Audit Committee

13 January 2025

Part 1 - Public

Recommendation to Cabinet – Council Decision

TONBRIDGE & MALLING BOROUGH COUNCIL
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Cabinet Member	Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Sharon Shelton – Director of Finance and Transformation
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Treasury Management Update and Treasury Management and Annual Investment Strategy for 2025/26

1 Summary and Purpose of Report

1.1 The report provides details of investments undertaken and return achieved in the first eight months of the current financial year and an introduction to the 2025/26 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Cabinet.

2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective council.

2.2 Prudent financial management of Council's investments will generate a yield to assist with the Council's overall budget objectives.

3 Recommendations

3.1 Members are invited to **RECOMMEND** that Cabinet:

3.2 Note the Treasury Management position as at 30 November 2024.

3.3 Adopts the Treasury Management and Annual Investment Strategy for 2025/26 set out at [**Annex 5**].

4 Introduction and Background

4.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are 'affordable, prudent and sustainable'.

4.2 The Act also requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The latter sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

5 Interest Rate Forecast

5.1 The Bank Rate held at 5.25% for longer than anticipated, with the Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in September. The MPC voted in favour of a further reduction of 25bps in November bringing the current bank rate to 4.75%. Market expectation is for the New Year to see a manged reduction to the rates throughout 2025/26 settling at 3.5% over the next three years.

5.2 The net fiscal loosening of £36 billion (1.1% of GDP) in 2029/30, relative to previous plans unveiled by the Chancellor in the Budget, has led analysts to revise their GDP growth expectations, now forecasting GDP growth of 1.8% in 2025 and 1.7% in 2026, compared to the previous projections of 1.5% for both years. This looser fiscal policy suggests that monetary policy will likely need to be tighter than previously anticipated. As a result, analysts now expect core CPI inflation to remain elevated, with a projected reduction to 2% only by late 2026, rather than in late 2025 as previously forecast.

5.3 Although analysts now expect inflation to average 2.8% in 2025, up from the previous forecast of 2.6%, the freeze in fuel duty announced in the Budget means that analysts' overall CPI inflation forecast remains broadly unchanged. The fuel duty freeze will help mitigate upward pressure on inflation from rising fuel costs, balancing out other factors contributing to the inflation outlook. As a result, despite the slight upward revision in inflation expectations, the overall inflation forecast remains relatively stable due to this policy intervention.

5.4 Further easing in the UK labour market will be welcomed by the Bank of England as it signals that market conditions are continuing to cool. The 3-month year-on-year (3m y/y) growth rate of average earnings dropped from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth slowed from 3.0% to 1.8%, marking its lowest rate since December 2023. Excluding bonuses, the 3m y/y rate fell from 5.4% to 5.1%.

5.5 Link's latest Bank Rate forecast, updated in November 2024, shows the rates moving steadily downward, is included in **[Annex 5]** and anticipates the Bank Rate will level out at 3.5% around December 2026.

6 Investment Performance

6.1 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.

6.2 Cash flow surpluses are available on a temporary basis and the amount is mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2024/25 cash flow surpluses have averaged £28.2m.

6.3 The Authority also has £33m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets.

6.4 Cash flow and core cash balances also include sums to meet business rate appeals which are expected to be resolved in 2024/25 and future years.

6.5 Long term investment comprises of £4.04m in property fund investments.

6.6 Medium term investment comprises £4.25m in diversified income fund investments.

6.7 A full list of investments held on 30 November 2024 is provided at **[Annex 1]** and a copy of our lending list of 30 November 2024 is provided at **[Annex 2]**. The table below provides a summary of funds invested and income earned at the end of November.

	Funds invested on 30 November 2024 £m	Average duration to maturity Days	Weighted average rate of return 1 April to 30 November 2024 %	SONIA benchmark November 2024 %	Interest / dividends earned 1 April to 30 November 2024 £	Gross annualised return %
Cash flow	28.26	4	4.78	4.72	908,610	4.41
Core cash	33.00	112	4.83	4.68	1,115,740	5.30
Long term	4.04				82,980	4.09
Medium term	4.25				127,690	4.51
Total	**69.55**				**2,235,020**	**--**

Table 1

Property funds pay dividends quarterly. The return quoted above is based on dividends received for the period April to September 2024.

6.8 **Cash flow and core cash investments**. The SONIA (Sterling Overnight Index Average) benchmark has indeed followed the trend of reducing in line with the cuts in the Bank of England's interest rate over the past few months. However, the recent inflation data has complicated expectations. Given the persistent inflation pressures, the Monetary Policy Committee (MPC) meeting in December is not anticipated to agree on further reductions in the bank's interest rate.

6.9 Looking ahead, market sentiment suggests that any future interest rate cuts will likely remain slow and gradual throughout 2025. As a result, this may present an opportunity to secure longer-duration investments (up to 12 months), allowing the Council to lock in favourable rates ahead of any future rate cuts.

6.10 Continuing this strategy could be advantageous if rates remain relatively stable or decline gradually in the coming months, enabling the Council to stay ahead of the curve for longer.

6.11 As of the end of November, investment interest earned was £2,024,350, which is £442,600 above the original budget estimate for the same period. The positive variance is primarily attributed to the bank rate remaining higher for longer than initially anticipated.

6.12 The revised budget has been updated to incorporate the sustained higher bank rate, ensuring that future investment interest income projections are aligned with the current market expectations.

6.13 The Council takes advantage of Link’s benchmarking service which enables performance to be gauged against Link’s other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 30 September 2024 the Council’s return was 5.12% (purple diamond) was above the local benchmarking group average of 4.98%. Link’s predicted return is between the upper and lower boundary indicated by the diagonal lines. The Council’s risk exposure was consistent with the local authority average.

6.14 Only cash flow and core cash returns form part of the benchmarking data. The additional return the Council makes from its property fund, and diversified income fund investments are not included. The data also excludes any short-term borrowing costs authorities may have incurred to meet payment obligations; however, no such costs have been incurred to date and none are anticipated during the remainder of 2024/25.

6.15 **Long term investment**. The availability of cash balances over the longer term (10 years) and the suitability of different types of long-term investment (equities, bonds and commercial property) was previously explored and reported to Audit Committee. Of the alternatives, investment in property funds was considered best suited to meet the Council's more immediate funding need: a sustainable, stable income stream.

6.16 £5m was invested in property investment funds, spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time.

6.17 During the period 1 April 2024 to 30 September 2024, as property funds are reported quarterly, the £4.04m investment in property funds generated dividends of £82,980 which represents an annualised return of 4.09% (3.68% in 2023/24). The long-term investment figure set out in Table 2 has been reduced to take into account the repayment of capital investment from the sale of assets by Lothbury Property Trust, which terminated on 30 May. Income generated from property funds has been revised downward to reflect the changes in shares held, and the ability of these shares to generate future dividends. It is possible that dividends will continue to be paid on assets not yet sold within the Lothbury portfolio, but as this is not guaranteed, will not form part of the revised budget. The income from all property funds is expected to be in line with the revised budget for the financial year 2024/25.

6.18 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase / redemption of units avoided.

6.19 Although each property is unique, its value is informed by the sale of similar properties. During recession property transaction volumes diminish making valuation less certain. Each of our property fund managers attributed "uncertainty" to their monthly valuations during the summer. At the same time, and by regulation, when valuation is uncertain fund managers are required to suspend the purchase and redemption of units by investors. The suspension is intended to protect the interests of purchasers, sellers and continuing investors such as the Council.

6.20 Sale values at the end of November 2024 vs initial purchase prices are as follows:

Property fund (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	Purchase price a £	Sale value at date of purchase b £	Sale value 30 November 2024 c £	30 November sale value above (below) purchase price (c-a) £
LAPF (Primary, July 2017)	1,000,000	922,200	884,700	(115,300)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	888,560	(111,440)
LAPF (Primary, June 2018)	1,000,000	922,200	848,250	(151,750)
Total change in principal	**3,000,000**	**2,783,400**	**2,621,510**	**(378,490)**
			Total dividends received to September 2024	**802,440**
Table 2			**Net benefit since inception**	**423,950**

6.21 Since inception, the Council have received dividends from the above property fund investments totalling £802,440. Investment institutes continue to diversify their portfolios to ensure the best return taking into consideration the current market conditions. All property fund investments recorded capital depreciation in the period April 2024 to September 2024. The property funds continue to distribute dividends of which we have received £82,980 for the first six months of the year.

6.22 Following the withdrawal of several investors, Lothbury Property Trust were unable to secure a way forward, and the fund was terminated on 30 May 2024. As per Table 3 below, we have, to date, received four payments totalling £961,220 of our initial investment. The remaining assets are expected to be sold by December 2024, distributions will be made as and when asset sales have concluded, and dividends paid from income generating assets. Taking into account the dividends received from the inception of the fund, the breakeven point would be the recovery of £671,540 against the outstanding assets:

Property fund (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	Purchase price a £	Sale value at date of purchase b £	Principal Investment Received c £	Principal Investment Balance Outstanding £
Lothbury Property Trust	2,000,000	1,900,700	961,220	(1,038,780)
			Total dividends received to September 2024	**367,240**
Table 3			**Net balance to breakeven point**	**(671,540)**

6.23 At the end of June 2024 Hermes Property Trust, having received a redemption request for approximately 22% of the fund, announced they would be seeking investor approval on a proposal to gate the fund. The EGM vote was 71.3% in favour of the resolution which was short of the 75% needed to pass. The Fund appointed CBRE Capital Advisors to provide an independent report on options available, including a potential merger option. A revised timetable has been produced with an EGM set to be held on 30 January 2025.

6.24 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at maturity is a key criteria. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.

6.25 **Medium term investment**. In recent years multi asset (diversified income) funds have grown in popularity. The rational for adopting such a fund was explored in the Audit Committee report of January 2018 and their use for medium-term investment reaffirmed in the January 2021 Audit Committee report which introduced the multi asset (diversified income) funds into the Annual Investment Strategy.

6.26 Like property funds, multi asset (diversified income) funds aim to generate returns over and above inflation and thus preserve spending power.

6.27 A total of £4.25m was invested in 2021/22 between three funds chosen from the rigorous selection process, Fidelity Multi Asset Income Fund, Ninety-One Diversified Income Fund and Aegon Diversified Monthly Income Fund. It is expected that each fund will deliver a return in excess of 3% per annum and preserve capital over the five-year duration of the investment. Additional multi asset fund investments could be made in the future as resources become available from asset disposals and other windfalls.

6.28 During the period April 2024 to November 2024 the £4.25m investment in multi asset funds generated dividends of £127,690 which represents an annualised return of 4.51%.

6.29 **Treasury management function**. An extract from the draft income and expenditure estimates (*due to be presented to the Overview and Scrutiny Committee on 23 January*) attributed to the Treasury Management function are provided at **[Annex 4]**. This shows the aggregate staff resource applied to treasury management is less than one full time equivalent and that income exceeds costs by a significant margin. Income in future years forms part of the Council's medium term financial strategy and is expected to decrease in the short term as Bank Rate pulls back. Expenditure is expected to rise in-line with inflation.

7 Annual Investment Strategy for 2025/26

7.1 The Council's treasury advisors anticipate the bank rate reduction will continue for the foreseeable future before settling at 3.5% by December 2026 and will remain there for the foreseeable future.

7.2 CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, Link's forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations; however, a December rate cut may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025 it is expected that a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

7.3 The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3m year on year growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%. labour market indicators also point to a further loosening in the labour market. The 59,000 in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market.

8 Risk Parameters

8.1 The Strategy sets out the parameters that limit the Council's exposure to investment risks by requiring overnight and term deposits to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. Except where indicated by bold italic text, the 2025/26 Annual Investment Strategy **[Annex 5]** adopts the same risk parameters as currently approved. In summary these are:

- 100% of funds can be invested in the UK. Exposure to non-UK institutions is restricted to no more than 20% of funds per sovereign.

- Non-UK counterparties must be regulated by a sovereign rated AA- or higher as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).

- Investment in UK institutions is subject to the UK sovereign being rated A- or higher by each of the three main rating agencies. The UK currently receives a rating of AA- from Fitch and Moody's and AA from Standard and Poor's.

- Exposure to individual counterparties / groups of related counterparties must not exceed 20% of funds or ***10% of funds if a housing association***.

- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration (3 years with a local authority), the Council has adopted Link's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). Other than for UK nationalised institutions this broadly equates to a minimum long term credit rating of Fitch A- (high) and a short-term credit rating of Fitch F1 (highest).

- Investment in UK nationalised banks is subject to the bank having a minimum long term credit rating of Fitch BBB (good) and a short-term credit rating of Fitch F2 (good). The Royal Bank of Scotland and National Westminster Bank are currently rated Fitch A+, F1.

- The duration of an investment in a foreign bank must not exceed Link's post CDS recommendation. For UK financial institutions Link's duration recommendation can be enhanced by up to 6 months subject to the combined duration (Link recommendation plus the enhancement) not exceeding 12 months. The Council's Treasury Management Practices have been modified to ensure that where duration is being enhanced by more than 3 months the bank's CDS must be below the average for all other banks at the time the investment is placed.

- Money Market funds will be AAA rated, and exposure limited to no more that 20% per fund. LVNAV (low volatility) or VNAV (variable net asset value) funds may be used as an alternative to CNAV (constant net asset value) funds.

- Enhanced cash and Government liquidity funds will be AAA rated, and ***ultra-short duration bond funds rated AA or higher***. Exposure is limited to no more than 10% of investment balances per fund and 20% to all such funds.

- Exposure to non-credit rated property funds is limited to no more than 20% (£3m) of expected long term cash balances. No limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property.

- Exposure to non-credit rated diversified income (multi-asset) funds ***and or short dated bond funds*** is limited to no more than 20% (£3m) of expected long term cash balances per fund and across all such funds.

- The strategy also limits the type of instrument (e.g. fixed term deposits, certificates of deposit, commercial paper, floating rate notes, treasury bills, etc.) that can be used and establishes a maximum investment duration for Gilts of 5 years, 3 years for deposits with local authorities and 2 years for all other types of investment other than investment in property funds, diversified income funds and ***short dated bond funds.***

8.2 The strategy includes prudential indicators for borrowing. Whilst there is no expectation, ***based on the current capital plan***, that the Council will need to borrow to fund its capital expenditure proposals prior to 2029/30, borrowing on a temporary basis may be required to meet payment obligations. Borrowing limits are expressed as the operational limit (£4m) and authorised limit (£7m). Our largest monthly outflows relate to business rates (£5m) and precept payments (£8.8m). Whilst those payments tend to fall on different days of the month that is not always the case. The limits are a precautionary measure to allow borrowing on a short-term basis should the need arise. In recent years, the Council's cash flows have been managed in such a way that no overdraft fees or temporary borrowing costs have arisen.

8.3 The returns on our **property fund investments**, though representing only 5.81% in 2024/25 (6.80% in 2024/25) of the investment portfolio, they are likely to generate investment income of circa 3.6% next year. This is expected to adjust in future years and will represent a high percentage of future income. The property fund investments are long term (10 year) investments. As a consequence of the high entry / exit costs (circa 8%) and potential for significant volatility in capital values, our strategy limits exposure to property funds from existing resources to 20% of expected long term balances, circa £3m per fund.

8.4 The returns on our **diversified income fund investments**, though representing only 6.11% in 2024/25 (5.78% in 2023/24) of the investment portfolio, are likely to generate investment income of circa 3.7% next year. This is expected to adjust in future years and will represent a high percentage of future income. The diversified income fund investments are medium term (5 year) investments. As a consequence of the potential for significant volatility in capital values, our strategy limits exposure to diversified income funds from existing resources to 20% of expected long term balances, circa £3m per fund.

8.5 Diversified income fund investment typically implies a 5-year commitment to negate volatility in capital values over the life of the investment.

9 Non-Treasury Management Practices

9.1 The authority is currently debt free, and no borrowing is forecast to meet the ongoing Council's capital expenditure proposals (based on the current capital plan) prior to 2029/30. This does not however, preclude a decision to borrow in order to fund in full or in part an investment opportunity that meets the Council's strategic priorities and objectives, and achieves value for money. Each such opportunity to be considered on a case by case basis as appropriate.

9.2 At present the Council has no material non-treasury investments, e.g. expenditure on loans or the acquisition of non-financial assets (property) intended solely to generate a profit. **[Annex 6]** is reviewed and updated accordingly in order to ensure compliance with the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes, and Statutory Guidance on Local Government Investments relating to non-treasury investments**.**

10 Financial and Value for Money Considerations

10.1 The Bank Rate is currently 4.75%. Link's current forecast (November 2024) anticipates Bank Rate will fall back to 3.75% by March 2026. Longer term, the rates are expected to fall back to 3.50% and remain there for the foreseeable future.

10.2 Whilst the Council has benefited from the interest rates being held higher for longer, the Bank of England initiated the rate cut cycle in August 2024, taking the bank rate from 5.25% to 5.0%. The benefit of the former has produced interest earned over the past several months to the end of November 2024 from cash flow surpluses and core cash investments. This has exceeded the original budget for the same period by £442,600. Income from property funds at the end of September 2024 is £82,980 and has been revised downward to take Lothbury Property Trust's termination on 30 May 2024 into consideration. Investment income from multi-asset funds has generated £127,690 and is £5,360 in excess of the original budget. Investment income for the year as a whole is expected to exceed the original budget which is reflected in the revised estimates for 2024/25.

10.3 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.

10.4 Whilst the annual income stream from a property fund exhibits stability (circa 4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be extended to avoid crystalizing a loss and as a consequence the investment's duration cannot be determined with certainty.

10.5 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped overtime through capital appreciation.

10.6 The money being applied to property fund investment from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored, and due regard had to the potential for a fund to delay payment of redemption requests by up to 12 months. Funds will seek to minimise their own cash balances in favour of holding property and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.

10.7 Diversified income funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property and cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

10.8 Short term bond values are linked to interest rate expectations and long-term bond values are linked to inflation expectations. Funds aim to minimise the risk of issuer default by investing in a broad spread of issuers and across different sectors and geographic regions. Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

11 Risk Assessment

11.1 Link Asset Services are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.

11.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.

11.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2025/26 Strategy have been minimised.

12 Legal Implications

12.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.

12.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments. Please note, both Codes have been updated in December 2021 and have been taken into account in the 2025/26 Treasury Management and Annual Investment Strategy.

13 Cross Cutting Issues

13.1 Climate Change and Biodiversity

13.2 While the Treasury Management Code outlines the principle for investments as Security Liquidity and Yield is core, it recognises that ESG issues are increasingly significant for investors.

13.3 Consideration will be given to how we can formalising ESG as part of the Treasury Management Strategy Statement, while appreciating it is better developed in the equity and bond markets, than the short-term cash deposits, where the majority of the Council's portfolio is held.

13.4 Equalities and Diversity

13.4.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	Link Asset Services: Interest rate forecast (December 2024) Economic commentary Benchmarking data.
Annexes	(1) TMBC Investment Summary 30 November 2024 (2) TMBC Lending List November 2024 (3) TMBC Benchmarking September 2024 (4) TMBC Treasury Management Estimates 2024/25 and 2025/26 (5) TMBC Treasury Management and Annual Investment Strategy 2025/26 (6) TMBC Non-Treasury Management Practices