflecting borrowing costs relative to revenue funding.

For the General Fund, with an agreed HIP local 10% 'cap' on the ratio of repayment of borrowing costs relative to revenue funding, the forecast against that ratio is as follows:

	2023/24 Actual	**2024/25 Original Estimate**	**2024/25 Revised Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
General Fund excluding PPP/NPD and IFRS 16*	8.1%	8.1%	8.1%	8.7%	9.1%	9.2%

*For comparison with the 10% cap, only borrowing costs associated with Council capital investment is measured. Excluding costs associated with PPP schools contracts and IFRS16 leases.

These estimates are based on the following assumed quantum of HIP capital investment that could be facilitated by a year on year earmarking of a sum equivalent to 2% of council tax income each year. The report provides further context around the assumptions and caveats associated with these forecasts, which could mean that these estimates could change going forward.

	25/26 Estimate £m	**26/27 Estimate £m**	**27/28 Estimate £m**	**28/29 Forecast £m**	**29/30 Forecast £m**
Revenue - 2% equivalent Council Tax income earmarked	2.997	3.236	3.498	3.779	4.077
Estimated HIP Capital Quantum as a result	51.890	55.950	64.480	70.075	75.320

For the HRA, the comparable ratio of borrowing costs to HRA revenue funding is forecasts as follows. There is no local cap in place for the HRA.

	2023/24 Actual	**2024/25 Original Estimate**	**2024/25 Revised Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Housing Revenue Account	38.4%	39.0%	43.0%	44.5%	44.8%	43.2%

2. Recommendations

2.1 Members are asked to approve

- the Treasury Management Strategy Statement and Investment Statement for 2025/26 and the Prudential Indicators as detailed in **Appendix 1** of the report.

3. Implications

3.1 Resource – The TMSS & IS is a key strategy document, and along with the appended Prudential Indicators is in place to ensure the Council has clear plans and reporting arrangements regarding affordability, prudence and sustainability. With regard to financial year 2025/26, this report aligns with the capital programme covering the 5-year period 2024/25 to 2028/29 which was approved by Council (27 June 2024).

Treasury and Investment activity can however relate to multi-year, and often very long-term financial commitments beyond the life of capital programmes, and this report considers short, medium and longer-term prospects and implications in line with the requirements of the Code.

3.2 Legal – statutory requirements are set out in section 5.2.

3.3 Risk – A lack of available short-term borrowing, or increased interest rates for short-term borrowing due to supply and demand issues would result in increased borrowing costs. In such circumstances the Council may have no option but to take long term PWLB borrowing at higher interest rates.

A significant risk to the Council's treasury and capital plans is interest rates. During the period since the approval of the previous 2024/25 TMSS & IS by Committee (March 2024) bank rates and PWLB borrowing rates continue to remain high and are above previous forecasts (forecasts are provided by the Council's investment advisor, MUFG). In February 2024, the forecast for March 2025 was that bank rate would be 3.75% and 50-year PWLB rate would be 4.40%.

The current position is that in March 2025 bank rate is 4.50% and as set out in section 9.2, forecast to remain at this level until June 2025 with 50-year PWLB currently at 5.50% and forecast to reduce gradually from June 2025. There is likely to continue to be exceptional volatility and unpredictability in rates.

The forecasts of potential capital quantum funding for the Highland Investment Plan are based on a number of assumptions including forecast interest rates, forecast revenue budget and council tax assumptions, forecast capital project costs and profiles. All of which can be expected to vary and which will require regular review and re-basing of the capital quantum to ensure remains affordable.

3.4 There are no Community (Equality, Poverty, Rural and Island), Health & Safety (risks arising from changes to plant, equipment, process or people) or Gaelic implications arising as a direct result of this report.

3.5 Climate Change/Carbon Clever – the environment, social, governance (ESG) requirements of the CIPFA Treasury Codes 2021 are considered in section 14.2 to 14.6.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is a policy document, so an impact assessment screening was completed, and no further impact assessment was required. A summary of the conclusions of the screening is outlined below.

Impact Assessment Area	Initial Screening Summary
Equality	*No impact*
Socio-Economic	*No impact*
Human Rights	*No impact*
Children's Rights and Well-being	*No impact*
Island and Mainland Rural	*No impact*
Climate Change	*No impact*
Data Rights	*No impact*

5. Introduction

As noted above, the TMSS & IS has been drafted in accordance with the CIPFA Treasury and Prudential Codes 2021 and guidance notes which require that there is a clear reporting framework, and a local authority's capital expenditure plans and investment plans are *affordable* and proportionate and all external borrowing and long-term liabilities are within *prudent and sustainable levels*.

The TMSS & IS are prepared taking account of the current capital programme which was approved by Council in June 2024 (Capital Programme Review report) in view of what was considered affordable, prudent and sustainable. The report also takes account of Highland Investment Plan principles and decisions made by the Council to date in relation to the HIP.

5.1 <u>Background</u>

Treasury management is defined by the Code as:

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

5.2 <u>Statutory Requirements</u>

The Local Government in Scotland Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included in Section 13 of this report); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

5.3 CIPFA Requirements

This TMSS & IS for 2025/26 will follow the 2021 CIPFA Code of Practice on Treasury Management and the primary requirements of this are:

- Creation and maintenance of a **Treasury Management Policy Statement** which sets out the policies, objectives and approach to risk management of the Council's treasury management activities.
- Receipt by the full council of an annual **Treasury Management Strategy Statement and Annual Investment Strategy** (this report) for the year ahead. Receipt by delegated Committee of a **Mid-year Review Report** and an **Annual Report** covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. This Council's delegated Committee is the Corporate Resources Committee.
- Creation and maintenance of **Treasury Management Practices** which set out the manner, in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

5.4 Treasury Management Strategy for 2025/26

The proposed strategy for 2025/26 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, the MUFG Pension & Market Services (MUFG).

The strategy covers 2 main areas:

1. Capital issues – the capital plans and the prudential indicators.
2. Treasury management issues
    - the current treasury position
    - treasury limits and indicators for 2025/26 to 2027/28 (which will limit the treasury risk and activities of the Council)
    - prospects for interest rates
    - the borrowing requirement based upon the Council's current capital programmes
    - the borrowing strategy (including policy on borrowing in advance of need)
    - debt rescheduling
    - annual investment strategy
    - credit worthiness policy
    - policy on use of external service providers

5.5 Balanced Budget Requirement

It is a statutory requirement under Section 93 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

Therefore, increases in capital expenditure must be limited to a level whereby the corresponding increases in revenue charges are affordable and within the projected future income of the Council. This report provides key information to allow the Council to consider these key points. Increases in revenue charges would include the following:

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure
2. any increases in running costs from new capital projects
3. Interest rates increasing for short-term borrowing and a lack of availability of short-term borrowing which requires the Council to take more expensive PWLB borrowing

5.6 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management, relevant to their needs and those responsibilities. This especially applies to Members responsible for scrutiny (the Corporate Resources Committee).

The training needs of treasury management officers are periodically reviewed, with training provided throughout the year using several mediums: in-house training, meetings with and training provided by Treasury advisers, online courses, external training courses and attendance at treasury forum meetings with other Councils.

In accordance with the Code, Officers will maintain a knowledge and skills schedule. The schedule will set out the following amongst other information: legislation and guidance that must be understood and complied with; to whom policy applies; competencies for each role; how training will be delivered; need for formal qualifications; frequency of training; how knowledge skills gaps will be identified, arrangements for monitoring, reviewing and reporting knowledge and skills schedule). There will be a record of training maintained.

In September 2023 Officers delivered training in Treasury Management to Members and it is intended to deliver further training in this area during 2025.

5.7 Treasury management advisors

The Council uses MUFG as its external treasury management advisors. MUFG (previously known as Link) were appointed to this role effective from 1 December 2022 for a three-year period.

6. Treasury Limits for 2025/26 to 2027/28

6.1 It is a statutory duty under part 7 of the Local Government in Scotland Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to allocate to capital expenditure.

6.2 The Council must have regard to the Prudential Code when setting the Affordable Capital Expenditure Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and that the impact upon its future council tax and council house rent levels is ‘acceptable’.

6.3 Whilst termed an “Affordable Capital Expenditure Limit”, the capital plans to be considered for inclusion may incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The affordable capital expenditure limit is to be set, on a rolling basis, for the forthcoming and two successive financial years.

6.4 The context for this report is a number if specific reports to Council over the past year including: the agreement of the Highland Investment Plan (May 2024) and the new updated Medium-Term Financial Plan agreed by the Council on 6 March 2025.

6.5 The Council remains in a still relatively high inflation and interest rate environment. Costs of service delivery are increasing, as are demands for services in many areas, and community expectations against a backdrop of ongoing pressure on public sector finances. Over the medium to longer-term there is also no reasonable expectation that ongoing grant funding settlements will alter the need to continue to plan for cost reduction and savings, and to deal with the likelihood of real-terms reductions. Given the ongoing and longer-term implications of capital investment and borrowing, it is important that capital and related decisions are taken in the context of a longer-term view of implications and affordability.

6.6 In June 2024 (Capital Plan Review report), the Council agreed a re-profiled capital programme covering the period up to 2028/29 at a level that the Council considered affordable, prudent and sustainable which is set out in the following table. This table also reflects the forecast potential quantum of capital investment that could be realised via the Highland Investment Plan. With this subject to annual budget and council tax decisions to create and earmark the expected revenue funding equivalent to 2% of council tax income each year.

Net capital expenditure	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Net capital expenditure	99,815	91,951	52,386	40,510	284,662
Est. carry forward from 24/25*	33,131	-	-	-	33,131
Highland Investment Plan (HIP)**	51,890	55,950	64,480	70,075	242,395
	184,836	**147,901**	**116,866**	**110,585**	**560,188**

*Estimate from Q3 2024/25 capital monitoring report. Final figure will be confirmed following financial year end.

**Estimate, the profile of spend for HIP is still to be agreed by Council so an estimate of potential capital spend quantum has been included within this report so that the impact can be seen within future indicators.

6.7 The Council's Housing Revenue account (HRA) 5-year capital programme (2022 to 2027) was agreed in December 2021.

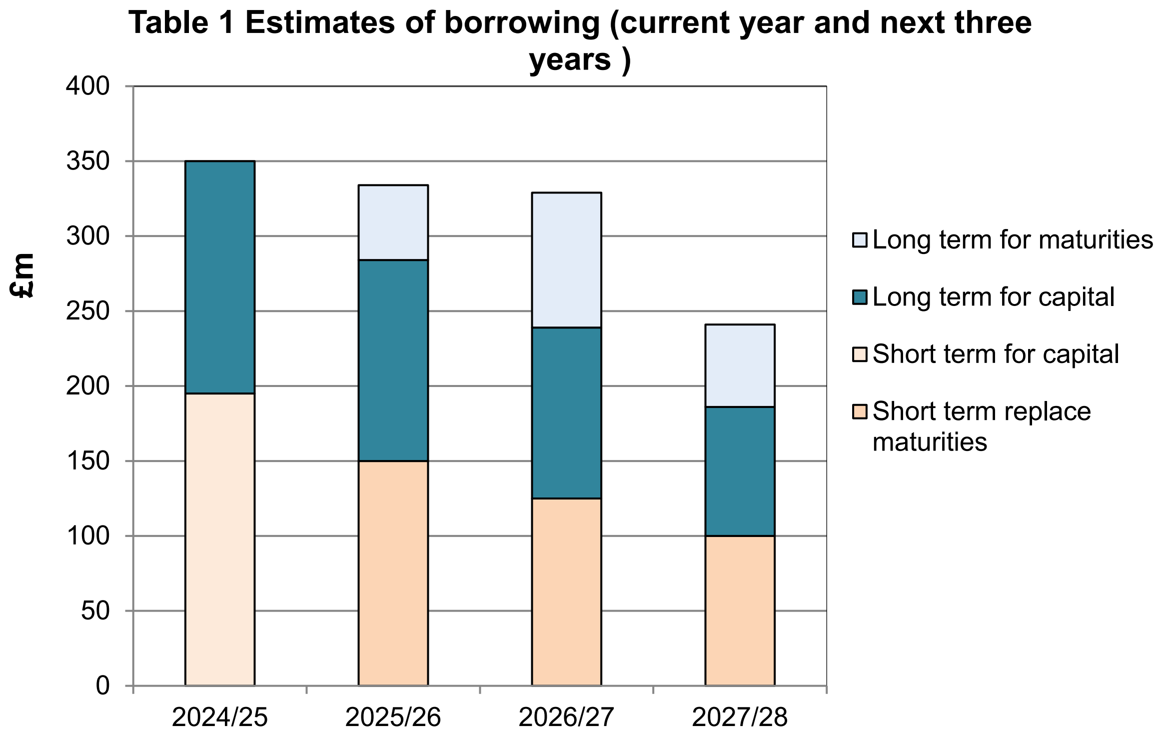
Net capital expenditure	2025/26 £000	2026/27 £000	Total £000
New builds	32,987	34,524	67,511
Existing homes	20,564	21,153	41,717
Est. carry forward from 24/25*	3,878	-	3,878
Total capital expenditure	57,429	55,677	**113,106**
Funded by			
Borrowing	38,519	35,934	74,453
Scottish Government Grant	16,670	17,503	34,173
Landbank	2,240	2,240	4,480
Total funding	57,429	55,677	**113,106**

*Estimate from Q3 2024/25 capital monitoring report. Final figure will be confirmed following financial year end.

Prudential indicators in appendix 1 have been estimated using predicted future forecasting which consider the current agreed capital programme as above and estimating potential future capital spend and funding scenarios. Please note that these estimates will be subject to recommendations submitted to Housing & Property Committee as part of the post 2027 HRA capital plan which will also take into account progress against the Highland Housing Challenge.

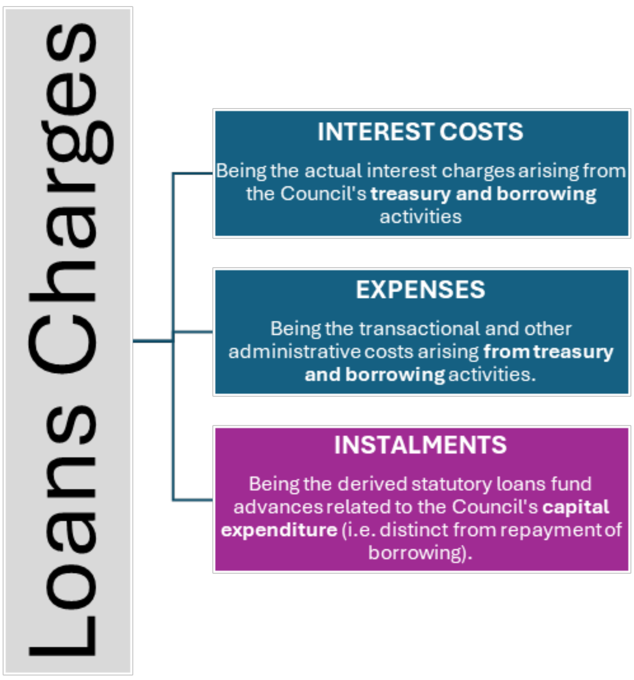
7 Borrowing Requirement

7.1 The following chart sets out the borrowing requirement, showing current year, as well as estimates for future years. The borrowing requirement takes account of borrowing to support the agreed capital programmes, less the projected instalments as capital repayments are charged to revenue accounts through loan charges. This figure is then adjusted to take account of any further borrowing required to go towards the capital financing requirement, or to replace existing loans maturing in these years. The funding of borrowing between short term and long term borrowing will be completed to achieve best value by managing refinancing risk and securing favourable rates and based on an assessment of refinancing risks an internal advisory boundary of £200m will be set on short-term borrowing. Note that the level of 2025/26 planned borrowing remains relatively high as short term borrowing will need to be replaced with longer term but this will be dependent on prevailing rates. In 2026/27 £90m of maturing PWLB will need to be replaced.



8. Statutory repayment of loans fund advances

8.1 The revenue implications of borrowing for capital is represented as **loans charges** to Council revenue budgets from two separate and distinct aspects, one related directly to the actual interest and associated costs arising from Council borrowing, the other being accounting entries for the charging of **loans fund advances** which is the Council's capital expenditure at project level, the costs of which are accounted for on a multi-year basis. The diagram below gives a pictorial representation, what is of particular note is that the **instalment** is an accounting entry based on project **capital** expenditure, rather than related to the loan(s) which fund that capital expenditure, to reflect the requirements of relevant legislation and regulations.



8.2 The Council operates a loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Amendment Regulations 2024 (the 2024 Amendment Regulations) which came into force on 1 April 2024. The Regulations provide options for the prudent repayment of debt and requires the Council to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The main change within the 2024 Amendment Regulations relate to formalising the rules around repayment periods of new loans fund advances from 1 April 2023 and restricting any variation in these repayment periods in the future as they must reflect the lives of the assets they relate to.

8.3 The repayment is the instalment charged to the General Fund/HRA annually. The timing of any external borrowing taken is unlikely to match the capital expenditure in any given financial year. This is because we do not borrow for specific capital projects but rather borrow to finance the overall capital financing requirement. Annual instalment charges ensure that the General Fund and HRA are charged with a prudent amount aligning with the lives of the individual assets relating to these projects.

8.4 A variety of options are provided to Councils so long as a prudent provision is made each year.

In February 2019 the Council adopted the following policy on the repayment of loans fund advances:

- For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply the Statutory Method, using a fixed annuity rate.

- For loans fund advances made between 1 April 2016 and 31 March 2023, the policy for the repayment of loans advances will also be the Statutory method, with the majority of loans fund advances being repaid by the Annuity Method. The annuity rate applied to the loans fund repayments will continue to be based on the loans fund rate for the previous year which is calculated using interest paid as a proportion of the outstanding loans fund advances with the same rate applied for the full life of the asset.

- In certain circumstances the Council will consider using the Income Method, a new method available under the 2016 regulations. Under this method loans fund advances can be repaid linked to the phasing of income that is anticipated from a particular project. This method will be considered, where appropriate, for commercial, income generating projects.

8.5 For loans fund advances made from 1 April 2023 onwards the Council will continue with its current approach as outlined in section 8.2 above- namely using the Annuity method with the Income method used as appropriate.

8.6 As required by the Local Government Finance Circular 7/2024, the commitment to repay loans fund advances for the General Fund and HRA are contained in **Appendices 11 and 12.**

8.7 The annuity rate applied to the loans fund repayments on capital expenditure incurred before March 2016 is 4.52% for the life of the asset. For financial year 2015/16 onwards, the annuity rate used is the loans fund rate for the year the capital expenditure is incurred which is applied for the full life of the asset.

9. Prudential and Treasury Indicators

9.1 The prudential and treasury Indicators which are relevant for setting an integrated treasury management strategy are in **Appendix 1**. These Indicators are based on the approved capital programmes with forecasts included for future items that will affect them but are unable to be fully quantified at this time, namely the Highland Investment Programme (HIP) and the impact of IFRS 16 Leases.

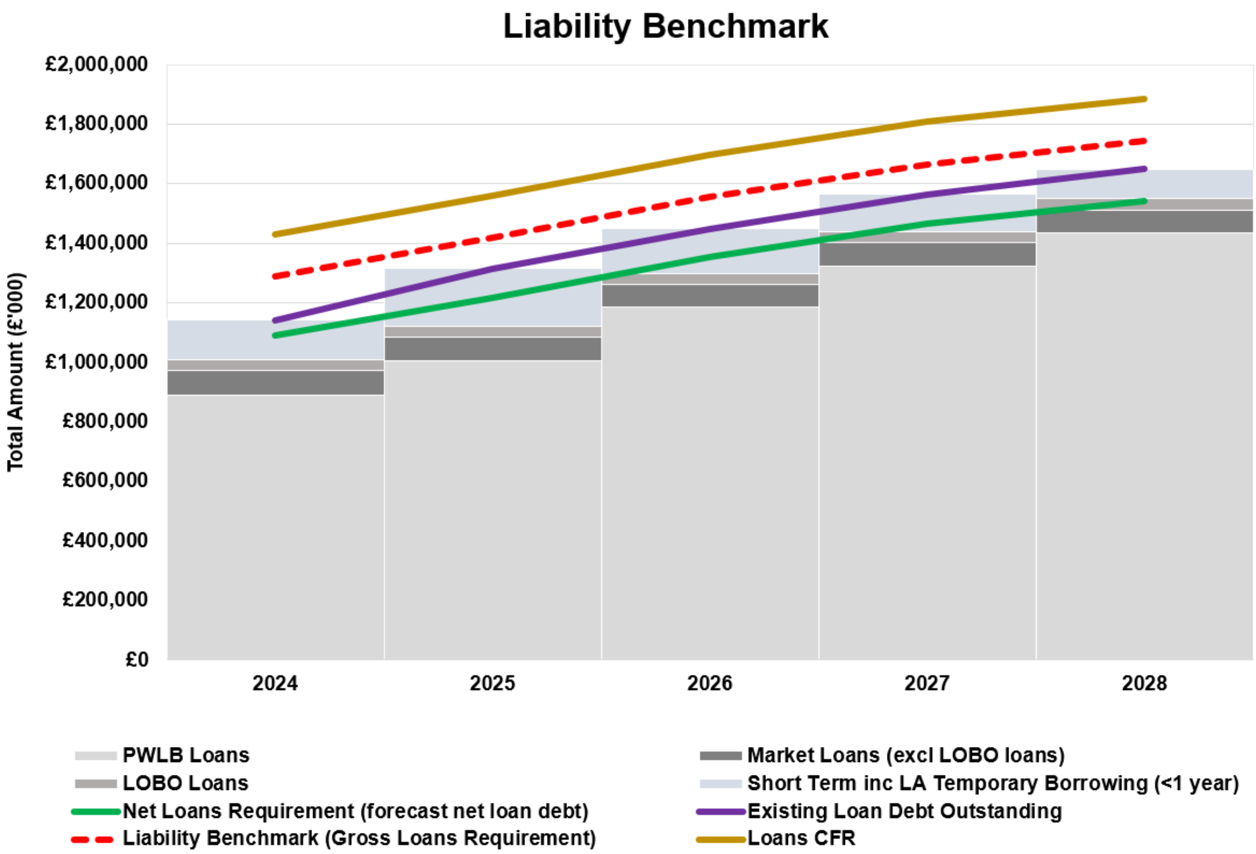
9.2 One of the indicators required by the 2021 CIPFA Treasury Management Code is the Debt Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

9.3 The LB 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 LB 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. This is shown in table at section 9.5.

9.4 There are four components to the Liability Benchmark:

1. Existing loan debt outstanding: the Council’s existing loans that are still outstanding in future years.
2. Loans Capital Financing Requirement (CFR): this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
3. Net loans requirement: this shows the Council’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows (drawdowns/enhancement of reserves) forecast.
4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity/working capital allowance.

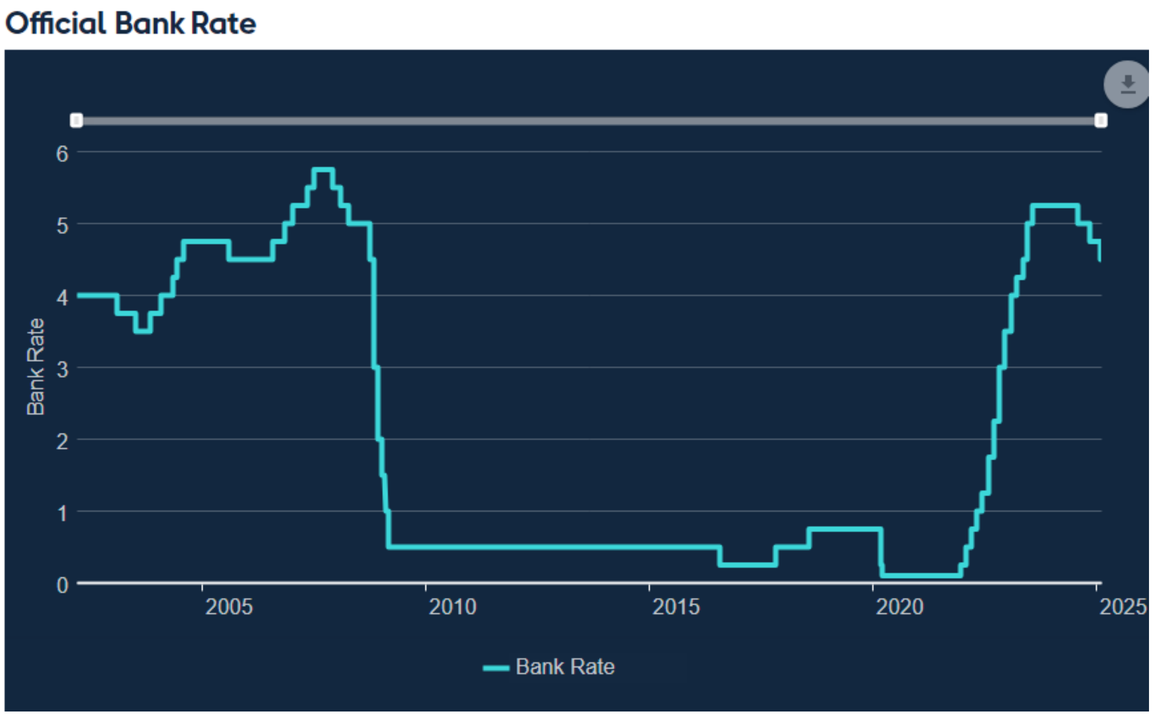
9.5 The liability benchmark below indicates that the current maturity profile is less than net loans requirement and the liability benchmark which indicates a borrowing need for the next few years, which is likely to be met using short-term borrowing, but this will depend on the prevailing rates for long and short-term borrowing.



10. Economic Context and Prospects for Interest Rates

10.1 In the last year, both interest rates and borrowing rates have decreased with Bank Rate decreasing from 5.00% in August 2024 to the current rate of 4.50% which was set in February 2025.

https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate



On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.

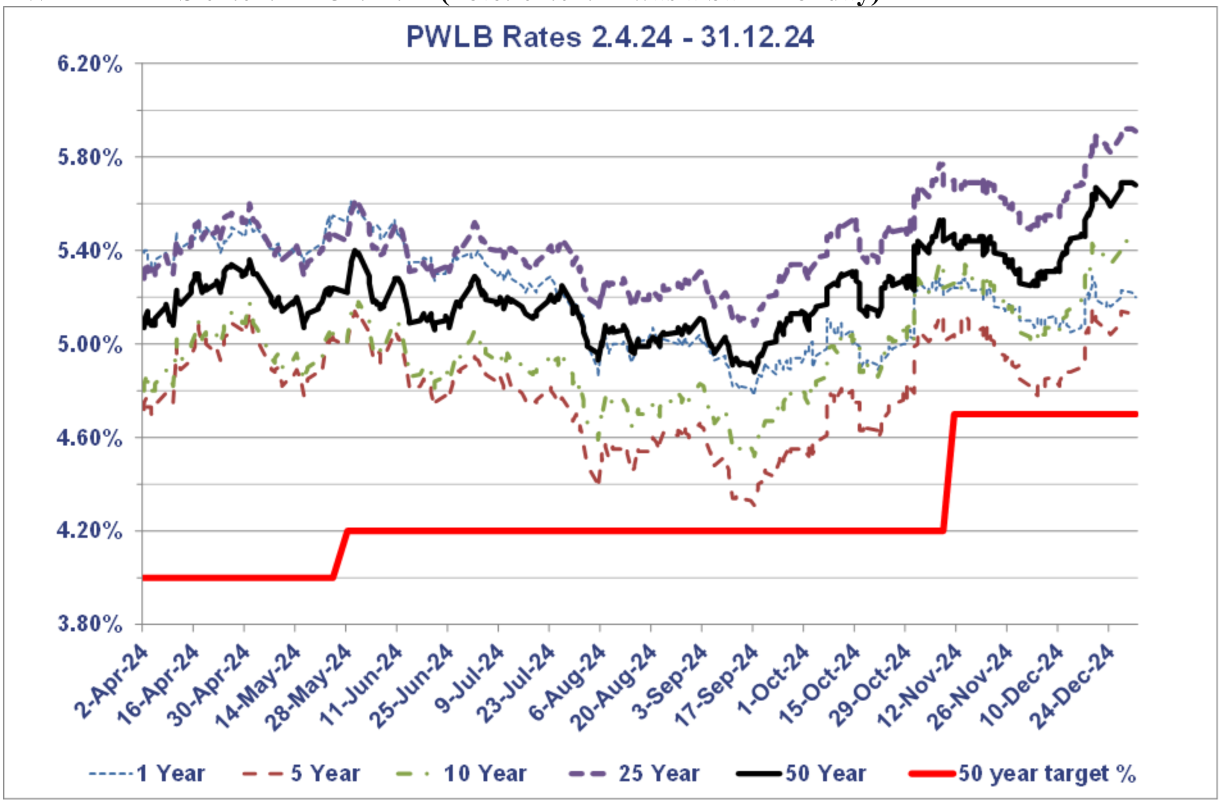
However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.

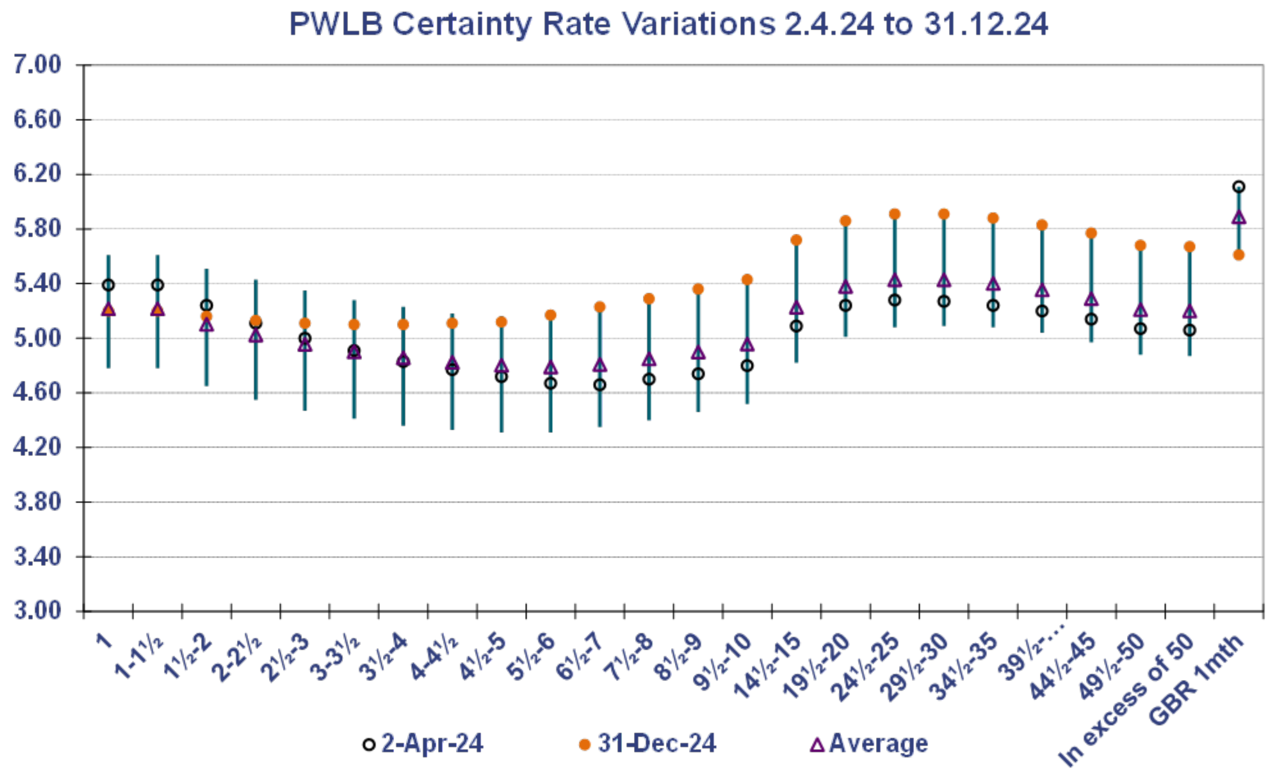
Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing
In the chart below, despite a considerable gilt market rally in mid-September, rates finished the period under review higher.

On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

On 10 February, following a vote for no change on 13 December (6-3), Bank Rate was cut from 4.75% to 4.5%. The vote was 7-2 in favour of a 25bps cut, with two members voting for a 50bps cut. The Governor continued to reference gradual and careful cuts in rates moving forward.

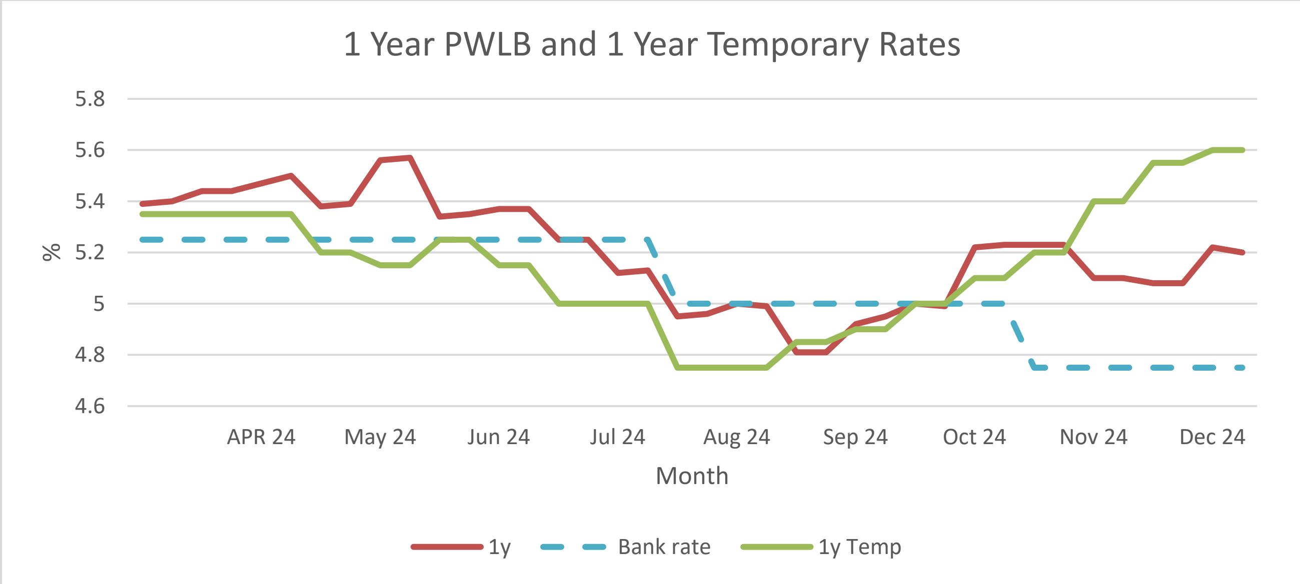
PWLB RATES 02.04.24 - 31.12.24 (note: 01.04.24 was a bank holiday)





	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
31/12/2024	5.20%	5.12%	5.43%	5.91%	5.68%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.16%	5.44%	5.92%	5.69%
High date	29/05/2024	19/12/2024	19/12/2024	19/12/2024	27/12/2024
Average	5.22%	4.80%	4.96%	5.43%	5.21%
Spread	0.83%	0.85%	0.92%	0.84%	0.81%

The following paragraphs provide context around interest rates and in particular the following graph highlights the often limited direct relationship between Bank of England base rates, and the borrowing rates available to the Council from PWLB and market borrowing. As can be seen from the graph, which uses 1 year term loan rates as an illustration, PWLB rates do not directly track or relate to the BoE base rate, with PWLB rates based on daily gilt (government bond) rates and driven by wider economic and market factors, and in turn market borrowing rates which are much more heavily influenced by supply and demand. Of particular note is how at different points in time, there can be crossover between PWLB and market rates i.e. one may be a comparatively cheaper rate at a given point in time.



10.2 MUFG provide regular economic forecasts to inform the Council on interest rates and longer fixed interest rates projections. The following table is the current MUFG forecast for interest rates as at 10 February 2025 which are forecasts for certainty rates (gilt yields plus 80 bps).

MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
BANK RATE	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50
6 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.60
5 yr PWLB	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
10 yr PWLB	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
25 yr PWLB	5.80	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	4.90	4.90	4.80
50 yr PWLB	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.60	4.50

10.3 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications though MUFG notes below that there are so many variables that caution should be exercised in respect of all interest rate forecasts:

1. Our last interest rate forecast update was undertaken on 11 November, in the wake of the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November.

2. In the interim period, there has been some general concern over the robustness of the Chancellor's spending policies, the impact of the various tariff policies of President Trump on global inflation, whilst in February the Bank of England has provided forecasts for the CPI measure of inflation to jump to 3.7% in Q3 2025 before falling below the 2% inflation target – albeit only in three years' time.

3. Also in February, the Bank of England's Monetary Policy Committee voted 7-2 to cut Bank Rate from 4.75% to 4.5%. The vote was a split vote, with seven members voting for the 25bps cut, but Dhingra and Mann voting for a 50bps cut. Governor Bailey confirmed any further easing in monetary policy would reflect a *gradual* and *careful* approach.

4. Moreover, the Bank set out a distinctly gloomy backdrop for the economy, with GDP expected to grow only 0.75% in 2025 before improving to 1.5% in 2026 and 2027 respectively.

5. Overall, although January proved particularly volatile from a gilt market perspective, our previous forecast has remained resilient. The MPC did cut its Bank Rate to 4.5% as forecast, the 5-year PWLB Certainty Rate is at our previous forecast level for Q1 2025, whilst the 10-, 25- and 50-years' PWLB Certainty Rates are only slightly higher than our previous Q1 2025 forecast.

6. Accordingly, we have not felt it necessary to make any material changes to our forecast. Having said that, we acknowledge there may be a presentational problem for the Bank to cut rates in Q3 2025 when inflation is at its peak (based on their forecast), so we anticipate a further rate cut in May but then a pause before further rate cuts are made at the back end of 2025 and in 2026.

7. Additionally, with there being a fair degree of uncertainty over how tariff policies will evolve not just in the US, but globally, we have lifted our PWLB forecasts by some 20-30bps in some areas. We will also take note of what the Chancellor says when considering the Office for Budget Responsibility's forecast updates on 26 March, and the budgetary headroom that remains.

8. Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

11. Financial Context

11.1 There have been a number of significant developments since the Council last considered its TMSS &IS in March 2024. Internally, the Council has agreed a new Highland Investment Plan and funding strategy for that Plan, which are now reflected within this report. In terms of wider economic factors, while Bank of England base rates have reduced over the past year, they remain higher than had been assumed a year ago, and there remains some considerable uncertainty in relation to the wider economic outlook and implications for inflation and interest rates. The Council on 6 March 2025 agreed its updated three year Medium-Term Financial Plan, and within which made the decision to earmark 2% of 2025/26 council tax income for investment purposes, this adding to the initial £2.8m of SEED funding allocated against the HIP. Within this report, these past decisions, and a forecast of an ongoing year on year earmarking of a sum equivalent to 2% of council tax income is assumed. Giving the profile of capital investment and borrowing as reflected within this report.

11.2 Multi-year and longer-term assumptions are of course forecasts, and the nature of this report is the need to make estimates and assumptions often many years ahead, to provide the appropriate financial modelling and indicators to support Member decision making. At the time of writing this report, while the Council has an approved General Fund capital programme covering up to and including 2028/29, decisions in relation to the HIP are expected to be made at this and future Council meetings. The HRA capital programme also will require review and agreement for the period 2027 onwards. This report therefore makes assumptions on future levels of capital investment beyond that formally agreed, with these estimates expected to be revised and updated to reflect agreed plans, once known.

11.3 There are risks and assumptions associated with the financial modelling within this report, and a number of key points are summarised below.

There is the risk that borrowing costs may be higher with the consequence that planned capital investment may need be lowered, as a result of:

- Interest Rates being at higher levels than forecast and costs of borrowing being higher than forecast;
- Revenue budget outlook and revenue budget decisions do not provide for the level of HIP investment capacity as forecast;
- Capital priorities and capital investment decisions result in higher costs/accelerated profiles of spend than that assumed.

Such risks are mitigated through:

- Regular review of interest rate forecasts and reporting to Corporate Resources Committee;
- At least annual review of HIP capital quantum assumptions;
- Clear alignment between Revenue Budget, Capital/HIP and Treasury plans and strategies;
- HIP capital investment decisions being clearly predicated on the need to agree and earmark revenue funds before the commitment to capital costs;
- An expected time lag between HIP funding decisions and capital spending commitments;

11.4 While there remain significant challenges facing the public sector, and it is expected that Councils will continue to need to transform in relation to what and how services are delivered, the Council's approach to capital investment and planning, and through this report, provides the foundation for the Council ensuring its decisions are affordable, prudent and sustainable. By its nature, capital investment is an aspect of Council spending which will require regular and ongoing review, and which may need change (increase/decrease, accelerate/decelerate) depending on the prevailing financial outlook.

11.5 Council Officers are currently implementing processes to comply with the International Financial Reporting Standard 16 (IFRS 16) which sets out the accounting requirements for leases. The key requirement of IFRS 16 is that all leases must be reported as capital expenditure, resulting in an asset and liability being reported on the balance sheet for the first time. IFRS 16 will be adhered to by Officers when preparing the 2024/25 financial accounts though it is an anticipated there will be a period of transition in fully implementing the Standard. The impact of IFRS 16 for the TMSS & IS will be an increase in capital expenditure and the Capital Financial requirement (with implications for Loans Fund Repayment policies). At the time of this report, work is still ongoing on calculating the full year end impact of this to the Council, as such forecasts have been used within Indicators in **Appendix 1** to reflect the impact of this standard which will be amended in the mid-year report once the detailed impact is known.

11.6 The financial flexibilities relating to School PPP accounting were implemented in 2023/24, following approval by Council on 29 February 2024. The accounting change resulted in a large retrospective credit which went into Council reserves of £55.075m and there will be ongoing credits over the short to medium term (next 12 years) which on average are circa £6m p.a. The implementation of this financial flexibility has increased the PPP/NPD figures and the overall Capital Financing Requirement in the Prudential and Treasury Indicators which is reflected in **Appendix 1**.

11.7 On 31 January 2025 the Highland Council purchased 100% of the shareholding in D&E Coaches and this is reflected within this report as a Permitted Non-treasury investment. As the Council remains in relatively early days of its ownership of the Company, and while the intent is in financial terms it operates as an arms-length and standalone entity, it may be the case that the Council's treasury management and related arrangements need revised if there were to be closer co-operation in relation to financial arrangements going forward. Any change or impact were it to arise, would be reported to Members as appropriate via Strategic Committees. **Appendix 5 note 4** provides details of this permitted non-treasury investment.

12. Borrowing Strategy

12.1 Over the past few years, the Council has benefitted from lower borrowing costs due to low interest rates by using short term temporary borrowing and internal borrowing (use of existing cash). Throughout the recent period of rising and high interest rates, the Council had maintained that approach for much of 2024/25, with short-term borrowing offering some relative benefit compared to longer-term rates. As we moved through the year prevailing short and long-term borrowing rates did not fall as expected (in Feb 24, MUFG's forecast for March 25 was that Bank Rate would be 3.70% but at the time of writing this report its forecast at 4.50%). A lack of liquidity in the short-term Market meant a mix of temporary borrowing and short dated PWLB borrowing was the most prudent one.

12.2 In these economic circumstances during 2024/25 the borrowing approach has moved towards taking longer term PWLB borrowing. From October 2024 to the time of writing this report, a total of £100m has been borrowed from the PWLB across a range of periods to a maximum of 4 years, and an average rate of 4.72%.

12.3 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and it helps mitigate counterparty risk.

12.4 During 2025/26 the Council will remain flexible in its approach to borrowing to fund the capital programme and replace maturities. The strategy for 2025/26 will be to consider all borrowing options on an ongoing basis, manage liquidity, refinancing and interest rate risks to minimise loan charge interest costs wherever possible.

The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the appropriate committee at the next available opportunity.

The Council will ensure its strategy remains flexible, and will consider new borrowing from the following sources based on prevailing market conditions:

- Short-dated borrowing from non PWLB sources through the Sterling Money Market.
- Appropriately dated PWLB borrowing.
- Long term fixed/variable rate market loans from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g., low-cost borrowing for specific energy efficiency projects.

12.5 Sensitivity of the forecast

In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

1. *if it were felt that there was a significant risk of a sharp FALL in long and short-term rates,* e.g., due to a marked increase of risks around relapse into recession or of risks of deflation, then medium/ long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
2. *if it were felt that there was a significant risk of a much sharper RISE in long and short-term rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

12.6 External v. Internal Borrowing

As reflected in the table below, the Council's objective is to maintain a level of temporary investments which will ensure a level of liquid cash available to the Council. The level shown takes account of the level of Council reserves and balances, and potential for these to be utilised through planned use or unforeseen events. Through this approach, the Council seeks to mitigate re-financing risk, particularly were the Council's reserves to be eroded due to unforeseen events.

Comparison of gross and net debt positions at year end

	2023/24 Actual	**2024/25 Revised Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
External Debt (gross)	£1,142.0m	£1,314.9m	£1,449.2m	£1,563.1m	£1,648.9m
Temporary Investments	(£54.2m)	(£50.0m)	(£50.0m)	(£50.0m)	(£50.0m)
External Debt (net)	**£1087.8m**	**£1,264.9m**	**£1,399.2m**	**£1,513.1m**	**£1,598.9m**

The Table above excludes long-term liabilities e.g., PPP/NPD (Public Private Partnership/non-Profit Distributing) schemes and IFRS 16 Leases.

- Another factor in considering the level of investments held is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments and mitigating of re-financing risk.
- A balance between short term and long-term borrowing will be achieved to manage interest and refinancing risk and secure value for money.
- The Treasury Team will monitor the interest rate market, take advice from our treasury advisor, and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Corporate Resources Committee at the next available opportunity.

12.7 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed. In accordance with the revised Code, any decision to borrow in advance will be within the approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will:

1. ensure that there is a clear MUFG between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
2. ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.

3. evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
4. consider the merits and demerits of alternative forms of funding.
5. consider the prevailing and projected interest rates based on best available information.
6. Consider appropriate maturity profiles of new borrowing.
7. consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

The maximum extent to which borrowing in advance would be undertaken will be based upon the existing and projected capital financial requirement, and existing level of debt.

12.8 It should be noted that as required by the CIPFA Treasury Management Code, Local authorities "must not borrow to invest for the primary purpose of financial return." Highland Council does not and has not borrowed to invest for the primary purpose of financial return.

13. Debt Rescheduling

13.1 At this time, and due to the early repayment penalties imposed by the PWLB, the opportunities for debt rescheduling are not cost effective. However, this position will be kept under regular review. All rescheduling will be reported to the Corporate Resources Committee, at the earliest meeting following its action.

13.2 The reasons for any rescheduling to take place will include:

1. the generation of cash savings and/or discounted cash flow savings,
2. helping to fulfil the strategy outlined in section 11 above, and
3. to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

14. Annual Investment Strategy

14.1 Investment Policy

The Council's investment policy has regard to the Scottish Government's Investments Investment (Scotland) Regulations, (and accompanying Finance Circular), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021, (the CIPFA TM Code). The Council's investment priorities will be:

1. **Security**
2. **Liquidity**
3. **Yield**

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

The Council's policies in relation to Investment instruments and counterparties identified for use are listed in **Appendices 4, 5, 6, 7 and 8** and explanatory notes on investment types and risks are detailed in **Appendix 9**.

14.2 Environmental, Social and Governance (ESG)

One of the changes to the CIPFA Treasury Management Code 2021, was to include ESG in Treasury Management Practice 1 (page 18 of the Treasury Management Code). CIPFA set out the requirements as follows but also noted that ESG investment considerations is a developing area:

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.

14.3 Further on in the Treasury Management code 2021 (page 50), CIPFA recommends the following approach in respect of ESG issues, acknowledging that ESG analysis is less developed for short-term cash deposits (the majority of treasury deposits placed by Highland Council are short duration):

ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult.

Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.

14.4 As noted in the section 13.7 below, the Council uses the MUFG creditworthiness service which relies on ratings provided by all three rating agencies. ESG risks are considered by the rating agencies alongside more traditional financial risk metrics when assessing counterparties. The assessment of the corporate governance of a counterparty is a key consideration as poor/weak corporate governance can have an immediate impact on the financial outlook of a counterparty. Those financial institutions viewed as having poor/weak corporate governance are generally less well rated in the first instance or have a higher propensity to being subject to negative rating action, and the Council's existing creditworthiness policy will therefore take this into account.

14.5 Environment and Social factors are important and relevant for longer-term, investments (for example equity voting rights can be used to influence company decision making). The Council should note that the key investment priority is **security** of Treasury deposits and placing undue weight on the Environmental and Social factors in the decision-making process could have the unintended consequences of limiting the list of potential counterparty options and decreasing diversification. There is also the risk that by placing deposits with counterparties with stronger "ESG" performance, other risk factors are not adequately considered.

14.6 The inclusion of ESG criteria therefore remains an area which requires ongoing review. Council officers will work with the Council's treasury advisers MUFG, to monitor and assess ongoing developments in this area. The methods in which the Council can incorporate ESG factors into our creditworthiness assessment process will be reviewed and officers will report back to Council accordingly.

14.7 Creditworthiness policy

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council uses the creditworthiness service provided by MUFG. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with further credit overlays to provide a colour coded system based on recommended durational band for use of the counterparty.

This Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The MUFG creditworthiness service uses a wider array of information than just primary ratings, from all three agencies and using a risk weighted scoring system, does not give undue consideration to just one agency's ratings.

The MUFG creditworthiness service is used on an advisory basis, with the decision on creditworthiness ultimately resting with the Treasury Team.

14.8 Foreign Exposures/Country limits

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

At present the Council uses mainly UK based institutions for investment (AA- rating) and has determined that it will only use approved counterparties from the UK and from countries with a high credit worthiness.

Examples of the institutions that the Council will invest in include UK banks and building societies, UK Local Authorities, non-UK banks and building societies of high credit worthiness, HM Treasury Debt Management Office.

The Council may consider the use non-UK counterparties of high credit worthiness. The MUFG rating model is used in the same way as for UK institutions. In addition to UK counterparties, only institutions registered in countries with an AAA or AA+ credit rating will be considered. The list of countries where the Council will consider investing is at **Appendix 7**.

14.9 Investment Strategy

In-house funds are mainly cash-flow derived and investments will be made in accordance with cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments of up to 12 months).

14.10 Investment return expectations

The MUFG Pension & Market Services view of interest rates is outlined in section 10. There are risks to these forecasts, upside (i.e., Bank Rate remains at current high level for longer) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk.

The Council will avoid locking into longer term deals unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set.

14.11 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. Forecasts of investment balances for the next three years are provided in **Appendix 1**.

14.12 Policy on the Use of External Service Providers

The Council's tendered Treasury Management advisor contract is subject to regular review. The Council currently uses MUFG as its external treasury management advisers. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed, are properly agreed and documented, and subject to regular review.

The Council recognises that there is value in employing external providers of treasury management services to access specialist skills and resources.

The Council recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

14.13 Treasury Management Responsibilities

The Treasury Management Scheme of Delegation and Role of the Section 95 Officer are at **Appendix 10.**

Designation:	Chief Officer – Corporate Finance
Date:	10 March 2025
Author:	Brian Porter, Chief Officer – Corporate Finance Rachel MacDonald, Principal Accountant
Background Papers:	Treasury Live system reports, MUFG economic forecasts

Appendices

1. Prudential and Treasury Indicators
2. Economic Background
3. Treasury Management Policy
4. Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds
5. Permitted Investments – Non-treasury Investments
6. Permitted Investments – Treasury Management
7. Approved countries for investment
8. Current counter party list as at 28/02/2025
9. Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management
10. Treasury Management Scheme of Delegation and Role of the Section 95 Officer
11. Commitment to repay loan fund advances (General Fund)
12. Commitment to repay loan fund advances (HRA)

Appendix 1

Prudential and Treasury Indicators

The borrowing set out within the Prudential Indicators is based upon the General Fund capital programme and capital programme which was reprofiled and approved by Council in June 2024. There are also initial estimates in regard to the Highland Investment Programme (HIP) and the impact of IFRS 16 Leases which will be updated in the mid-year report once the detailed impact is known. The 5-year HRA capital plan was approved by the Housing and Property Committee in December 2021.

1. **Indicators for Affordability, Prudence and Capital Expenditure**

Indicator 1 – Capital Expenditure

Gross Capital Expenditure

In absolute terms rather than as a ratio, these show the overall levels of estimated capital investment irrespective of how they are being funded.

	2023/24 Actual	2024/25 Original Estimate	2024/25 Revised Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund – core capital programme incl carry forward prior years	£154.3m	£155.1m	£188.7m	£134.9m	£103.4m	£56.0m
General Fund – HIP	-	-	-	£51.9m*	£56.0m*	£64.5m*
General Fund – IFRS 16 Right of Use Assets	-	-	£35.0m**	-	-	-
HRA	£66.8m	£51.5m	£65.9m	£52.2m	£68.0m	£73.0m
Total	**£221.1m**	**£206.6m**	**£289.6m**	**£239.0m**	**£227.4m**	**£193.5m**
Income						
General Fund – core capital programme	(£79.0m)	(£26.0m)	(£89.2m)	(£36.4m)	(£33.9m)	(£26.1m)
HRA	(£23.8m)	(£18.1m)	(£26.4m)	(£16.8m)	(£28.0m)	(£28.0m)
Total	**(£102.8m)**	**(£44.1m)**	**(£115.6m)**	**(£53.2m)**	**(£61.9m)**	**(£54.1m)**

Net Capital Expenditure is the borrowing or funding requirement for new capital investment in each year.

General Fund	£75.3m	£129.1m	£134.5m	£150.4m	£125.5m	£94.4m
HRA	£43.0m	£33.4m	£39.5m	£35.4m	£40.0m	£45.0m
Total	**£118.3m**	**£162.5m**	**£174.0m**	**£185.8m**	**£165.5m**	**£139.4m**

Loan charge instalments

General Fund	(£32.6m)	(£34.0m)	(£33.3m)	(£37.8m)	(£36.6m)	(£37.3m)
HRA	(£8.7m)	(£13.1m)	(£5.8m)***	(£13.7m)	(£14.9m)	(£16.2m)
Total	**(£41.3m)**	**(£47.1m)**	**(£39.1m)**	**(£51.5m)**	**(£51.5m)**	**(£53.5m)**

* Profile of spend for HIP is still to be agreed by Council so a forecast of spend has been included, see section 6.6
** Work is still ongoing on calculating the full year end impact of this to the Council, as such forecast have been used, see section 11.8
***Subject to final outturn 24/25 year end the potential instalments may be higher.

Additional net borrowing in year

General Fund	£42.7m	£95.1m	£101.2m	£112.6m	£88.9m	£57.1m
HRA	£34.3m	£20.3m	£33.7m	£21.7m	£25.1m	£28.8m
Total	**£77.0m**	**£115.4m**	**£134.9m**	**£134.3m**	**£114.0m**	**£85.9m**

Indicator 2 – Capital Financing Requirement (CFR)

These indicators represent the level of the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose. This includes past and future borrowing or funding.

	2023/24 Actual	**2024/25 Original Estimate**	**2024/25 Revised Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
General Fund excluding PPP/NPD and IFRS 16	£904.7m	£937.7m	£913.1m	£1,027.4m	£1,117.8m	£1,177.1m
PPP/NPD	£126.9m	£191.9m	£180.1m	£178.1m	£175.9m	£173.5m
IFRS 16 Leases*	-	-	£35.0m	£35.0m	£35.0m	£35.0m
HRA	£399.6m	£411.0m	£433.2m	£455.4m	£481.6m	£512.0m
Total	**£1,431.2m**	**£1,540.6m**	**£1,561.4m**	**£1,695.9m**	**£1,810.3m**	**£1,897.6m**
Joint Boards	£14.4m	£13.7m	£13.7m	£12.9m	£12.1m	£11.3m
Total CFR (incl Police/Fire) (1)	**£1,445.6m**	**£1,554.3m**	**£1,575.1m**	**£1,708.8m**	**£1,822.4m**	**£1,908.9m**

* Work is still ongoing on calculating the full year end impact of this to the Council, as such forecasts have been used, see section 11.8

Treasury Position This indicator shows the expected borrowing position, net of investments.

Gross Borrowing – long term	£1,009.0m	£1,162.4m	£1,119.9m	£1,299.2m	£1,438.1m	£1,548.9m
Gross Borrowing – short term	£133.0m	£100.0m	£195.0m	£150.0m	£125.0m	£100.0m
Total External Borrowing	**£1,142.0m**	**£1,262.4m**	**£1,314.9m**	**£1,449.2m**	**£1,563.1m**	**£1,648.9m**
Other Long-Term Liabilities	£126.9m	£191.9m	£154.1m	£146.0m	£137.3m	£129.4m
Total Gross Debt (2)	**£1,268.9m**	**£1,454.3m**	**£1,469.0m**	**£1,595.2m**	**£1,700.4m**	**£1,778.3m**
Investments	(£54.2m)	(£50.0m)	(£50.0m)	(£50.0m)	(£50.0m)	(£50.0m)
Net Borrowing	**£1,214.7m**	**£1,404.3m**	**£1,419.0m**	**£1,545.2m**	**£1,650.4m**	**£1.728.3m**

Difference between CFR (1) and Total Gross Debt (2)

This indicator shows the difference between the Capital Financing Requirement, and the Estimated Gross Debt. The difference represents an 'under-borrowed' position, with capital financed from internal cash flows.

	2023/24 Actual	2024/25 Original Estimate	2024/25 Revised Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Difference between CFR (1) and Total Gross Debt (2)	£176.7m	£100.0m	£106.1m	£113.6m	£122.0m	£130.6m

Indicator 3 – Authorised Limit for Borrowing

The Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of capital financing requirement, with some capacity for variations from that sum e.g. if capital expenditures are exceeded.

Authorised Limit	**2023/24 Actual**	**2024/25 Original Estimate**	**2024/25 Revised Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Borrowing	£1,142.0m (indicator (£1,284.4m)	£1,391.2m	£1,391.2m	£1,596.4m	£1,713.5m	£1,800.9m
Other Long-Term Liabilities	£126.9m	£191.9m	£154.1m	£146.0m	£137.3m	£129.4m
Total Authorised Limit	**£1,268.9m (indicator £1,411.3m)**	**£1,583.1m**	**£1,545.3m**	**£1,742.4m**	**£1,850.8m**	**£1,930.3m**

Indicator 4 – Operational Boundary for Borrowing

An Operational Boundary is also required which represents the Section 95 Finance Officer's estimate of the day to day limit for the Treasury Management activity based on the most likely i.e. prudent but not worse-case scenario.

Operational Boundary	**2023/24 Actual**	**2024/25 Original Estimate**	**2024/25 Revised Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Borrowing	£1,142.0m (indicator £1.184.4m)	£1,291.3m	£1,291.3m	£1,482.8m	£1,591.5m	£1,670.4m
Other Long-Term Liabilities	£126.9m	£191.9m	£154.1m	£146.0m	£137.3m	£129.4m
Total Operational Boundary	**£1,268.9m (indicator £1,311.3m)**	**£1,483.1m**	**£1,445.3m**	**£1,628.8m**	**£1,728.8m**	**£1,799.8m**

Indicator 5 – Ratio of financing costs to net revenue stream

These indicators show the capital financing costs (interest charges, the provision for the repayment of debt and the financing of PPP/NPD outstanding capital investment liability) as a percentage of government grant (revenue), Council Tax, Rents and other income. This allows the authority to track how much of its annual income is needed to pay for its capital investment plans and outstanding funding liabilities compared to its day to day running costs.

	2023/24 Actual	2024/25 Original Estimate	2024/25 Revised Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund including PPP/NPD and IFRS 16	10.3%	13.6%	10.2%	10.6%	10.9%	10.8%
General Fund excluding PPP/NPD and IFRS 16 (*local indicator for HIP with a 10% cap*)	8.1%	8.1%	8.1%	8.7%	9.1%	9.2%
Housing Revenue Account	38.4%	39.0%	43.0%	44.5%	44.8%	43.2%

Indicator 6- Interest rate exposures of debt net of investments

Interest rate exposures of debt net of investments are required to be set in compliance with the Code. This limits the Council's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for Treasury Management activities. It promotes a prudent strategy aimed to avoid the adverse effects of fluctuating interest rates. The limits are based on the Capital Financing Requirement (CFR) with variable exposures limited to 35% of the CFR.

Interest rate exposures of debt net of investments	2023/24 Actual	2024/25 Original Estimate	2024/25 Revised Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Upper Limit (Fixed)	£1,105.0m (indicator £1,265.0)	£1,554.3m	£1,554.3m	£1,708.8m	£1,822.4m	£1,908.9m
Upper Limit (Variable)	£17.8m (indicator £442.7m)	£544.0m	£554.0m	£598.1m	£637.8m	£668.1m

Maturity structure of fixed rate borrowing during 2025/26

This indicator identifies the amount of debt maturing in specified periods. The overarching principle is that steps should be taken to limit exposure to significant refinancing risk in any short period of time. The Council currently applies the prudent practice of ensuring that no more than 30% of its total gross fixed rate debt matures in any one financial year unless triggered through specific debt restructuring exercises. To facilitate this an internal advisory boundary has been set at the discretion of the Section 95 Officer on temporary borrowing (less than one year) of £200m, this recognises the administrative overhead and refinancing risk of having too high a level of temporary borrowing.

	Upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	25%

Maximum principal invested for period longer than 365 days The maximum total principal sum which may be invested with a maturity for a period longer than 365 (366 in a leap year) days and within the permitted investment limits is £20m.

Economic update (19 December 2024) Appendix 2

The second half of 2024/25 saw:

- GDP growth growing by only 0.1% in Q4 2024 (October to December) following no growth in the quarter ending September.
- The 3myy rate of average earnings growth reach 6% in December.
- CPI inflation increase to 2.5% in December, and then tick upwards to 3% in January, with the strong prospect of further increases through the first half of 2025.
- The Bank of England cut interest rates from 5.0% to 4.75% in November and hold them steady in December, before cutting them again in February, to 4.5%.
- 10-year gilt yields starting October at 3.94% before finishing up at 4.55% at 18 February

1. The 0.1% rise in Q4 2024 was heavily impacted by growth of 0.4%m/m in December. The quarter had not started well with GDP falling in October, the second such decline in a row. With on-going concern over the impact of the October budget and drags from higher interest rates and weak activity in the euro zone, our colleagues at Capital Economics have revised down their forecast for GDP growth in 2025 to 0.7% (it was initially 1.8% in the immediate wake of the Budget.)
2. Moreover, although January's composite Purchasing Manager Index came in above the break-even 50 level, it was still consistent with a 0% rise in real GDP in early 2025. The economy is unlikely to be quite as weak as that given that the PMIs do not capture rises in government spending, but the data does underline the continued divergence in trends between the manufacturing and services sectors. The manufacturing PMI rose a tad to 48.3, but that is still consistent with manufacturing output falling, a similar story to the latter part of 2024.
3. This weakness in the manufacturing sector was offset to a degree by a rebound in the services sector. The services PMI stood at 50.3 in January. A closer inspection of the data suggests that more of the recent slowdown in GDP is being driven by the weakness in activity overseas rather than just domestic factors.
4. After rising by 1.4% q/q in July - September, the retail sector had a difficult final quarter of 2024. Indeed, the bigger-than-expected 0.7% m/m fall in retail sales in October suggested that households' concerns about expected tax rises announced in the Budget on 30th October contributed to weaker retail spending at the start of the quarter. The monthly decline in retail sales volumes in October was reasonably broad based, with sales in five of the seven main sub sectors slipping. However, of late, retail sales increased 3.6% y/y in December, following a flat reading in November.
5. The Government's October budget outlined plans for a significant £41.5bn (1.2% of GDP) increase in taxes by 2029/30, with £25bn derived from a 1.2% rise in employers' national insurance contributions. The taxes are more than offset by a £47bn (1.4% of GDP) rise in current (day-to-day) spending by 2029/30 and a £24.6bn (0.7% of GDP) rise in public investment, with the latter being more than funded by a £32.5bn (1.0% of GDP) rise in public borrowing. The result is that the Budget loosens fiscal policy relative to the previous government's plans - although fiscal policy is still being tightened over the next five years. Initially, the Bank of England reacted by forecasting growth of 1.75% in 2025. However, with recent

growth tepid at best, now they only forecast 0.75% in 2025, with a pickup to 1.5% in 2026 and 2027.

6. December's wage growth figures were a touch stronger than what most forecasters had expected, but they were a bit weaker than the Bank's forecast. The 3myy rate of average earnings growth accelerated from 5.5% in November (revised down from 5.6%) to 6.0% in December. But more important for the Bank was the rise in regular private sector pay growth, from 5.9% (revised down from 6.0%) to 6.2%, which came in a touch below the Bank's Q4 2024 forecast of 6.3%. January's pay data, however, showed a rebound in wage growth that will likely add to the Bank of England's inflationary concerns. The number of job vacancies currently stands at 819,000, the same as the pre-pandemic February 2020 level.

7. CPI inflation has started to rise significantly of late, with the annual growth rate increasing from 1.7% in September to 2.5% in December. It then moved higher still in January to 3%. The Bank is forecasting Q3 2025 inflation hitting 3.7%. Core inflation increased to 3.7% in January whilst services inflation hit 5%.

8. Throughout the latter months of 2024 gilt yields rose. The 10-year gilt yield increased from 3.94% at the start of October to 4.57% by the year end (currently 4.55%). As recently as mid-September 10-year gilt yields were at their low for the financial year, but since then, and specifically after the Budget at the end of October, yields have soared. Overall, the reaction to the UK Budget highlights how bond markets are both fragile and highly attentive to news about the fiscal outlook.

9. The FTSE 100 finished 2024 at 8,121 and somewhat in the shadow of the US S&P500, which rose 24% in 2024. However, the FTSE 100 has proven attractive to investors in 2025 to date, moving up to 8,775 by 18 February. The £ has also proved resilient to date and stands at $1.2612.

Treasury management policy **Appendix 3**

1.1 Treasury management is defined as:

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

1.2 The Council regards the successful identification, monitoring and control of risk to be key to the effectiveness of its treasury management activities. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

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

Investment policy

2.1 The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular) and the 2021 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). **The Council's investment priorities will be security first, liquidity second, and then yield.**

2.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

2.3 The Council's Treasury Management Advisors provide a creditworthiness matrix to aid the assessment of the risk involved in lending to individual counterparties.

2.5 The Council's detailed policies in relation to Investment instruments and counterparties identified for use in the financial year are listed in **Appendices 5, 6, 7, 8 and 9** and explanatory notes on investment types and risks are detailed in **Appendix 10**.

Borrowing policy

3.1 The Council will ensure its strategy remains flexible, and will give consideration to new borrowing from the following sources based on prevailing market conditions:

1. Short-dated borrowing (for a period of 365 days or less, 366 in a Leap Year) from non PWLB sources through the Sterling Money Market.
2. Appropriately dated PWLB borrowing.
3. Long term fixed rate market loans (for a period greater than 365 days, or 366 in a leap year) from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

4. Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g., low-cost borrowing for specific energy efficiency projects.

Appendix 4

Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds

The Council approves the following forms of investment instruments for use as permitted investments for these Funds as set out in the Table below (these include internally and externally managed funds):

Investments

<table>
<tr><th></th><th>Minimum Credit Criteria</th><th>Liquidity risk</th><th>Market risk</th><th>Max % of total investment</th><th>Max. maturity period</th></tr>
<tr><td>Cash deposits – local authorities, banks, building societies and cash funds such as money market funds</td><td rowspan="5">Relevant parameters as per specific investment mandates and/or specific trust deeds</td><td>term</td><td>yes</td><td colspan="2" rowspan="5">Relevant parameters as per specific investment mandates and/or specific trust deeds</td></tr>
<tr><td>Equities – UK and Overseas</td><td>term</td><td>yes</td></tr>
<tr><td>Fixed Income, Index Linked Bonds, Unit Trusts</td><td>term</td><td>yes</td></tr>
<tr><td>War Stock</td><td>term</td><td>no</td></tr>
<tr><td>Alternative Investments - Property</td><td>term</td><td>yes</td></tr>
</table>

Permitted Investments – Non-Treasury Investments **Appendix 5**

Definition of non-treasury investments

Regulation 9 of the Local Government Investment (Scotland) Regulations 2010 adds to the normal definition of investments the following categories: -

- All shareholding, unit holding and bond holding, including those in a local authority owned company, is an investment;
- Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment;
- Loans made to third parties are investments;
- Investment property is an investment.

However, the following loans are excluded from the definition of investments: -

1) Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975.

Permitted Investments – Non-Treasury Investments

The Council approves the following forms of investment instruments for use as permitted investments for Non-Treasury Investments as set out in the Table below:

Investments

	Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
Loans to Companies, including Local Authority owned.		term	no		
Shares and Bonds in Companies, including Local Authority owned.		term	no		
Loans to Third Parties including investments in sub-ordinated debt (see note 1 and 2).	See Regulation Notes below	instant	no	See Regulation requirements and current approvals below.	
Local Authority Investment Properties.		term	no		
Other Investment Deposits (see note 3)		term	no		

Regulation 24. A local authority shall state the limits for the amounts which, at any time during the financial year, may be invested in each type of permitted investment, such limit being applied when the investment is made. The limits may be defined by reference to a sum of money or a percentage of the local authority's overall investments, or both. A local authority may state that a permitted investment is unlimited. Where a limit is not placed on any type of permitted investment the risk assessment must support that categorisation and an explanation provided as to why an unlimited categorisation is recommended.

Regulation 25. The local authority should identify for each type of permitted investment the objectives of that type of investment. Further, the local authority should identify the treasury risks associated with each type of investment, together with the controls put into place to limit those risks. Treasury risks include credit or security risk of default, liquidity risk – the risks associated with committing funds to longer term investments and market risk – the effect of market prices on investment value.

Regulation 32. The Strategy shall include details of the maximum value and maximum periods for which funds may prudently be invested. The Strategy shall set out the local authority objectives for holding longer term investments. The Strategy shall also refer to the procedures for reviewing the holding of longer-term investments particularly those investments held in properties, shareholdings in companies or joint ventures.

The policy above, and requirements of regulations 24, 25 and 32, will be considered, and reported to Members, as part of any report pertaining to new investment proposals.

In Part 1, section 12 of the Regulations, Consent includes as an investment any loan issued to a third party. Such loans are neither capital nor revenue transactions but are often made for Service reasons and for which specific statutory provision exists. For Service reasons these loans may be offered at an interest rate below the market rate. All loans to third parties are classified as investments for the purposes of the Consent. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these monies. The Council's Annual Accounts will recognise and present all loans to third parties as investments.

This Council will refrain from issuing loans to third parties at less than market rate. If, in exceptional circumstances, the Council agrees to issue a loan/s to third parties at less than market rate the associated loss of investment return will be chargeable to the budget of the sponsoring Service. In circumstances where investment risk is a predominant factor the rate chargeable will reflect the equivalent market rate where this is greater than the Council's Loans Fund's most recent actual average interest rate. In all other cases the interest rate chargeable will be the Council's Loans Fund's most recent actual average interest rate.

Current Approvals

Note 1 – Subordinated Debt – the Highland Council, on 25 October 2012, agreed to permit an investment, at a maximum level of £1m for all current and future investments, for a maximum maturity period of 25 years, in 'Hub Co' projects.

Note 2 – Land banking Fund and Loan Advances to Registered Social Landlords (RSLs) – the Council has for many years operated a 'land bank fund'. The fund is used to provide loans and grants to partner organisations (including RSLs), enabling strategic sites to be secured or prepared for development of housing. The Land bank Fund is a revolving facility with loans repaid as land and property is resold or developed.

Note 3 – From May 2005 The Council has held £1.175m of unsecured loan stock in Inverness Airport Business Park Ltd (IABP). Under the Loan Stock Instrument IABP can exercise a right to defer the repayment due to be made to the Council in May 2010 and in May 2015. IABP have exercised this right on both repayment dates so the full amount of Loan Stock due to the council remains outstanding. To reflect the credit risk of this repayment due to its timing uncertainty an impairment loss allowance has been created which reduces the value of this investment shown in the Council's annual accounts to zero. Full repayment is still due to the Council in the future.

Note 4 –The Council has set aside earmarked reserves totalling up to £12.1m for investment in community transport services.

On 31 January 2025 the Highland Council purchased 100% of the shareholding in D&E Coaches. This acquisition is to further the Council's strategy regarding ensuring the provision of affordable school and public transport in the Highlands. As a standalone limited company, it will be subject to market conditions and the risks inherent, these being mitigated through the measures as detailed in the Full Business Case relating to the acquisition. D&E Coaches will initially, and subject to ongoing strategic review, be separate from the Council as one of its group entities however as the owner the Council will be subject to the risks of any downwards revaluations which would result in a decrease of General Fund balance available for use. This being mitigated through earmarking of reserves to mitigate any short-term impairment losses which could arise. The investment is also being funded from reserves, and within available capacity of reserves at the time of acquisition and therefore carries no ongoing purchase financing costs. Based on current company profitability and strategic vision to grow and expand Council bus operations, there is a reasonable prospect of the value of the investment being expected to grow long-term as the Council seeks to realise the strategic benefits from the proposed acquisition.

These earmarked reserves give scope to the Council regarding current or future operations and acquisitions (i.e. covering both the acquisition of D&E and any future further investment or expansion) up to a maximum level of investment up to £12.1m. The Council intends to short-term own and manage the D&E investment on a status quo (arm's length limited company) basis and ultimately the objectives are a long-term vision for Council bus operations.

Permitted Investments – Treasury Investments **Appendix 6**

The Council's policy in relation to permitted investments is a three-stage process as summarised below.

1. Only use of permitted investments per the investment strategy is allowed. See Appendix 10 for definition of the different types of investment.
2. Credit-worthiness of counter-parties will be assessed having taken advice from the Council's treasury management advisers, MUFG. Maximum maturity periods for individual counter-parties will be based upon advice from the Adviser, with limits on treasury investments > 365 days as per the prudential indicators and shown below.
3. Counter-party limits, as set out within the investment strategy will be applied.

The following sections explain each aspect of the 3-stage process in further detail.

<u>Stage 1 - Permitted Investments</u>

The Council approves the following forms of investment instruments for use as permitted treasury management investments as set out in the Tables below. While there is a maximum permitted maturity period set out in the Tables, the actual maturity period will be based on an assessment of risk as part of the credit-worthiness assessment (see stage 2).

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

In relation to all other counterparties, the Council will mainly use UK based institutions but where non-UK counterparties of high credit worthiness are available these may be used. In determining whether a counterparty is UK or non-UK, entities are classified under where their primary regulator is based. The list of countries where the Council can invest are at **Appendix 7**. For example, UK banks and building societies, UK Local Authorities, non-UK banks and building societies of high credit worthiness, HMT Treasury Debt Management Office.

a. Deposits (UK institutions only)

	Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments** (Stage 2 Below)	**Max. maturity period**
Debt Management Agency Deposit Facility	UK sovereign rating	term	no	**100**	**6 mths**
Term deposits – local authorities	N/A	term	no	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	yes	**100**	**2 yrs**
Call accounts – banks and building societies	See Stage 2 below	instant	yes	**100**	**1 yr**

b. Deposits with counterparties currently in receipt of government support/ownership (UK institutions only)

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments (Stage 2 Below)	Max. maturity period
UK nationalised banks	See Stage 2 Below	term	limited	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	limited	**100**	**2 yrs**
UK Government support to the banking sector (implicit guarantee)	See Stage 2 below	term	limited	**100**	**2 yrs**

c. Collective investment schemes structured as Open-Ended Investment Companies (OEICs) Sterling Deposits Only

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Government Liquidity Funds CNAV	AAA	Instant		**100**	**1 year**
Money Market Funds LVNAV	AAA	Instant		**100**	**1 year**
Money Market Funds VNAV	AAA	Instant		**100**	**1 year**

Note 1 – Money Market Funds: These funds invest across a wide spread of short-term instruments such as Government/Treasury issues, short-term corporate paper and Certificates of Deposits. By keeping a short timeframe, these funds attempt to reduce risk. The objective of these Funds is to maintain the net asset value, but they hold assets which can vary in value. Each Money Market Fund is treated as a single counterparty in relation to counter-party limits.

Note 2 - If forward deposits are to be made, the forward period plus the deal period will not exceed one year in aggregate.

<u>Stage 2 – Credit worthiness policy and assessment</u>

This Council uses the creditworthiness service provided by MUFG. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

1. credit watches and credit outlooks from credit rating agencies
2. Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
3. sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments.

- All credit ratings are monitored from a weekly list which can be updated daily by MUFG. The Council is alerted to changes to ratings of all three agencies as these occur through its use of the MUFG creditworthiness service.
- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, immediate consideration will be given to whether funds should be withdrawn from this counterparty and the timescale for doing this.
- in addition to the use of Credit Ratings the Council ~~will be advised~~ has access to information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website and will be advised by MUFG of any extreme market movements that result in downgrade of an institution or removal from the Councils lending list.

Based on the MUFG approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years *
Dark pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No Colour	Not to be used

*Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

In relation to Money Market Funds, the Council will use MUFG's Weekly Investment report, and other regular updates, to ensure its MMF counterparties meet the minimum credit criteria described in the table above.

As set out within the Prudential Indicators, a limit is set on the value of Treasury Investments which can be invested for more than 365 days. The limit is £20m, which represents the maximum sum invested for longer than 365 days. Though the period of investment must be decided using MUFG credit ratings and maximum limits in permitted investments.

Stage 3 – Counter-party Limits

The limits described below apply to the Council's treasury management operations. Separate limits apply for the Highland Council Pension Fund, with Highland Council limits relating to all operations excluding the Pension Fund. If for unavoidable short-term operational reasons, limits are breached this will be communicated to management at the earliest opportunity.

Due to market volatility in treasury management investments and varying levels of investment it is possible that at any time in the year one category of investment could

represent 100% of the portfolio although it is likely that investments will carry greater diversification than this.
No more than £20m can be invested with any single counterparty, with the exception of the nationalised or semi nationalised UK banks (see section B above) where no more than £25m can be invested in each bank.

The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing call deposits with the Council's bankers is currently £20m for the Highland Council bank accounts.

For The Highland Council Pension Fund the limit on placing call deposits with the Council's bankers is currently £20m. The Pension Fund may also use other suitable counterparties, with a £20m limit applying to each.

Appendix 7

Approved countries for investment (as at 19 February 2025)

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

Based on lowest available rating

AAA

1. Australia
2. Denmark
3. Germany
4. Netherlands
5. Norway
6. Singapore
7. Sweden
8. Switzerland

AA+

1. Canada
2. Finland
3. U.S.A.

AA

1. Abu Dhabi (UAE)
2. Qatar

AA-

1. Belgium
2. France
3. U.K.

Current counter party list as at 28/02/2025 **Appendix 8**

The following table is for use by the in-house treasury management team and is a list of current counterparties used. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparty's and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short-term operational reasons, limits are breached this will be communicated to management immediately.

	At time of investment use MUFG current Credit Rating using Weekly Credit List & any inter-week amendments	**Maximum Duration per TMSS** **(would refer to MUFG current credit rating before placing deposit)**	**Investment limits**	
			Highland Council	**Highland Council Pension Fund (note 1)**
Government Backed Deposits				
Debt Management Agency Deposit Facility	Yellow (5 years)	6 months	Unlimited	Not used
Deposits with Counterparties currently in receipt of Government Support/Ownership				
Term deposits (*restricted to £20m invested >365 days*)				
Term deposits – local authorities	Purple (2 years)	2 years	£20m	Not used
Term deposits – banks and building societies (UK only)	Varies	2 years	£20m	Not used
Bank of Scotland	O (12 mths)	1 year	£20m	Not used
Call accounts				
Virgin Money, previously Clydesdale Bank (Council's Banker)	Red (6 mths)	1 year	£20m	£20m
Barclays	Red (6 mths)	1 year	£20m	Not used
Santander	Red (6 mths)	1 year	£20m	Not used
Svenska Handelsbanken	Orange (12 mths)	1 year	£20m	£20m
Money Market Funds				
Abrdn Liquidity Solutions	AAA	1 Year	£20m	Not used
Insight Asset Management	AAA	1 Year	£20m	Not used
Blackrock Asset Management	AAA	1 Year	£20m	Not used
Northern Trust	AAA	1 Year	£20m	Not used

Note 1 – the Pension Fund currently uses a limited number of counterparties as shown above. In line with the limits detailed on **appendix 6**, additional counterparties could be considered up to the limits stipulated.

Appendix 9 Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management

Type of Permitted Investment	**Treasury Risks**	**Mitigating Controls**
1. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
2. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria.
3. Money Market Funds (MMFs) **(Very low risk)** CNAV, LVNAV, VNAV	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.
4. Ultra short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the bonds have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.
5. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high, and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Permitted Investment	Treasury Risks	Mitigating Controls
6. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
7. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.
8. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
9. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low, and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
10. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Investment	Treasury Risks	Mitigating Controls
11.Investment properties	These are non-service properties which are being held pending disposal or for a longer-term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property-based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.
12.Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third-party loan requires Member approval, and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
13.Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
14.Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.
15.Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from MUFG, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Council's policy to use an external fund manager for the investment portfolio relating to the Common Good Funds and Benevolent Funds. The fund managers are contractually committed to keep to the Council's investment strategy. The terms of the fund managers' investment policies are set out in the Investment Management Agreement. The performance of each manager is reviewed at least quarterly at the Investment Sub Committee by the Section 95 officer.

Appendix 10

Treasury Management Scheme of Delegation

(i) The Council

a) receiving and reviewing reports on treasury management policies, practices and activities

b) approval of annual strategy.

(ii) The Council's Corporate Resources Committee

A. approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;

B. receiving and reviewing regular monitoring reports and acting on recommendations; including scrutiny/review of annual strategy, annual report and mid-year report;

(iii) Section 95 Officer

C. reviewing the treasury management policy and procedures and making recommendations to the responsible body.

D. approval of the division of responsibilities;

E. approving the selection of external service providers and agreeing terms of appointment.

The Treasury Management Role of the Section 95 Officer

The S95 (responsible) Officer

1) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance

2) submitting regular treasury management policy reports

3) submitting budgets and budget variations

4) receiving and reviewing management information reports

5) reviewing the performance of the treasury management function

6) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function

7) ensuring the adequacy of internal audit, and liaising with external audit recommending the appointment of external service providers.

8) preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe (to be determined in accordance with local priorities).

9) ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money

10) ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority

11) ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing

12) ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources

13) ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities

14) provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees

15) ensuring that Members are adequately informed and understand the risk exposures taken on by an authority

16) ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

17) creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed.

Appendix 11 Commitment to pay to repay loans fund advances (General Fund)

	HISTORIC DEBT		NEW DEBT				
Financial year	Opening Balance £000	Instalment '£000	Opening Balance '£000	Instalment '£000	Total Instalment '£000	New Borrowing '£000	Total GF LF debt '£000
2024/25	846,794	33,259	0	0	33,259	99,546	913,081
2025/26	813,535	35,589	99,546	418	36,007	148,461	1,025,535
2026/27	777,946	33,979	247,589	1,059	35,038	119,451	1,109,948
2027/28	743,967	33,446	365,981	1,603	35,049	79,886	1,154,785
2028/29	710,521	32,787	444,264	2,003	34,790	0	1,119,995
2029/30	677,734	31,548	442,261	2,083	33,631	0	1,086,364
2030/31	646,190	31,121	440,178	2,166	33,287	0	1,053,077
2031/32	615,068	30,443	438,012	2,253	32,696	0	1,020,381
2032/33	584,625	29,305	435,759	2,343	31,648	0	988,733
2033/34	555,320	28,670	433,416	2,437	31,107	0	957,626
2034/35	526,650	27,282	430,979	2,534	29,816	0	927,810
2035/36	499,368	25,021	428,445	2,636	27,657	0	900,153
2036/37	474,347	22,043	425,809	2,741	24,784	0	875,369
2037/38	452,304	20,375	423,068	2,851	23,226	0	852,143
2038/39	431,929	19,446	420,217	2,965	22,411	0	829,732
2039/40	412,483	17,847	417,252	3,083	20,930	0	808,802
2040/41	394,635	17,342	414,169	3,207	20,549	0	788,253
2041/42	377,293	15,698	410,962	3,335	19,033	0	769,220
2042/43	361,595	14,945	407,627	3,468	18,413	0	750,807
2043/44	346,650	14,059	404,159	3,607	17,666	0	733,141
2044/45	332,592	13,322	400,552	3,751	17,073	0	716,068
2045/46	319,269	12,532	396,801	3,901	16,433	0	699,635
2046/47	306,737	12,089	392,899	4,057	16,146	0	683,489
2047/48	294,648	11,426	388,842	4,220	15,646	0	667,843
2048/49	283,222	10,815	384,622	4,389	15,204	0	652,639
2049/50	272,407	10,321	380,233	4,564	14,885	0	637,754
2050/51	262,086	10,436	375,669	4,747	15,183	0	622,571
2051/52	251,650	10,629	370,923	4,937	15,566	0	607,005
2052/53	241,021	10,936	365,986	5,134	16,070	0	590,935
2053/54	230,085	11,015	360,852	5,339	16,354	0	574,581
2054/55	219,070	10,880	355,513	5,553	16,433	0	558,148
2055/56	208,190	11,268	349,960	5,775	17,043	0	541,105
2056/57	196,922	10,128	344,185	6,006	16,134	0	524,971
2057/58	186,794	10,131	338,179	6,246	16,377	0	508,594
2058/59	176,663	10,540	331,933	6,496	17,036	0	491,558
2059/60	166,123	10,191	325,436	6,756	16,947	0	474,611
2060/61	155,932	10,355	318,680	7,026	17,381	0	457,230
2061/62	145,577	10,561	311,654	7,307	17,868	0	439,362
2062/63	135,016	9,843	304,347	7,600	17,443	0	421,919
2063/64	125,173	9,001	296,747	7,904	16,905	0	405,014

Appendix 11 Commitment to pay to repay loans fund advances (General Fund)

	HISTORIC DEBT		NEW DEBT				
Financial year	Opening Balance	Instalment	Opening Balance	Instalment	Total Instalment	New Borrowing	Total GF LF debt
	£000	'£000	'£000	'£000	'£000	'£000	'£000
2064/65	116,172	8,101	288,844	8,220	16,321	0	388,693
2065/66	108,071	8,341	280,624	8,548	16,889	0	371,804
2066/67	99,730	8,336	272,076	8,890	17,226	0	354,578
2067/68	91,394	7,576	263,185	9,246	16,822	0	337,756
2068/69	83,818	7,670	253,939	9,616	17,286	0	320,470
2069/70	76,148	7,670	244,324	10,000	17,670	0	302,800
2070/71	68,478	7,417	234,323	10,401	17,818	0	284,982
2071/72	61,061	7,056	223,923	10,817	17,873	0	267,109
2072/73	54,005	6,610	213,106	11,249	17,859	0	249,250
2073/74	47,395	6,420	201,857	11,699	18,119	0	231,131
2074/75	40,974	6,117	190,158	12,167	18,284	0	212,847
2075/76	34,857	6,085	177,990	12,654	18,739	0	194,108
2076/77	28,772	5,354	165,337	13,160	18,514	0	175,594
2077/78	23,418	4,903	152,177	13,686	18,589	0	157,005
2078/79	18,515	4,797	138,490	14,234	19,031	0	137,974
2079/80	13,718	3,870	124,257	14,803	18,673	0	119,301
2080/81	9,848	3,656	109,453	15,395	19,051	0	100,250
2081/82	6,192	2,728	94,058	16,011	18,739	0	81,511
2082/83	3,463	1,789	78,047	16,652	18,441	0	63,070
2083/84	1,674	866	61,395	17,318	18,184	0	44,886
2084/85	808	525	44,078	18,010	18,535	0	26,351
2085/86	283	164	26,067	14,331	14,495	0	11,856
2086/87	119	107	11,737	8,342	8,449	0	3,407
2087/88	12	12	3,395	3,395	3,407	0	0
2088/89	0	0	0	0	0	0	0

Appendix 12 Commitment to pay to repay loans fund advances (HRA)

Financial year	HISTORIC DEBT Opening Balance £000	Instalment '£000	NEW DEBT Opening Balance '£000	Instalment '£000	Total Instalment '£000	New Borrowing '£000	Total HRA LF debt '£000
2024/25	399,557	5,807	0	0	5,807	39,438	433,188
2025/26	393,750	13,002	39,438	166	13,168	35,417	455,437
2026/27	380,749	13,539	74,689	321	13,860	40,023	481,600
2027/28	367,210	14,099	114,391	502	14,601	44,982	511,981
2028/29	353,111	14,460	158,871	711	15,171	0	496,810
2029/30	338,652	14,981	158,160	740	15,721	0	481,089
2030/31	323,674	15,111	157,420	769	15,880	0	465,209
2031/32	308,563	15,547	156,651	800	16,347	0	448,862
2032/33	293,016	15,991	155,851	832	16,823	0	432,039
2033/34	277,025	15,937	155,018	865	16,802	0	415,237
2034/35	261,088	15,335	154,153	900	16,235	0	399,002
2035/36	245,753	14,486	153,253	936	15,422	0	383,580
2036/37	231,267	12,097	152,317	973	13,070	0	370,510
2037/38	219,170	11,497	151,344	1,012	12,509	0	358,001
2038/39	207,672	10,676	150,331	1,053	11,729	0	346,272
2039/40	196,996	9,900	149,279	1,095	10,995	0	335,277
2040/41	187,096	8,998	148,184	1,139	10,137	0	325,140
2041/42	178,098	8,724	147,045	1,184	9,908	0	315,232
2042/43	169,374	7,653	145,860	1,232	8,885	0	306,347
2043/44	161,721	6,617	144,629	1,281	7,898	0	298,449
2044/45	155,104	5,314	143,348	1,332	6,646	0	291,803
2045/46	149,790	5,289	142,016	1,385	6,674	0	285,129
2046/47	144,500	5,360	140,630	1,441	6,801	0	278,328
2047/48	139,140	5,292	139,189	1,499	6,791	0	271,537
2048/49	133,848	5,261	137,691	1,558	6,819	0	264,718
2049/50	128,587	4,887	136,132	1,621	6,508	0	258,210
2050/51	123,700	4,436	134,511	1,686	6,122	0	252,088
2051/52	119,264	4,160	132,826	1,753	5,913	0	246,175
2052/53	115,104	4,008	131,073	1,823	5,831	0	240,344
2053/54	111,096	3,645	129,250	1,896	5,541	0	234,803
2054/55	107,451	3,317	127,353	1,972	5,289	0	229,514
2055/56	104,134	3,228	125,381	2,051	5,279	0	224,235
2056/57	100,906	3,261	123,331	2,133	5,394	0	218,841
2057/58	97,644	3,270	121,198	2,218	5,488	0	213,353
2058/59	94,374	3,349	118,979	2,307	5,656	0	207,697
2059/60	91,025	3,358	116,673	2,399	5,757	0	201,940
2060/61	87,668	3,432	114,273	2,495	5,927	0	196,013
2061/62	84,236	3,521	111,778	2,595	6,116	0	189,897
2062/63	80,715	3,612	109,183	2,699	6,311	0	183,586
2063/64	77,103	3,684	106,484	2,807	6,491	0	177,095
2064/65	73,419	3,783	103,678	2,919	6,702	0	170,393

Appendix 12 Commitment to pay to repay loans fund advances (HRA)

Financial year	HISTORIC DEBT Opening Balance £000	HISTORIC DEBT Instalment '£000	NEW DEBT Opening Balance '£000	NEW DEBT Instalment '£000	Total Instalment '£000	New Borrowing '£000	Total HRA LF debt '£000
2065/66	69,636	3,926	100,759	3,036	6,962	0	163,431
2066/67	65,710	4,075	97,723	3,157	7,232	0	156,199
2067/68	61,635	5,168	94,566	3,283	8,451	0	147,748
2068/69	56,467	4,316	91,282	3,415	7,731	0	140,017
2069/70	52,150	4,480	87,867	3,551	8,031	0	131,986
2070/71	47,671	4,651	84,316	3,693	8,344	0	123,642
2071/72	43,019	5,446	80,623	3,841	9,287	0	114,355
2072/73	37,574	4,706	76,781	3,995	8,701	0	105,654
2073/74	32,867	4,563	72,787	4,155	8,718	0	96,936
2074/75	28,305	4,184	68,632	4,321	8,505	0	88,431
2075/76	24,120	3,957	64,311	4,494	8,451	0	79,980
2076/77	20,163	3,836	59,817	4,673	8,509	0	71,471
2077/78	16,328	3,575	55,144	4,860	8,435	0	63,036
2078/79	12,753	3,265	50,284	5,055	8,320	0	54,716
2079/80	9,487	2,835	45,229	5,257	8,092	0	46,624
2080/81	6,652	2,285	39,972	5,467	7,752	0	38,872
2081/82	4,367	1,806	34,505	5,686	7,492	0	31,380
2082/83	2,561	1,586	28,819	5,913	7,499	0	23,881
2083/84	975	736	22,905	6,150	6,886	0	16,995
2084/85	240	240	16,756	6,396	6,636	0	10,359
2085/86	0	0	10,360	4,908	4,908	0	5,451
2086/87	0	0	5,451	3,539	3,539	0	1,912
2087/88	0	0	1,912	1,912	1,912	0	0
2088/89	0	0	0	0	0	0	0