Report to:

Overview and Scrutiny Management Committee – 13 February 2026
Cabinet – 23 February 2026
Council – 26 February 2026

Wards All

Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2026-27

Report of the Executive Director of Corporate Resources (S151 Officer)

This item is not exempt
Therefore exempt reasons are not applicable

This is a Non-Key Decision

1. Purpose of the Report and Summary

1.1 To provide details of the Treasury Management Strategy Statement (incorporating Prudential and Treasury Indicators), Minimum Revenue Provision Policy Statement and Annual Investment Strategy proposed for the financial year 2026-27.

1.2 The Council's constitution requires that the Strategy and Policy Statements be approved by Council and this responsibility cannot be delegated.

1.3 The scope and content of this report are in line with the requirements of the Treasury Management Code of Practice and the Prudential Code for Capital Finance, therefore there needs to be more detail included than standard committee reports.

1.4 Due to the nature and complexity of this report, an overview is provided at Appendix 6 which provides Members of the Council with a summary of the main contents of the report. A Glossary of Terms is also included at Appendix 7.

2. Recommendations

2.1 That Council approves;

i. The Prudential and Treasury Indicators, as set out in the main body of this report and summarised at Appendix 1, numbered 1 to 9;

ii. The Treasury Management Strategy Statement 2026-27, incorporating the Annual Investment Strategy 2026-27, as set out in the main body of this report, and specifically;
iii. The Investment Instruments shown at Appendix 2;
iv. The list of organisations used for the on-lending of surplus funds, shown at Appendix 3, up to the monetary limits stated;
v. The Minimum Revenue Provision Policy Statement 2026-27 detailed at Appendix 4.

3. Reasons for Recommendations

3.1 Approval of the annual Treasury Management Strategy and Policy Statements cannot be delegated and therefore is required to be approved by Full Council.

4. Key Organisational Impacts

4.1 Impact on other Executive Committees (including Area Committees) and decision makers

There is no impact upon other committees.

4.2 Contribution to the delivery of the Community Plan, the Council Plan and/or Area Plans

The provision of reliable financial information supports the Council's decision making processes and therefore impacts on all Council priorities.

4.3 Impact on other key strategies/business plans

The provision of reliable financial information supports the Council's decision making processes and therefore impacts on all Council priorities.

4.4 Equalities Impact Information

There are no equality impacts identified as a result of this report.

5. Consultation

5.1 This report follows the consultation process applied to the overall Medium Term Financial Plan, Capital and Budget setting process and therefore requires no further consultation.

6. Introduction

6.1 Treasury Management is an important part of the finance function of the Council. Under the Prudential Regime, the Council has greater freedom with regard to borrowing and investment decisions and the Prudential Indicators provide an important monitoring framework.

6.2 Through the Council's Borrowing and Investment Strategies, the Executive Director of Corporate Resources will seek to minimise borrowing costs and

maximise investment income whilst controlling the Council's exposure to financial risk.

6.3 The Government guidance issued regarding repayment of debt on borrowings (Minimum Revenue Provision) provides the Council with the ability to set realistic levels of provision for the repayment of debt.

6.4 In addition, housing authorities may also need to assess the impact on the HRA share of the CFR and to adjust the relevant prudential indicators accordingly

6.5 This report reaffirms the overall Treasury Management Strategy in place and proposes no further changes in 2026/27 to the Treasury Management Strategy Statement, Borrowing and Investment Strategies.

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

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

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

6.9 CIPFA defines treasury management 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."

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities. This authority has not engaged in any commercial investments and has no non-treasury investments.

7. Statutory Requirements

7.1 The Local Government 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. These are shown in the report and are summarised in Appendix 1.

7.2 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 21 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 as set out in Appendices 2 and 3.

8. CIPFA Requirements

8.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021) was adopted by the Council on 25 February 2010.

8.2 The five primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

4. 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.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

8.3 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

8.4 Prudential and Treasury Indicators and Treasury Strategy which covers:

- The Council's capital plans (including prudential indicators);
- A Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators;
- An Annual investment strategy (the parameters on how investments are to be managed).

8.5 A Mid-Year Treasury Management Report – this will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

8.6 An Annual Treasury Report – this is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

8.7 Quarterly update reports (end of June/end of December) are also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Overview and Scrutiny Committee

8.8 The Council has adopted the following scheme of delegation and reporting arrangements in accordance with the requirements of the Code:-

Area of Responsibility	**Authority/ Committee/ Officer**	**Frequency**
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Full Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – quarterly reports	Cabinet	Quarterly
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Cabinet	As necessary
Annual Treasury Outturn Report	Cabinet	Annually by 30 September after the end of the year
Treasury Management Monitoring Reports	Executive Director of Corporate Resources (S151 Officer)	Prudential Indicators to be monitored periodically
Treasury Management Practices	Executive Director of Corporate Resources (S151 Officer)	Updated on an ongoing basis
Scrutiny of Treasury Management Strategy /	Overview & Scrutiny Management Committee	Annually before the start of the year

Annual Investment Strategy / MRP policy		
Scrutiny of treasury management performance	Overview & Scrutiny Management Committee	At outturn and mid-year and quarterly monitoring reports

9. Treasury Management Policy Statement 2026-27

9.1 The Treasury Management Policy Statement recommended for adoption defines the policies and objectives of the Council's treasury management activities:

This organisation defines its treasury management activities as:

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

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

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

10. Treasury Management Strategy for 2026-27

10.1 The proposed strategy for 2026-27 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury management advisors, MUFG Corporate Markets.

10.2 The strategy for 2026-27 covers two main areas:

Capital Issues

- the capital expenditure plans and the prudential indicators;
- the Minimum Revenue Provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;

- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

10.3 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

11. The Capital Prudential Indicators 2026-27 – 2028-29

11.1 The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

11.2 Capital Expenditure – this prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Capital expenditure forecasts are summarised in the table below:

Capital Expenditure by Programme Theme	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Roads and Infrastructure	24.352	39.234	37.980	20.066
Clean Environment	2.316	0.705	0.100	0.081
Crime Prevention	0.750	0.650	0.350	0.350
Carbon Reduction	31.522	31.540	7.571	1.870
Efficiency and VFM (Property and Assets)	16.791	27.657	9.574	7.415
Improving Local Areas	81.820	50.566	44.639	26.505
Service Transformational Schemes (Capital Receipts Flexibility)	3.000	2.500	1.000	1.000
Other (Programme Support/Contingencies)	2.795	7.177	8.041	9.884
Over-Programming	(30.000)	(20.000)	10.000	10.000
Non-HRA	**133.346**	**140.029**	**119.255**	**77.171**
HRA	**95.743**	**85.055**	**107.055**	**113.329**
Total	**229.089**	**225.084**	**226.310**	**190.500**

11.3 The above and below tables exclude other long term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements which have their own borrowing instruments.

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

Capital Expenditure	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Non-HRA	133.346	140.029	119.255	77.171
HRA	95.743	85.055	107.055	113.329
Total	**229.089**	**225.084**	**226.310**	**190.500**
Financed by:				
Capital receipts	15.175	11.157	9.000	9.000
Capital grants	76.682	62.201	75.220	24.918
Capital reserves	35.434	37.903	38.539	38.949
Revenue	0.000	0.000	0.000	0.000
Total	**127.291**	**111.261**	**122.759**	**72.867**
Net financing need for the year	**101.798**	**113.823**	**103.551**	**117.633**

12. The Council's Borrowing Need (the Capital Financing Requirement)

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

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

12.3 The CFR includes any other long term liabilities (e.g. PFI schemes, Leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £215 million of such schemes within the CFR.

12.4 The Council is asked to approve the CFR projections below:

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Financing Requirement				
CFR – non housing	888.115	957.210	1020.899	1066.168
CFR - housing	256.033	283.028	299.930	348.331
Total CFR	**1,144.148**	**1,240.238**	**1,320.829**	**1,414.499**
Movement in CFR	**95.625**	**96.090**	**80.591**	**93.670**

Movements in CFR represented by				
Net financing need for the year (above) - General CapEx - PFI liabilities	111.149	113.823	103.551	117.633
Less MRP/VRP and other financing movements	(15.524)	(17.733)	(22.960)	(23.963)
Movement in CFR	**95.625**	**96.090**	**80.591**	**93.670**

13. Liability Benchmark

13.1 The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

13.2 There are four components to the LB:

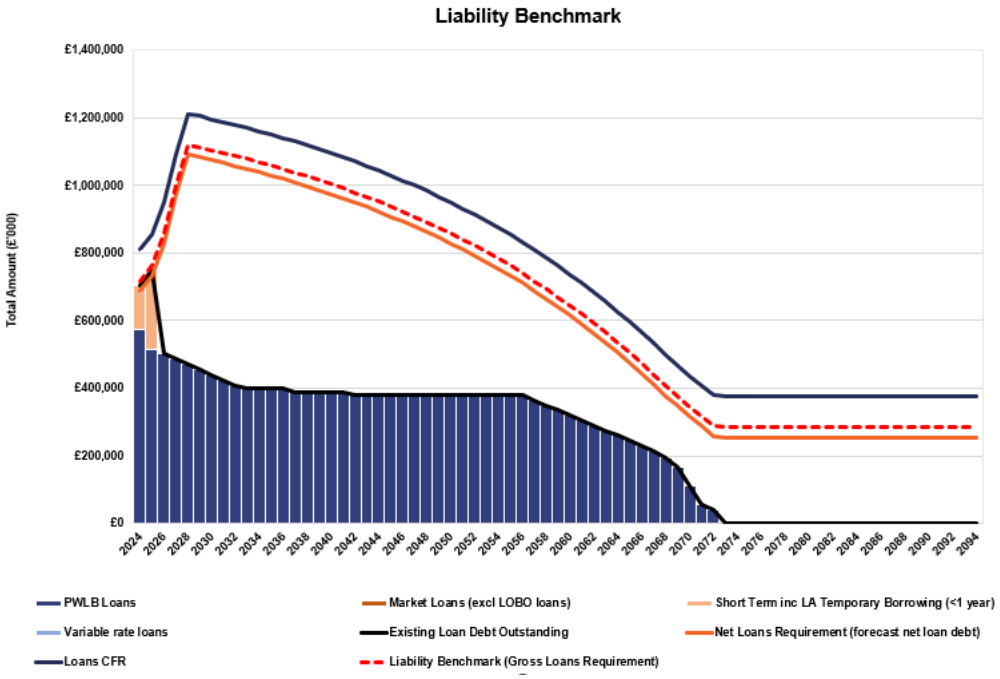
1. Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.

2. Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

3. Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast

4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

13.3 The graph below represents the Liability Benchmark for the Council, incorporating all of the above information.



13.4 The graph demonstrates the forecast rise in the Capital Financing Requirement (CFR) over next 4 years in line with the commitment to deliver the capital programme and the associated funding/borrowing requirements. This will reduce over time once the capital spend has been incurred and subsequent Minimum Revenue Provision (MRP) are charged. It confirms that

the Council has a short term borrowing need which will look to manage alongside forecast interest rates and Medium Term Financial Planning assumptions. See Borrowing Strategy at Section 21.

14. Minimum Revenue Provision (MRP) Policy Statement

Background

14.1 Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. In accordance with proper practice, the financing of such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The Council is therefore required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP), which is determined by the Council under guidance.

14.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended by Statutory Instrument 2008 no. 414 s4) lay down that:

"A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."

14.3 For balance sheet liabilities relating to finance leases and on balance-sheet PFI contracts, the MRP Guidance suggests that the requirement to make prudent MRP would be regarded as met by a charge equal to the element of the rent/charge that goes to reduce the Balance Sheet liability. However, the Council's current policy is for the MRP charge to be calculated on the basis of the expected life of the asset which has been acquired, which is consistent with policy in place for general borrowing.

14.4 As at 31/3/25 the Council held £177.352m of PFI and £38.271m of Lease Liabilities on the Balance Sheet, incorporating Schools (BSF) and Extra Care Facilities.

14.5 However, the key principle of MRP is that the annual amount set aside should be prudent. The relevant regulations state that Local Authorities are required to have regard to the MRP guidance when setting MRP Policy. The guidance gives flexibility in how it calculates MRP, providing the calculation is deemed prudent.

Government Guidance

14.6 The Council is legally obliged to 'have regard' to the guidance issued by MHCLG, which is intended to enable a more flexible approach to assessing the amount of annual minimum revenue provision (MRP) than was required under the previous statutory requirements. Although it is up to each Council to determine for itself how to calculate MRP, the guidance suggests four methodologies, with an overriding recommendation that the Council should

make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.

14.7 The requirement to 'have regard' to the guidance means that:

- Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.
- It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision after having had regard to the guidance

14.8 The MRP Policy for 2026/27 is detailed at Appendix 4 and there are no proposed changes to the current Policy.

14.9 A schedule of the current MRP commitments and forecast commitments based on the current capital programme is provided at Appendix 5.

14.10 A schedule of current and forecast MRP commitments for the PFI liability is also included at Appendix 5.

15. Affordability Prudential Indicators

15.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.

15.2 The ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %
Non-HRA	4.8	5.1	4.9	5.2
HRA	44.4	41.4	45.1	45.7

The estimates of financing costs include current commitments and the proposals in the budget report.

15.3 The impact of capital investment decisions on council tax. This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in the budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Impact of capital investment decisions on the band D council tax

	2026/27 Estimate £	2027/28 Estimate £	2028/29 Estimate £
Council tax - band D	7.32	17.93	30.31

15.4 The impact of capital investment decisions on housing rent levels. Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels. This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

Impact of capital investment decisions on housing rent levels

	2026/27 Estimate £	2027/28 Estimate £	2028/29 Estimate £
Weekly housing rent levels	1.95	3.52	8.35

16. Treasury Management Strategy

16.1 The capital expenditure plans set out in Section 11 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

17. Current Portfolio Position

17.1 The Council's treasury portfolio position at 31 March 2025 with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
External Debt				
Borrowing at 1 April	773.758	875.556	989.379	1,092.930
Expected change in borrowing	101.798	113.823	103.551	117.633
Other long-term liabilities (OLTL)	215.623	213.153	211.479	209.753
Expected change in OLTL	-2.470	-1.674	-1.726	-1.779
Actual gross debt at 31 March	**1,088.709**	**1,200.858**	**1,302.683**	**1,418.537**
CFR – the borrowing need	**1,144.148**	**1,240.238**	**1,320.829**	**1,414.499**
Over / (under) borrowing	**-55.439**	**-39.380**	**-18.146**	**4.038**
Total investments at 1 April	27.346	50.000	50.000	50.000
Total investments at 31 March	50.000	50.000	50.000	50.000
Investment change	22.654	0.000	0.000	0.000
Net debt	**1,038.709**	**1,150.858**	**1,252.683**	**1,368.537**

17.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026-27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

17.3 The Executive Director of Corporate Resources (S151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

18. Treasury Indicators: Limits to Borrowing Activity

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

Operational boundary	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Borrowing	773.758	875.556	989.379	1092.930
Additional Borrowing	101.798	113.823	103.551	117.633
10% Net Budget Requirement	42.648	54.912	56.948	58.833
Other long term liabilities	213.153	211.479	209.753	207.974
Total	**1131.357**	**1255.770**	**1,359.631**	**1,477.370**

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

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

18.4 The Council is asked to approve the following Authorised Limit:

Authorised limit	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Operational Debt (as above)	1,131.357	1,255.770	1,359.631	1,477.370
Possible additional borrowing (grants/capital receipts)	91.857	73.358	84.220	33.918
Total	**1,223.214**	**1,329.128**	**1,443.851**	**1,511.288**

19. Prospect for Interest Rates and Economic Environment

19.1 The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

PWLB RATES

19.2 MUFG Corporate Markets provided the following forecasts on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

19.3

MUFG Corporate Markets Interest Rate View 22.12.25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

19.4 Comments by MUFG Corporate Markets:

Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided

an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December

Given 5-4 majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path the MPC reiterated that the case for further rate cuts would be "a closer call", and there is "limited space as Bank Rate approaches a neutral level". *Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, followed by further rate cut to 3.25% in Q4.*

Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026.

MUFG GROUP FORECASTS

Gilt yields and PWLB rates

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

Borrowing advice

Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

20. Economic Commentary

20.1 The following paragraphs are designed to impart a degree of knowledge around factors impacting on the treasury management function at the Council. This environment is constantly changing, no more so than in recent years. Any significant issues that arise between the report being written and the actual committee date will be reported verbally.

20.2 The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.

- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August (and subsequently to 3.75% in December).
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).

20.3 From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 - 2028 is currently forecast by the Office for Budget Responsibility to be in the region of 1.5%.

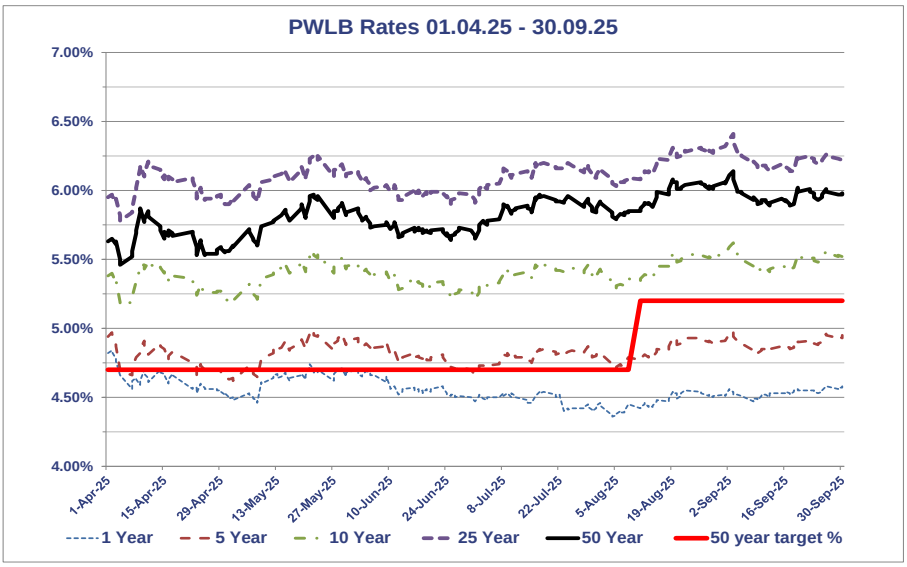
20.4 Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.

20.5 CPI inflation remained at 3.8% in September but dropped to 3.2% by November. Core inflation also fell to 3.2% by November while services inflation fell to 4.4%. Nonetheless, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

20.6 By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.

20.7 There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, in August, a further rate cut to 4% was implemented, and again in December to 3.75%.

20.8 PWLB RATES 01.04.25 - 30.09.25



20.9 HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

21. Borrowing Strategy

21.1 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.

21.2 This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if some rate cuts arise.

21.3 Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Executive Director of Corporate Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast fixed rate funding will be*

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

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

Treasury Management Limits on Activity

21.5 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position, net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

21.6 The Council is asked to approve the following treasury indicators and limits:

	2026/27 %	**2027/28 %**	**2028/29 %**
Interest Rate Exposures			
Limits on fixed interest rates based on net debt	100	100	100
Limits on variable interest rates based on net debt	75	75	75

Maturity Structure of interest rate borrowing (fixed and variable) 2026/27		
	Lower %	**Upper %**
Under 12 months	0	35
12 months to 2 years	0	30
2 years to 5 years	0	50
5 years to 10 years	0	75
10 years and above	0	90

22. Policy on Borrowing in Advance of Need

22.1 The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value

for money can be demonstrated and that the Council can ensure the security of such funds.

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

23. Debt Rescheduling

23.1 Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

23.2 All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

24. New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

24.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).

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

25. Other Issues

Capital Strategy

25.1 In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities are required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

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

25.2 The aim of this report is to ensure that all elected members of Council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy. The Capital Strategy allows all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

25.3 The Capital Strategy for 2026/27 to 2028/29 is presented to Council on this agenda.

26. Annual Investment Strategy

Investment Policy

26.1 The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team).

26.2 The Council's investment policy has regard to the following:

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

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

26.4 In accordance with guidance from MHCLG and CIPFA, and in order to minimise the risk to investments, the Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

- Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

- Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

- This Authority has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.

- All investments will be denominated in sterling.

26.5 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

26.6 The intention of the strategy is to provide security of investment and minimisation of risk.

26.7 The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments;
- The principles to be used to determine the maximum periods for which funds can be committed;
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.

26.8 The investment instruments identified for use in the financial year 2026-27 are set out at Appendix 2 under the 'Specified' and 'Non-Specified' Investments categories. Organisations to which the Council will lend and associated counterparty limits are detailed at Appendix 3.

26.9 The Council will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness Policy

26.10 The Council applies the creditworthiness service provided by the MUFG Corporate Markets. This service employs sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

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

- 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

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

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

26.14 All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by MUFG Corporate Markets. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

26.16 If financial institutions are upgraded in rating and therefore meet the Council's criteria as defined, then committee approval will be sought prior to inclusion on the counterparty list.

Country Limits

26.17 The Council has determined that it will only use approved counterparties from the UK only.

Investment Counterparty Selection Criteria

26.18 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

26.19 The Executive Director of Corporate Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

26.20 Credit rating information is supplied by MUFG Corporate Markets, the Council's treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be considered for suspension from use, with all others being reviewed in light of market conditions.

26.21 On occasions 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.

26.22 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is as follows:

- Banks 1 – a good credit quality – the Council will only use banks which are UK banks and hold a minimum Fitch rating of:
  - Short term – F1
  - Long term – A-

- Banks 2 – part nationalised UK bank – Royal Bank of Scotland ring fenced operations. This bank can be included if it continues to be part nationalised or it meets the rating in Banks 1 above.

- Banks 3 – The Council's own banker (Natwest Bank) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.

- Bank subsidiary and treasury operation – The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

- Building societies – The Council will use all societies which meet the ratings for banks as outlined above.

- Money Market Funds – AAA rating.

- Enhanced Money Market Funds – AAA rating.

- UK Government (DMADF)

- Local authorities.

Group Considerations

26.23 Due care will be taken will be taken to consider the group exposure of the Council's investments. In addition limits in place above will apply to a group of companies.

Use of Additional Information other than Credit Ratings

26.24 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and Monetary Limits Applying to Investments

26.25 The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover specified and non-specified investments).

	Fitch Long Term Rating (minimum)	*Fitch Short Term Rating (minimum)*	*Money Limit*	*Time Limit*
Banks 1 category high quality	AA-	F1+	£30 million	1 yr
Banks 1 category medium quality	A	F1	£20 million	1 yr
Banks 1 category lower quality	A-	F1	£10 million	1 yr
Banks 2 category – part nationalised – high quality	AA-	F1+	£40 million	1 yr
Banks 2 category – part nationalised – medium quality	A	F1	£25 million	1 yr
Banks 2 category – part nationalised – low quality	A-	F1	£15 million	1 yr
Limit 3 category – Council's banker (not meeting Banks 1)	N/A	N/A	£5 million	1 day
UK Government (DMADF)	N/A	N/A	Unlimited	6 mths
Local authorities	N/A	N/A	£15 million	1 yr
Money Market Funds	AAA		£15 million	liquid

26.26 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 2 for approval.

27. Investment Strategy

In House Funds

27.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

27.2 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment Returns Expectations

27.3 The current forecast shown in paragraph 19.2, includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.

27.4 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	*Now* *%*	*Previously* *%*
2025/26 (residual)	*3.80*	*3.90*
2026/27	*3.40*	*3.60*
2027/28	*3.30*	*3.30*
2028/29	*3.30*	*3.50*
2029/30	*3.50*	*3.50*
Years 6-10	*3.50*	*3.50*
Years 10+	*3.50*	*3.50*

Caution must be exercised in respect of all interest rate forecasts.

Investment Treasury Indicator and Limit

27.5 Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

27.6 The Council is asked to approved the treasury indicator and limit:

Maximum principal sums invested > 364 days			
	2026/27 £m	**2027/28 £m**	**2028/29 £m**
Principal sums invested > 364 days	0	0	0

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

End of Year Investment Report

27.8 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Policy on the use of External Service Providers

27.9 The Council uses MUFG Corporate Markets as its external treasury management advisors.

27.10 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

Training

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

27.13 Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

27.14 The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

27.15 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

27.16 In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

27.17 Members Finance Training was provided on 8th September 2025.

27.18 The training needs of treasury management officers are periodically reviewed.

The Treasury Management role of the Section 151 Officer

27.19 The Executive Director of Corporate Resources (S151 Officer) will be responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and is in accordance with the risk appetite of the Council
- ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources
- 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
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Council
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

28. Options and Risk Assessment

28.1 Although the content and criteria stated in the Treasury Management Strategy are statutory requirements, there are some options available to the Council in how this is managed, in terms of the following:

- Investment Options – alternative investment products, counterparties, limits and durations.
- Prudential Indicators – alternative limits for certain indicators, i.e. debt maturity profile, interest rate exposure.
- Minimum Revenue Provision – alternative options for the revenue charge.

28.2 The options proposed are based on the Council investing surplus monies with low risk counterparties in line with the Council's low risk appetite. This provides the Council with adequate liquidity and security of funds before considering investment return.

28.3 The main risks surrounding the Council's Treasury operations, mitigated through the Treasury Management Strategy and Investment Policy, are as follows:

- Prudential Indicator limits are breached – set and approved locally and regularly monitored as part of ongoing Treasury Management activity.
- Investments lost due to the inability of a Bank or Building Society to repay the loan – key criteria as part of the Creditworthiness Policy which ensures investments are made with only high credit quality counterparties for set durations.
- Too cautious an approach to investments could result in lower investment income being achieved – Investment Policy provides flexibility to use other non-specific investment products if it is considered prudent.

29. Comments of the Assistant Director of Legal Services (Monitoring Officer)

29.1 The Local Government 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 changes proposed to the Policy appear consistent with the Codes.

30. Comments of the Section 151 Officer

30.1 The Executive Director of Corporate Resources (S151 Officer) is the author of the report.

31. Comments of the Assistant Director of HR and OD and Compliance with the Equality Duty

31.1 The content of the report is noted. There are no staffing or equality issues arising for the council. KH

32. Comments of Overview and Scrutiny

32.1 This report is due to be considered by Overview and Scrutiny Management Committee on the 13th of February 2026. Any comments or recommendations agreed by the Committee, will be tabled at Cabinet and Council, for consideration alongside the final report. (Sc9151 – AS)

David Bell
Executive Director of Corporate Resources (S151 Officer)

Background Documents: CIPFA Prudential Code and Treasury Management Code of Practice (2021 Edition)
Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008

	Guidance on Minimum Revenue Provision issued by DCLG – Feb 2018
Officer Interest	None
Contact Officer: Telephone No.:	David Bell/Mike Armstrong 613084/613282

Implications Matrix

I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc. prior to submitting this report for official comments	Yes
I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council	Yes
Value for money considerations have been accounted for within the report	Yes
The report is approved by the relevant City Manager	Yes
I have included any procurement/commercial issues/implications within the report	n/a
I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.	Yes
I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities Impact Assessment and the outcomes are included within the report	There are no equality and diversity implications within this report.
Any Health and Safety implications are included within the report	n/a
Any human rights implications are included within the report	There are no human rights implications within this report.
I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report	n/a
I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are included within the report	n/a
I have included information about how this report contributes to the City Plan/ Area priorities within the report	n/a

Appendix 1

Prudential and Treasury Indicators

1. Prudential and Treasury Indicators

1.1 The following show the proposed Prudential and Treasury Indicators referred to in section six of the main report

1.2 Affordability of Capital Plans

(a) Indicator 1 – Capital Expenditure

"The local authority will make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. These prudential indicators will be referred to as estimates of capital expenditure and shall be expressed in the following manner:

Estimate of total capital expenditure to be incurred in years 1, 2 and 3 (and 4 etc. if applicable)" (paragraph 47 of the code)

This details the Council's capital spending plans over the next 3 years and reports on the outturn from the previous financial year. These estimates are in line with the General Fund, HRA and Capital Strategy Reports to be considered by Council on 26 February 2026. There is no subjectivity to this indicator.

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Non-HRA	133.346	140.029	119.255	77.171
HRA	95.743	85.055	107.055	113.329
Total	**229.089**	**225.084**	**226.310**	**190.500**

(b) Indicator 2 – Ratio of Financing Costs to Net Revenue Stream

"The local authority will estimate for the forthcoming financial year and the following two financial years the ratio of financing costs to net revenue stream. This prudential indicator shall be referred to as estimates of the ratio of financing costs to net revenue stream and shall be expressed in the following manner:

Estimates of financing costs / estimate of net revenue stream * 100 %

For years 1, 2 and 3"(paragraph 38 of the code)

Shows the revenue costs (the capital financing costs less investment income earned) associated with funding previous and future capital spending, as a percentage of total revenue spending. Again, as in the previous indicator, these estimates are in line with the General Fund, HRA and Capital Strategy Reports to be considered by Council on 26 February 2026. There is no subjectivity to this indicator.

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	%	%	%	%
Non-HRA	4.8	5.1	4.9	5.2
HRA	44.4	41.4	45.1	45.7

(c) Indicator 3 – Capital Financing Requirement

"The local authority will make reasonable estimates of the total of the capital financing requirement at the end of the forthcoming financial year and the following two years. These prudential indicators will be referred to as the estimates of capital financing requirement and shall be expressed as follows:

Estimate of capital financing requirements as at the end of years 1, 2 and 3" (paragraph 50 of the code)

The Capital Financing Requirement measures the Council's underlying need to borrow for a capital purpose i.e. that element of previous and proposed capital spending which has been/will be funded from borrowing. In order to ensure borrowing is maintained within sustainable limits, the Prudential Code requires that net external borrowing does not exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. The Executive Director of Corporate Resources (S151 Officer) can confirm that this requirement will be met.

	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£m	£m	£m
Non-HRA	957.210	1020.899	1066.168
HRA	283.028	299.930	348.331
CFR Total	**1,240.238**	**1,320.829**	**1,414.499**
Borrowing	**1,200.858**	**1,302.683**	**1,418.537**

(d) Indicator 4 – Incremental impact of Capital Investment Decisions on Council Tax and Housing Rents

"The local authority will forecast the total budgetary requirements for the authority arising from proposed changes to the capital programme and calculate the addition or reduction to the council tax/housing rents that would result.

This calculation shall be undertaken for the forthcoming year and the following two financial years or longer timeframe if required to capture the full effect of capital investment decisions on the council tax/housing rents.

This prudential indicator will be referred to as estimates of the impact of the new capital investment decisions on the council tax/average weekly housing rents, and shall be expressed in the following manner:

£xx.xx (Paragraph 39 of the code)

The indicator seeks to demonstrate the additional costs, to be funded from the Council Tax and Housing Rents, of the Council's capital spending plans.

Again, these estimates are in line with the General Fund, HRA and Capital Strategy Reports to be considered by Council on 26 February 2026.

	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£	£	£
Non-HRA (Council Tax)	7.32	17.93	30.31
HRA (average weekly rent)	1.96	1.60	6.46

1.3 **Treasury Management**

(a) Acceptance of the CIPFA TM Code

The Council formally adopted the CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes on 25th February 2010.

(b) Indicator 5 – Authorised Limit for External Debt

"The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long term liabilities. This prudential indicator will be referred to as the authorised limit and shall be expressed in the following manner:

Authorised limit for external debt = authorised limit for borrowing + authorised limit for other long term liabilities

For years 1, 2 and 3." (Paragraph 54 of the code)

With regard to external debt the Council is required to identify limits consistent with the Revenue Budget and Capital Programme. The Authorised Limit is based on a prudent, but not worst case scenario, with additional headroom to allow for unusual cash movements. The authorised limit will be the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

The indicator is calculated by taking the results from indicator six, Operational boundary for external debt, plus the amount of capital spend forecast to be financed from grants and capital receipts. This would cover the unlikely event of contractually committed spend not being financed from grants/contributions and/or capital receipts as planned and having to be financed from borrowing.

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Operational debt indicator (indicator 6)	1131.357	1255.770	1359.631	1477.370
Possible additional capital spend financed from borrowing (grants/receipts not received)	91.857	73.358	84.220	33.918
Total Amount	**1,223.214**	**1,329.128**	**1,443.851**	**1,511.288**
Rounded for indicator	**1,223.000**	**1,329.000**	**1,444.000**	**1,511.000**

(c) Indicator 6 – Operational Boundary for External Debt

"The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long term liabilities. This prudential indicator will be referred to as the operational boundary and shall be expressed in the following manner:

Operational boundary for external debt = operational boundary for borrowing + operational boundary for other long term liabilities.

For years 1, 2 and 3." (Paragraph 55 of the code)

The Operational Boundary for external debt is based on the same estimates which underpin the Authorised Limit but does not include the additional headroom included within the Authorised Limit. The Operational Boundary provides an important tool for in year monitoring.

The code goes on to say "It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate"

The Operational Limit for external debt has been calculated as the current amount of debt, plus additional borrowing, plus ten per cent of the year's net revenue budget for cash flow purposes in the event of expenditure being higher than income at points during the year.

	2025/26 Estimate £m	**2026/27 Estimate £m**	**2027/28 Estimate £m**	**2028/29 Estimate £m**
Debt	773.758	875.556	989.379	1092.930
Additional borrowing	101.798	113.823	103.551	117.633
10% Net budget requirement	42.648	54.912	56.948	58.833
Other liabilities	213.153	211.479	209.753	207.974
Calculated Operational Limit	**1131.357**	**1255.770**	**1,359.631**	**1,477.370**

The Council's actual external debt at 31 March 2025 was £989 million, and is forecast to be £1,089 million at the 31 March 2026, all of which related to borrowing for capital purposes.

(d) Indicator 7 – Fixed and Variable Rate Exposure

"**The local authority will set for the forthcoming financial year and the following two financial year's upper limits to its exposure to the effects of changes in interest rates. These prudential indicators will relate to both fixed interest rates and variable interest rates and be referred to respectively as the upper limits on fixed interest rates and variable interest rate exposures.**

The upper limits on fixed interest rates and variable interest rates exposures may be expressed either as absolute amounts or as percentages. They may be related either to the authority's net interest on, or to its net principal sum outstanding on, its borrowings/investments." (Paragraph 67 and 68)

The indicator seeks to ensure that the Council limits its exposure to the risk of interest rate changes and the consequent impact on the investment income and interest payments on loans, by restricting the proportion of variable rate borrowing.

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	%	%	%	%
Limits on fixed interest rates based on net debt – Upper Limit	100	100	100	100
Limits on variable interest rates based on net debt – Upper Limit	75	75	75	75

(e) Indicator 8 – Upper and Lower Limits for the maturity structure of borrowings

"The local authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowings. The prudential indicators will be referred to as the upper and lower limits respectively for the maturity structure of borrowing and shall be calculated as follows:

Amount of projected borrowing that is fixed and variable rate maturing in each period expressed as a percentage of total projected borrowing that is fixed and variable rate.

Where the periods in question are

- **Under 12 months**
- **12 months and within 24 months**
- **24 months and within 5 years**
- **5 years and within 10 years**
- **10 years and above"**

(paragraph 74 of the code)

The indicator also seeks to ensure the Council controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Council is not forced to replace a large proportion of loans at a time of relatively high interest rates.

	Upper Limit	Lower Limit
	%	%
Under 12 Months	35	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	75	0
10 years and above	90	0

(f) Indicator 9 – Upper limit for maturity structure of investments

“Where a local authority invests, or plans to invest, for periods longer than 364 days, the local authority will set an upper limit for each forward financial year period for the maturing of such investments. These prudential indicators will be referred to as prudential limits for principal sums invested for periods longer than 364 days and shall be calculated as follows:

Total principal invested to final maturities beyond the period end.” (paragraph 77 of the code)

Under the Prudential Regime Councils are free to invest for periods of greater than 1 year. This indicator sets restrictions on the proportion of investments committed for longer periods in order to limit the risks associated with being unable to meet unexpected cash flows and/or being able to take advantage of future increases in interest rates.

	Upper Limit
	%
Under 12 Months	100
12 months and within 24 months	25
24 months and within 3 years	20
3 years and within 4 years	15
4 years and within 5 years	10
5 years and above	10

Appendix 2

Credit and Counterparty Risk Management – Specified and Non-Specified Investments and Limits (Treasury Management Practice (TMP1))

1. Specified and Non-Specified Investments

1.1 Specified investments are investments denominated in sterling, do not exceed 364 days in term, do not involve the acquisition of share or loan capital, are made with the UK Government or a local authority, or with a body or investment scheme meeting the minimum 'high' credit quality criteria where applicable. Non-specified investments are anything that does not satisfy the specified investment criteria, i.e. investments with a maturity of greater than 1 year.

1.2 Importantly the acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'. As a result no such investment instruments, such as equities, are included within this Appendix.

Specified Investments

	Minimum 'High' Credit Criteria	**Use**
Term deposits – banks	Short-term F1, Long-term A-	In-house
Term deposits – building societies	Short-term F1, Long-term A-	In-house
Term deposits – local authorities	--	In-house
Term deposits – UK part nationalised banks	Short-term F1, Long-term A-	In-house
Debt Management Agency Deposit Facility (DMADF)– UK Government	UK Sovereign Rating	In-house
Money Market Funds	AAA	In-house

1.3 Accounting treatment of investments – the accounting treatment may differ from the underlying cash transactions arising from investment decisions made by the Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, Treasury Officers in consultation with Link Asset Services will review the accounting implications of any new transactions before they are undertaken.

Non-specified Investments

Maturities of ANY period (not applicable for 2026-27 Investment Strategy)

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits with unrated counterparties	Market Capitalisation above £500 million	In-house	Nil - no longer applicable	Nil – no longer applicable

Maturities in excess of 1 year (not applicable for 2026-27 Investment Strategy)

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks	Short-term F1, Long-term A+	In-house	Nil - no longer applicable	Nil - no longer applicable
Term deposits – local authorities	--	In-house	Nil - no longer applicable	Nil - no longer applicable

Appendix 3

Approved Organisations for on-lending of Surplus Funds

Note – the organisations listed below currently meet the specified criteria as per the Investment Policy of the above report, section 26.25 refers.

UK Banks (Maximum Investment Period of up to 1 year)

	Approved Investment Limit (max)	**Proposed Investment Limit (max)**	**Current Investment Limit ****
Santander UK plc	£30 million	£30 million	£20 million
Barclays Bank plc	£30 million	£30 million	£20 million
Standard Chartered	£30 million	£30 million	£20 million
Clydesdale Bank (trading as Yorkshire Bank)	£30 million	£30 million	£20 million
HSBC Bank plc	£30 million	£30 million	£30 million
Lloyds Banking Group inc: * Lloyds TSB Bank plc Bank of Scotland plc	£40 million	£40 million	£40 million
Royal Bank of Scotland Group inc: * Royal Bank of Scotland NatWest Bank plc Ulster Bank Ltd	£40 million	£40 million	£40 million

Note * - The higher limits are based on Lloyds and RBS being part-nationalised therefore carrying additional UK Government security (section 26.25 refers).

Note **: The current investment limits above reflect the action taken as per the creditworthiness criteria included in the Investment Policy stated at paragraph 26.25 in the above report. Current investment limits have been reduced due the previous wholescale downgrade of ratings of some of the above organisations.

UK Building Societies (Maximum Investment Period of up to 1 year)

	Approved Investment Limit (max)	Proposed Investment Limit (max)	Current Investment Limit **
Nationwide Building Society	£30 million	£30 million	£20 million
Coventry Building Society	£30 million	£30 million	£10 million
Leeds Building Society	£30 million	£30 million	£10 million
Skipton Building Society	£30 million	£30 million	£10 million
Yorkshire Building Society	£30 million	£30 million	£10 million

Other (Maximum Investment Period of up to 1 year)

	Approved Investment Limit (max)	Proposed Investment Limit (max)	Current Investment Limit
Any Local Authority	£15 million (each)	£15 million (each)	£15 million (each)
Debt Management Agency Deposit Facility (DMADF) ***	Unlimited	Unlimited	Unlimited
Money Market Funds	£15 million (each)	£15 million (each)	£15 million (each)

Note *** - The unlimited investment limit for the DMADF is based on the current uncertainties within the banking sector, and if further bank failures occur, this account would provide for the security of the Council's cash surpluses.

Appendix 4

Minimum Revenue Provision (Repayment of Debt) Policy Statement 2026-27

1. What is Minimum Revenue Provision?

1.1 Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. In accordance with proper practice, the financing of such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual charge known as Minimum Revenue Provision (MRP), which is determined by the Council under guidance.

2. Statutory duty

2.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended by Statutory Instrument 2008 no. 414 s4) lay down that:

"A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."

3. Government guidance

3.1 Along with the above duty, the Government issued guidance which came into force on 31 March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

3.2 The Council is legally obliged to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. Although it is up to each Council to determine for itself how to calculate its MRP, the guidance suggests four methodologies, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that:

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

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

4. Method

4.1 The Policy to be adopted for 2026/27 incorporates the following methods;

4.1.1 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP Policy will be:

Calculating MRP in accordance with the annuity method over 60 years. The 60 year repayment period is considered a reasonable average assumption for the lives of the assets funded by capital expenditure. This method will ensure the debt is fully repaid after 60 years, which was not the case under the existing method.

4.1.2 For capital expenditure incurred from 1 April 2008 for all unsupported borrowing (Including PFI and finance leases) the MRP Policy will be:

- Asset Life Method (fixed average asset life) – MRP will be based on the average life of the asset, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). A fixed average asset life will be assumed and applied to the global in year unsupported borrowing/spend.

- The assumed life will be based on the historic weighted average life of all assets included in the calculation (Option 3 of the MRP Guidance) for 2008/09 to 2023/24.

- The specified rate of interest will be the average interest rate of the Council's debt over the period of 2008/09 to 2023/24.

4.1.3 For each individual year from 2024/25 onwards the average asset life will be calculated using the in year average life of assets funded by unsupported borrowing. The specified rate of interest will be the average interest rate of the Council's debt as at the end of the year in which the annuity rate is to be applied.

5. Timing

5.1 This statement shall take effect from 1 April 2026 and shall take precedence over any statements previously approved.

Minimum Revenue Provision - Current and Forecast Charges **APPENDIX 5**

Year	Current Charge Pre 2008 Debt £'000	Current Charge Post 2008 Debt £'000	Forecast Charge £'000	Current PFI Charge	Total Charge £'000	Year	Discount Factor based on assumed discount rate of 3.5%	Net present value of cash flows
2025/26	602	3,769	236	1,562	6,169	1	1.00	6,169
2026/27	634	3,898	748	1,610	6,890	2	0.97	6,657
2027/28	668	4,046	1,572	1,659	7,945	3	0.93	7,417
2028/29	703	4,200	2,302	1,710	8,915	4	0.90	8,041
2029/30	740	4,359	3,356	1,763	10,218	5	0.87	8,904
2030/31	779	4,525	3,458	1,817	10,578	6	0.84	8,907
2031/32	820	4,696	3,563	1,873	10,952	7	0.81	8,909
2032/33	864	4,875	3,670	1,930	11,339	8	0.79	8,912
2033/34	910	5,060	3,782	1,989	11,740	9	0.76	8,916
2034/35	958	5,252	3,896	2,050	12,156	10	0.73	8,919
2035/36	1,008	5,451	4,015	2,113	12,587	11	0.71	8,923
2036/37	1,062	5,658	4,136	2,178	13,034	12	0.68	8,928
2037/38	1,118	5,873	4,262	2,245	13,497	13	0.66	8,932
2038/39	1,177	6,095	4,391	2,314	13,977	14	0.64	8,937
2039/40	1,240	6,327	4,524	2,385	14,475	15	0.62	8,943
2040/41	1,305	6,567	4,661	2,458	14,992	16	0.60	8,948
2041/42	1,374	6,816	4,802	2,534	15,527	17	0.58	8,954
2042/43	1,447	7,075	4,948	2,611	16,082	18	0.56	8,961
2043/44	1,524	7,343	5,098	2,692	16,657	19	0.54	8,967
2044/45	1,605	7,622	5,253	2,774	17,254	20	0.52	8,975
2045/46	1,689	7,911	5,412	2,859	17,872	21	0.50	8,982
2046/47	1,779	8,212	5,576	2,947	18,514	22	0.49	8,990
2047/48	1,873	8,523	5,745	3,038	19,180	23	0.47	8,998
2048/49	1,972	8,847	5,920	3,131	19,870	24	0.45	9,007
2049/50	2,077	9,183	6,099	3,227	20,586	25	0.44	9,016
2050/51	2,187	9,531	6,284	3,326	21,328	26	0.42	9,025
2051/52	2,303	9,893	6,475	3,428	22,099	27	0.41	9,035
2052/53	2,425	10,268	6,671	3,534	22,898	28	0.40	9,045
2053/54	2,553	10,658	6,874	3,642	23,727	29	0.38	9,056
2054/55	2,689	11,063	7,082	3,754	24,587	30	0.37	9,066
2055/56	2,831	11,482	7,297	3,869	25,480	31	0.36	9,078
2056/57	2,981	11,918	7,518	3,988	26,406	32	0.34	9,090
2057/58	3,139	12,371	7,746	4,110	27,367	33	0.33	9,102
2058/59	3,306	12,840	7,981	4,236	28,364	34	0.32	9,114
2059/60	3,481	13,328	8,224	4,367	29,399	35	0.31	9,128
2060/61	3,666	13,833	8,473	4,501	30,473	36	0.30	9,141
2061/62	3,860	14,358	8,730	4,639	31,587	37	0.29	9,155
2062/63	4,065	14,903	8,995	4,781	32,744	38	0.28	9,169
2063/64	4,280	15,469	9,268	4,928	33,945	39	0.27	9,184
2064/65	4,507	16,056	9,549	5,079	35,192	40	0.26	9,200
2065/66	4,746	16,666	9,839	5,235	36,486	41	0.25	9,215
2066/67	4,998	17,298	10,138	5,396	37,830	42	0.24	9,232
2067/68	5,263	17,955	10,446	5,562	39,224	43	0.24	9,248
2068/69	674	18,636	10,763	5,732	35,805	44	0.23	8,157
2069/70	290	19,343	11,089	5,908	36,631	45	0.22	8,062
2070/71	0	20,078	8,121	6,090	34,289	46	0.21	7,292
2071/72	0	20,840	8,369	6,277	35,485	47	0.21	7,291
2072/73	0	21,631	5,595	6,469	33,695	48	0.20	6,689
2073/74	0		1,165	0	1,165	49	0.19	223
2074/75			1,205	0	1,205	50	0.19	223
TOTAL	**94,173**	**492,599**	**296,568**	**166,320**	**1,049,659**			418,432

Appendix 6

Summary of the Report Content

1. Background

1.1 The scope and content of the Treasury Management Strategy Statement report are in line with the requirements of the Treasury Management Code of Practice and the Prudential Code for Capital Finance, and therefore the report is more detailed than standard committee reports.

1.2 The scope and content of the Treasury Management Strategy Statement report is also consistent with previous reports submitted to Members, in line with the reporting requirements stated within the Strategy Statement, and is consistent with the Treasury Management reports of other Local Authorities.

1.3 Members are provided with 5 reports on an annual basis as follows:

- Treasury Strategy Statement (this report)
- Three quarterly Treasury Management Reports – update on progress of capital position and Prudential Indicators
- An Annual Treasury Management Report – actual Prudential Indicators and actual treasury operations as compared to estimates.

2. Main Content of Report and Key Areas for Consideration

2.1 The report covers the following key areas of Treasury Management:

- Investment Strategy
- Prudential and Treasury Indicators
- Minimum Revenue Provision Policy Statement

3. Investment Strategy

3.1 The Investment Strategy provides clear criteria as to creation of the Council's approved lending list and selection of counterparties to be included.

3.2 The criterion covers investment limits and duration of investment.

3.3 The Strategy covers the Council's creditworthiness policy, stating how the Council monitors the approved list of counterparties.

4. Prudential and Treasury Indicators

4.1 These indicators cover an assessment of the affordability of the Council's capital plans and the impact of these plans on the General Fund and HRA revenue budgets. They also set limits on the amount of borrowing the Council can undertake and the structure of the Council's debt portfolio in terms of type of debt held and maturity periods.

4.2 These indicators are set for the forthcoming financial year and subsequent 2 years, and are in line with the Council's Budget Report and Medium Term Financial Plan.

5. Minimum Revenue Provision Policy Statement

5.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge – the minimum revenue provision (MRP). The provision (revenue charge) is in respect of capital expenditure financed from borrowing. The MRP statement provides the basis in which this is done.

5.2 There are options available to the Council in how the revenue charge is derived, so long as the there is a prudent provision. The options recommended for approval are based on the ones which have the least impact on the revenue budget in each year.

6. Options Available

6.1 Although the content and criteria stated in the Treasury Management Strategy are statutory requirements, there are some options available to the Council in how this is managed, in terms of the following:

- Investment Options – alternative investment products, counterparties, limits and durations.
- Prudential Indicators – alternative limits for certain indicators, i.e. debt maturity profile, interest rate exposure.
- Minimum Revenue Provision – alternative options for the revenue charge.

6.2 The options proposed are based on the Council investing surplus monies with low risk counterparties in line with the Council's low risk appetite. This provides the Council with adequate liquidity and security of funds before considering investment return.

7. Member Training

7.1 It is a requirement of the Code that all officers and members with the responsibility for treasury management receive adequate training.

7.2 The Council's Treasury advisors, MUFG Corporate Markets, are also able to provide the required training as part of their advisory contract with the Council.

8. Conclusion

8.1 The Treasury Management Strategy Statement (including Prudential Indicators) is linked to and underpins the annual General Fund and HRA Revenue Budget Setting Report and Capital Strategy and is therefore not subjective.

8.2 The other important element of the Treasury Management Strategy Statement is in relation to the borrowing and investment objectives which must be robust and satisfy the Council's priorities and risk appetite.

Appendix 7

GLOSSARY OF TERMS

Base Rate	Minimum lending rate of a bank or financial institution in the UK determined by the Bank of England.
Basis Point	1/100th of 1%, i.e. 0.01%.
Call Account	Deposits/investments placed with a bank or other financial institutions which are available immediately, i.e. no advance notice is required.
Capital Expenditure	Expenditure on the acquisition of fixed assets which has a long term value to the Council (e.g. the purchase of land, erection of buildings), or expenditure that adds to the value of these assets and not just maintains their existing value.
Capital Financing Requirement (CFR)	The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. This is the cumulative total of the Council's borrowing need.
Capital Grants	Monies provided to local authorities, usually from Government departments, for capital expenditure only.
Capital Receipts	These are proceeds from the sale of capital assets such as land or property. These receipts can be used to fund the capital programme but are not available to support the Revenue Budget.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender or borrower). In the Council's case this generally relates to a bank or building society.
Credit Default Swap	This provides protection (insurance) to a financial institution following a loan or investment against any potential default, i.e. protection against non-repayment of loan or investment.
Credit Outlook	A formal indication by a credit rating agency that it anticipates a change in a particular credit rating of a bank or other financial institution at some time in the foreseeable future.
Credit Rating	An assessment of the creditworthiness of a bank or other financial institution, made by a credit rating agency, i.e. Fitch, Moody's and Standard & Poor's.
Credit Rating Agency	Independent organisations that assess the credit quality of corporate and government debt. The main agencies are Moody's, Standard & Poor's and Fitch.
Credit Watch	Attached to a bank or other financial institution in which a downgrading or upgrading of the credit rating could be imminent.
Creditworthiness	A measure of the ability and the willingness of a bank or other financial institution to honour their financial obligations.

Debt Cap	A limit set on the council housing borrowing requirement for each local authority.
Debt Rescheduling	Refinancing of current debt/loans to generate revenue savings if rates are favourable.
Investment Instrument	Investment options available to local authorities, i.e. fixed term deposits, notice accounts.
Liquidity	The ability to convert an asset (investment) easily into cash quickly without affecting the asset's price or value.
Maturity	The end date of a loan, borrowing, investment or other form of capital financing.
Minimum Revenue Provision (MRP)	Local authorities are required each year to set aside some of their revenues as provision for debt repayment. The provision (revenue charge) is in respect of capital expenditure financed by borrowing.
Money Market	Consists of financial institutions (e.g. banks and building societies) and dealers in money and credit.
Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments.
Non-Specified Investments	Anything that does not satisfy the specific investment criteria, i.e. investments with a term of greater than 1 year.
Notice Account	Deposits/investments placed with a bank or other financial institutions which are available at notice, i.e. 15/30 day notice to withdraw is required.
PFI	Private Finance Initiative – a Government initiative in which private sector companies usually design, build and operate a public facility for a set period of time, often 25 years.
Prudential and Treasury Indicators *(see below for description of each indicator)*	As required by The Prudential Code, requires local authorities to self-regulate the affordability, prudence and sustainability of their capital plans, buy setting estimates and limits, and publishing actuals, for a range of indicators.
Prudential Borrowing	Permissible borrowing within defined affordable limits.
Prudential Code (CIPFA)	Local Authorities determine their own programmes of capital investment in fixed assets that are central to the delivery of quality local public services. The Prudential Code has been developed as a professional code of practice to support them in taking these decisions. The Prudential Code underpins the overall system of capital finance. The objectives of the Prudential Code are to ensure, within a clear framework, that

	the capital investment plans of local authorities are affordable, prudent and sustainable.
PWLB	Public Works Loans Board – a statutory body operating within the Debt Management Office of the HM Treasury and is responsible for lending money to local authorities and other prescribed bodies.
Risk Appetite	The level of risk Local Authorities wish to take in the lending of surplus monies. The Council operates a low risk appetite, i.e. only investing with low risk counterparties, where the security and liquidity of cash are more important than yield (return).
Specified Investments	Investments that are made in sterling, do not exceed 364 days in term, do not involve the acquisition of share or loan capital, are made with the UK Government or a local authority, or with a financial institution and meet the minimum credit criteria.
Treasury Management Code of Practice (CIPFA)	Provides Local Authorities with standards and guidance to support and underpin their overall Treasury Management activities.
Yield (Return)	The return on an investor's capital investment. The higher the yield the higher the risk of the capital invested.

Prudential and Treasury Indicators	
Affordability of Capital Plans:	
Indicator 1 – Capital Expenditure	This details the Council's approved capital spending plans for the next 3 years and reports on the outturn from the previous financial year. These estimates are reporting decisions agreed previously in the Capital Programme report, and therefore there is no subjectivity to this indicator.
Indicator 2 - Ratio of Financing Costs to Net Review Stream	This shows the revenue costs (the capital financing costs less investment income earned) as a percentage of the total revenue budget. There is a separate calculation for the General Fund and the HRA. Again, these estimates have been agreed by Committee through the Revenue Budget setting report or in the Medium Term Financial Strategy.
Indicator 3 – Capital Financing Requirement (CFR)	The CFR measures the Council's overall borrowing requirement for capital purposes, i.e. that element of previous and proposed capital spending which has been/will be funded from borrowing. The Prudential Code requires that net external borrowing does not exceed the CFR.
Indicator 4 – Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents	This indicator seeks to demonstrate the additional costs, to be funded from the Council Tax and Housing Rent of the Council's capital spending plans, i.e. the capital plans to be funded from borrowing. These estimates are in line with the General Fund and HRA Revenue Budget setting reports.

Treasury Management	
Indicator 5 – Authorised Limit for External Debt	The Council is required to set external borrowing limits consistent with the Revenue Budget and Capital Programme. The Authorised Limit is based on a prudent limit, with additional headroom to allow for unusual cash movements.
Indicator 6 – Operational Boundary for External Debt	The Operational Boundary is based on the same estimates as the Authorised Limit, but does not include any additional headroom. The Operational Boundary is the current debt plus additional planned borrowing, plus 10% of next year's revenue budget for cash flow purposes.
Indicator 7 – Fixed and Variable Interest Rate Exposure	This indicator seeks to ensure that the Council limits its exposure to the risk of interest rate changes and the subsequent impact of such changes on the interest payments on loans (a revenue expense), by restricting the proportion of variable rate borrowing.
Indicator 8 – Upper and Lower Limits for the maturity structure of borrowings	This indicator also seeks to ensure the Council controls its exposure to the risk of interest rate changes by limiting the proportion of debt due to be repaid in any one year. Debt is ordinarily replaced on maturity and therefore it is important that the Council is not forced to replace a large proportion of loans at a time of relatively high interest rates (aimed at mitigating any potential impact on the revenue budget).
Indicator 9 – Upper Limit for the maturity structure of Investments	Under the Prudential Code councils are free to invest for periods of greater than 1 year. This indicator sets restrictions on the proportion of investments committed for longer periods in order to limit the risks associated with being unable to meet unexpected cash flows and/or being able to take advantage of future increases in interest rates.