

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Treasury Management Strategy 2026-27 CS/2026/08	
REPORT OF Cabinet Member for Finance and Cost of Living	
FOR SUBMISSION TO Cabinet Council	DATE 25 February 2026 2 March 2026
STRATEGIC CONTEXT We Make Camden is our joint vision for the borough, developed in partnership with our community. The proposals contained within this report ensure a strong Treasury Management Strategy (TMS) is in place to help achieve the ambitious vision of our communities. We Make Camden includes a commitment to “strong financial management”. A robust and effective TMS is crucial to enabling this ambition.	
SUMMARY OF REPORT This report introduces the Treasury Management Strategy Statement (TMSS) for 2026/27, set out in Appendix 1, which outlines the Council’s approach to managing borrowing, investments, cashflow and treasury risks, in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code and the Prudential Code. The following bullet points provide a summary of the key aspects of the report: <ul style="list-style-type: none"> ● The Treasury Management Strategy has been updated to reflect changes in statutory and professional guidance, including revised Minimum Revenue Provision (MRP) guidance effective from 1 April 2025 and updated lease accounting requirements under IFRS 16. ● The Council continues to operate within a prudent risk appetite, with security and liquidity remaining the primary objectives of the investment strategy. ● No new long-term external borrowing is currently planned; however, short-term borrowing may be required during the period of the Strategy to manage forecast cashflow timing differences and maintain liquidity. ● The Council continues to make use of internal borrowing where appropriate, while recognising the increased importance of cashflow monitoring and liquidity management. ● The Council has a strong track record of operating within its approved treasury and prudential indicators, demonstrating effective governance and control. <p>The final version of the TMS incorporating the views of Cabinet will be presented to Council on 2 March 2026.</p>	

The report is coming to Cabinet and Council because it is a Chartered Institute of Public Finance and Accountancy (CIPFA) requirement for the Treasury Management Strategy to be agreed by those committees.

Local Government Act 1972 – Access to Information

There are no documents which are required to be listed.

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RECOMMENDATIONS

The Cabinet is asked to recommend the Council to agree the following:

- 1) The Borrowing Strategy as set out in section 5 and Appendix 1;
- 2) The operational boundaries and authorised limits in Appendix 1 (prudential indicators 3 and 4);
- 3) The prudential and treasury management indicators in Appendix 1 (prudential indicators 1-8)
- 4) The Investment Strategy as set in section 6 and Appendix 1;
- 5) The creditworthiness policy and credit rating criteria as set out in Appendix 1 (Table 3);
- 6) The investment instruments categorised as specified and non-specified in Appendix 1 (Table 4 and 5); and
- 7) The Minimum Revenue Provision (MRP) Policy as set out in Appendix 1.

The Council is asked to agree the following:

- 1) The Borrowing Strategy as set out in section 5 and Appendix 1;
- 2) The operational boundaries and authorised limits in Appendix 1 (prudential indicators 3 and 4);
- 3) The prudential and treasury management indicators in Appendix 1 (prudential indicators 1-8)
- 4) The Investment Strategy as set out section 6 and Appendix 1;
- 5) The creditworthiness policy and credit rating criteria as set out in Appendix 1 (Table 3);
- 6) The investment instruments categorised as specified and non-specified in Appendix 1 (Table 4 and 5); and
- 7) The Minimum Revenue Provision (MRP) Policy as set out in Appendix 1.

Signed: Daniel Omisore, Director of Finance

Date: 12 February 2026

1. CONTEXT AND BACKGROUND

- 1.1. In recognition of the importance of treasury, capital, borrowing and investments to Council activities, Chartered Institute of Public Finance and Accountancy (CIPFA) and central government have compiled codes of practice and regulations for councils to adopt. They ensure that councils have effective processes in place to control, manage and govern capital investment decisions and set out best practice relating to borrowing and treasury management approaches. The Prudential Code was introduced in 2004 as a framework to support councils. Before this, capital borrowing levels in local government were regulated. This self-regulated approach has enabled the Council to adopt local borrowing and treasury management strategies that fit with our corporate plans and objectives captured in We Make Camden.
- 1.2. The framework allows the Council to judge for itself what is affordable and sustainable and sits alongside CIPFA's Treasury Management Code, which sets out the requirements for a professional treasury management function. A key requirement of the code is for the Council to produce an annual treasury management strategy before the start of each financial year. The strategy includes prudential indicators that comprise of a set of limits and ratios that all Council's must calculate and use to demonstrate that capital and investment plans are affordable and sustainable. CIPFA defines treasury management as:

"The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."
- 1.3. This report presents the 2026-27 Treasury Management Strategy, which will guide the Council's treasury management activities for the coming year. The challenging financial landscape in local government highlights the need for appropriate scrutiny, disclosure and understanding of treasury management. The Council is required to operate a balanced budget with expenditure being matched by income and effective treasury management contributes to this by ensuring cash is available when required. Surplus funds are invested within the Council's low risk appetite and investments are made with security and liquidity in mind, ensuring that cash is available when required.
- 1.4. Another key aim of the treasury management strategy is to sustainably fund the Council's capital plans. Capital expenditure gives rise to a borrowing need which is longer-term in nature than the revenue cash flow requirements. In managing this delicate balance, treasury management is critical in balancing debt and investment activities to ensure liquidity is in place for day-to-day revenue expenditure or for larger capital projects.
- 1.5. The report addresses a number of key aspects of our treasury approach, namely:
 - How the Council will fund its past and future capital plans;
 - How borrowing and investments will be managed;
 - How surplus cash balances will be invested to ensure cash is available when necessary and to prioritise security and liquidity over yield;
 - How the Council will use its revenue resources to pay down debt;
 - How the Council will manage treasury risk;

2. PROPOSAL AND REASONS

- 2.1. A snapshot of the current treasury position is outlined in Table 1 which shows that the Council's debt and investment balances are significant in relation to the Council's gross revenue budget for 2025-26 (£1,054m) and balance sheet (£4.218bn) as at 31 March 2025 (unaudited position). It is therefore important that the Council manages the risks associated with its treasury position in order to safeguard the authority's financial robustness.

Investments

- 2.2. Most of the Council's day to day treasury cash balances (currently £222.3m) are held in Money Market Funds (MMFs), which offer immediate access. The remaining £30m of our investments are invested in Local Authority lending maturing within the next 12 months.
- 2.3. Out of the £252.3m total cash invested, roughly 78% or £197.6m is managed on behalf of the North London Waste Authority (NLWA). The average return on our investments is 4.09% (2024-25 4.97%). The target return for 2026-27 is 3.67%, reflecting what is forecast to be a declining interest environment during the period. In May 2025 the Council adopted a new MMF (Insight) which marks an important step forward in further embedding environmental social & governance (ESG) and Responsible Investment principles into our treasury management practices, with further actions planned to strengthen and fully integrate these practices in the years ahead.

Borrowing

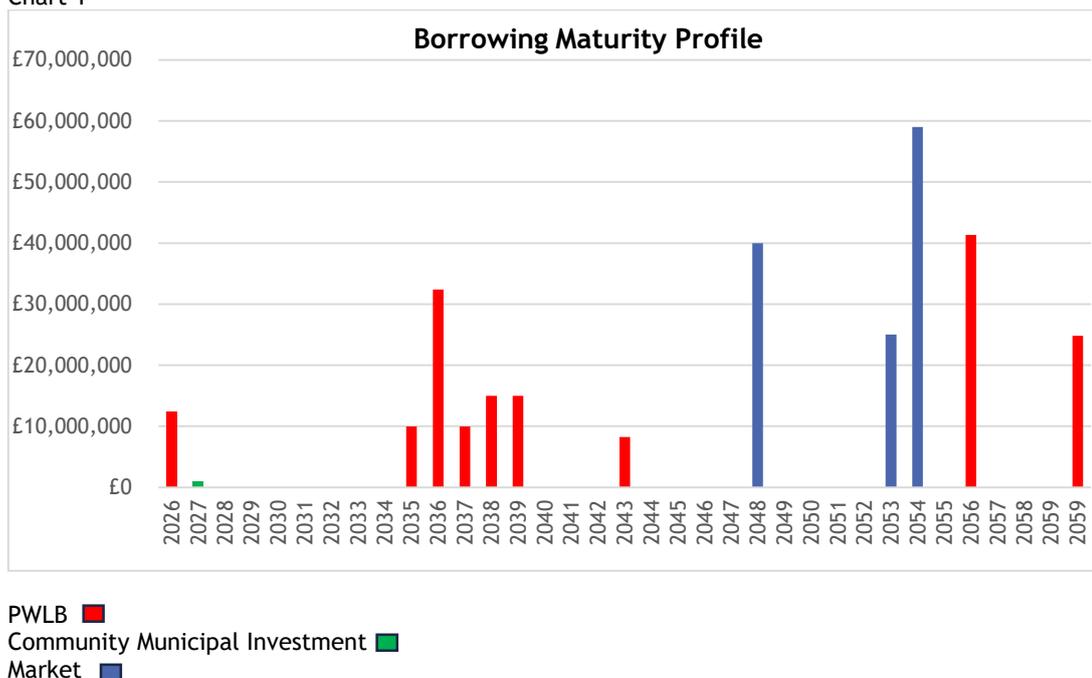
- 2.4. As at 2 January 2026 the weighted average life of the overall debt portfolio is 22 years, with an average cost of borrowing of 4.93%. (2024-25 4.93%)

Borrowing and Investment Portfolio as at 02.01.26

Table 1

	Camden	NLWA	Total	Average Rate %
	£m	£m	£m	£m
Public Works Loan Board (PWLB)	£169.3		£169.3	5.26%
Lenders Option Borrowers Option (LOBO) Loans	£124.0		£124.0	4.63%
Camden Climate Investment 2027	£1.0		£1.0	1.75%
Borrowing	£294.3		£294.3	
Money Market Funds	(£48.2)	(£174.1)	(£222.3)	3.86%
Banks	£0.0	£0.0	£0.0	-
Government (Treasury Bills & UK Gilts)	£0.0	£0.0	£0.0	-
Local Authority Lending	(£6.5)	(£23.5)	(£30.0)	4.40%
Investments	(£54.7)	(£197.6)	(£252.3)	
Net Investments	£239.6			

Chart 1



- 2.5. As noted above, the Council’s treasury strategy is underpinned by the Prudential Code, which is adopted to ensure that the Council’s capital investment plans are prudent, sustainable and affordable. The Prudential Code requires the Council to set prudential indicators annually for capital, treasury and affordability to help the Council demonstrate that it has fulfilled these objectives.
- 2.6. The Council continues to follow the principles enshrined in these codes and in year reporting is in place to monitor and report performance against all forward-looking prudential indicators and highlight significant actual or forecast deviations from the approved indicators. These reports do not all have to be reported to Full Council but do need to be adequately scrutinised. CIPFA requires that all Council’s nominate the body/committee who will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close. Section 13 of the Treasury Management Strategy clarifies those roles and delegations.
- 2.7. The Council uses MUFG Corporate Markets as its external treasury management advisors and recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources when required.

Economic Background

- 2.8. The Council’s approach to treasury management is driven by its capital plans which determine the size and nature of both the borrowing requirement. Aside from internal drivers, the direction of both the borrowing and the investment strategy will be influenced by the Council’s view of the current economic environment and the likely direction of interest rates.
- 2.9. The Bank of England reduced the Bank Rate to 3.75% following its December 2025 meeting. The Monetary Policy Committee voted by a majority of 5–4 to

reduce Bank Rate by 0.25% to 3.75%. Four members voted to maintain Bank Rate at 4%. Monetary policy is being set to ensure Consumer Price Index (CPI) inflation settles sustainably at 2% in the medium term. Bank Rate is likely to continue on a gradual downward path.

- 2.10. Gross Domestic Product (GDP) growth had eased to 0.1% in 2025 Q3, slightly below the rate expected in the November Monetary Policy Report. Monthly GDP had declined by 0.1% in October, due to a further fall in market sector output. This was weaker than had been expected in the November Monetary Policy Report and Bank staff now expected zero growth in headline GDP in Q4.
- 2.11. CPI inflation has fallen since the previous meeting, to 3.2%. Although above the 2% target, it is now expected to fall back towards target more quickly in the near term. Reflecting restrictive monetary policy, and consistent with evidence of subdued economic growth and building slack in the labour market, pay growth and services price inflation have continued to ease.

Interest Rates

- 2.12. The Council's treasury management adviser (MUFG) is forecasting a downward trend for the Bank Rate and a downward forecast for PWLB borrowing over the coming two years, with a Bank Rate forecast of 3.75% in March 2026, 3.5% in June 2026 and a further reduction to 3.25% in December 2026. Further details are included in Appendix 1 – section 3.

3. OPTIONS APPRAISAL

- 3.1. The Council has an outstanding borrowing requirement of £558.4m (Appendix 1 – Table 15). It can either enter into new borrowing now or continue to meet this requirement temporarily by offsetting borrowing against investments. Entering into new debt now would reduce 'interest rate risk' (the possibility that future debt will be more expensive than current rates). However, borrowing now would entail additional interest costs and lower investment returns.
- 3.2. Alternatively, the Council could temporarily use its own resources (reserves and working capital) to avoid borrowing in the medium term.
- 3.3. The Council has investments of £54.7m which will need to be managed in a way that meets the objectives of security, liquidity and yield (in order of priority). If the Council expands its risk appetite, it will increase the opportunity to earn higher rates of interest. However, there will also be a greater risk of default from investments with weaker financial standings.
- 3.4. The Council's attitude to risk is low and it has chosen to be more risk averse than standard methodology adopted by MUFG. There is no increase in our risk exposure in the recommended investment strategy for 2026-27.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

- 4.1. The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust

due diligence procedures cover all external investments. Further details of the Council's approach to risk, including mitigations is included in the Appendix.

5. CONSULTATION/ENGAGEMENT

- 5.1. There is no consultation required for this report.

6. LEGAL IMPLICATIONS

- 6.1. Under part 1 chapter 1 of the Local Government Act 2003, a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs".
- 6.2. Each authority must set a total borrowing limit for itself in accordance with the principles of the Prudential Code. The borrowing limit is related to the revenue streams available to the local authority, with which it can repay the debt. The total amount that a local authority may borrow is governed by the requirements of CIPFA's Prudential Code for Capital Finance in Local Authorities; and by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), as amended.
- 6.3. Local Authorities also have the power to invest (s. 12 of the Act) for "any purpose relevant to their functions under any enactment or for the purposes of the prudent management of their financial affairs". This power is subject to restrictions contained in the Local Authorities (Funds) (England) Regulations 1992/2428.
- 6.4. The Prudential Code for Capital Finance in Local Authorities is a professional code of practice to help Councils govern capital investment and borrowing decisions by providing a framework that includes Indicators to demonstrate affordability and sustainability. In order to carry out their duties under legislation in respect of affordability, local authorities are required to have regard to all those aspects of the Prudential Code that relate to affordability, sustainability and prudence.

7. RESOURCE IMPLICATIONS

- 7.1. The comments of the Director of Finance have been incorporated into this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. Environmental, Social and Governance considerations are included in section 10 of the Treasury Management Strategy in Appendix 1.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1. Upon approval of this report, all limits will be effective from April 2026. During the year the Treasury Management outturn for 2025-26 will be reported to Audit and Corporate Governance Committee in July 2026 and a mid-year review of 2026-27 to the same Committee in November 2026. In accordance with the CIPFA Prudential and Treasury Management Codes, these reports will also be presented to Cabinet and then to Full Council for approval.

10. APPENDICES

REPORT ENDS

Appendix 1 - Treasury Management Strategy Statement 2026/27

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1.0 Introduction

- 1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council manages a large borrowing portfolio to fund its capital programme and has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This TMS fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2.0 Credit Outlook

- 2.1 Following the Monetary Policy Committee (MPC) on 18 December, MUFG have revised their interest rate forecasts. In summary, following a combination of tepid growth, falling inflation and a November budget that will place more pressure on the majority of households' income, Bank of England's Monetary Policy Committee further reduced the Bank Rate from 4% to 3.75% on 18 December.
- 2.2 Given the wafer-thin majority for a rate cut it was not unexpected to hear that rates would continue on a "gradual downward path", suggesting a further rate cut. The MPC reiterated that the case for further rate cuts would be a "closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".
- 2.3 The MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place due to a significant fall in the CPI inflation reading from 3% in March to 2% in April, and then a further rate cut to 3.25% in Q4.
- 2.4 There are inherent risks to all the above. For example, if wage increases remain stubbornly high and there are several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe.

3.0 Interest Rate Forecast

- 3.1 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. MUFG provided the following forecasts in December 2025 (following the 18 December 2025 MPC meeting). These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps. MUFG is forecasting a downward trend for the Bank Rate and PWLB borrowing over the coming two years, with a Bank Rate forecast of 3.75% in March 2026, 3.5% in June 2026 and a further reduction to 3.25% in December 2026.
- 3.2 Table 1 shows PWLB rates with the 0.2% certainty rate discount applied. From 1 November 2012, the Government introduced the Certainty Rate which reduced the PWLB standard interest rate by 0.20% so long as local authorities provide information on their plans for long-term borrowing and associated capital spending.

UK Interest Rate Forecast

Table 1

Month	Bank Rate		5yr PWLB Rate		25yr PWLB Rate	
	MUFG	Capital Economics	MUFG	Capital Economics	MUFG	Capital Economics
NOW	3.75%	3.75%	4.79%	4.79%	5.99%	5.99%
Mar-26	3.75%	3.50%	4.60%	4.70%	5.80%	5.90%
Jun-26	3.50%	3.50%	4.50%	4.60%	5.70%	5.80%
Sep-26	3.50%	3.25%	4.30%	4.60%	5.60%	5.70%
Dec-26	3.25%	3.00%	4.20%	4.50%	5.50%	5.60%
Mar-27	3.25%	3.00%	4.10%	4.50%	5.50%	5.60%
Jun-27	3.25%	3.00%	4.10%	4.40%	5.40%	5.50%
Sep-27	3.25%	3.00%	4.10%	4.40%	5.30%	5.50%
Dec-27	3.25%	3.00%	4.10%	4.40%	5.30%	5.50%
Mar-28	3.25%	-	4.10%	-	5.30%	-

4.0 Local Context

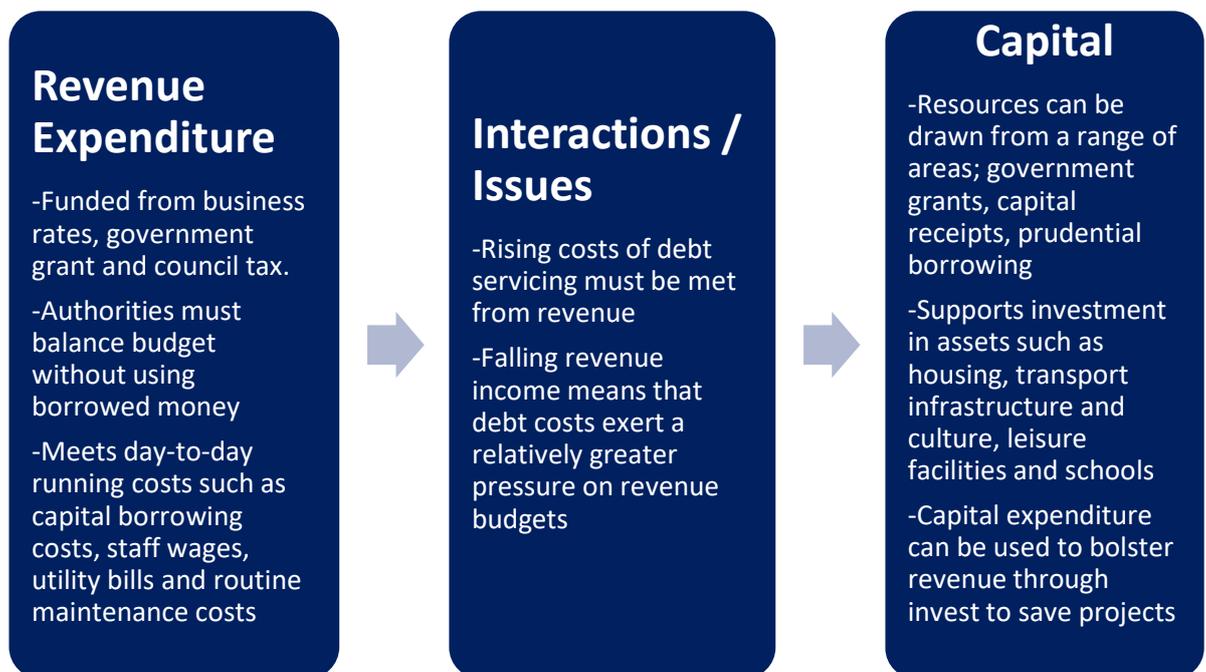
- 4.1 Most of the council's day to day treasury cash balances (currently £222.3m) are held in Money Market Funds (MMFs), which offer immediate access. The remaining £30m of our investments are invested in Local Authority lending maturing within the next 12 months. Out of the £252.3m total cash invested, roughly 78% or £197.6m is managed on behalf of the NLWA. As at 2 January 2026 the average rate of borrowing was 4.93% (2024-25 4.93%) and the average return on our investments is 4.09% (2024-25 4.97%). As at 2 January 2026 the weighted average life of the overall debt portfolio is 22 years.
- 4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). While usable reserves and working capital are the underlying resources available for investment. The Council's strategy has been to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This means the Council has minimised its interest costs by utilising internal resources over the short term instead of undertaking more expensive external borrowing. Table 2 illustrates that core funds continue to support the use of internal borrowing; however, forecasts indicate that cash balances may become negative at certain points due to the timing of capital expenditure and funding receipts. The capacity to maintain this approach is therefore sensitive to cashflow movements and will be kept under active review, with the Council retaining flexibility to undertake short-term borrowing to maintain liquidity where required.

5.0 Borrowing Strategy

- 5.1 **Objective:** The capital plans outlined in Sections 7 & 8 underpins the borrowing strategy for the forthcoming year and the Treasury Management Strategy aims to ensure that borrowing requirements flowing from these capital plans are managed so that sufficient cash is available to ensure the capital programme functions alongside normal revenue operations. This means that borrowing will be undertaken where necessary. A further aim of the strategy is to ensure that when borrowing money, the council strikes an appropriate balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required and ensuring that our borrowing plans are affordable, prudent and sustainable.
- 5.2 **Context:** The Council meets the costs of its statutory and discretionary services through a combination of revenue and capital expenditure. Revenue spending covers day-to-day costs such as payroll costs, heating and light. Capital expenditure relates to investments in assets such as buildings and roads. In 2025-26, the Council is forecast to spend £278.788m on capital investments (2024-25 £256.229m).

- 5.3 A key difference between capital and revenue is that authorities can use long term borrowing to support capital spending but **not** revenue spending. This gives Councils the freedom to invest in their asset bases and to pursue 'invest to save' schemes which can deliver revenue savings. However, Councils must ensure that borrowing is affordable and must meet debt servicing costs from revenue. As noted in the main report these processes are largely self-regulated within the framework of the prudential code for capital finance. The linkages between capital and revenue expenditure are shown in figure 1 below.

Figure 1 – Capital and Revenue Expenditure Interaction



- 5.4 The Council has a Capital Financing Requirement (CFR) of £838.5m and current actual borrowing of £294.3m (the CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources and is essentially a measure of the Authority's indebtedness or underlying borrowing need).
- 5.5 The current debt portfolio of £294.3m is predominantly made up of PWLB fixed rate borrowing and market debt with a small Community Municipal Investment (CMI) Climate Bond. Market debt is comprised of six 'Lenders Option Borrowers Option' (LOBO) loans. These loans give the lender an option to vary the loan's interest rate every six months and when this event happens the Council has the option to either accept the revised rate or repay the loan in full. Given the broader movement in market interest rates, there is now a greater likelihood that LOBO lenders may choose to exercise their option to renegotiate rates during contractual call dates. If such events occur, the Council will have the option to repay these loans at par, avoiding any financial penalty. This potential is actively monitored as part of the Council's ongoing debt management practices. In chart 1 (in the main report) the loans are shown at their ultimate maturity dates in the profile.
- 5.6 Officers will progress the restructuring of these loans, should the opportunity arise and if it is to the Council's advantage. At present, the breakage costs incurred in restructuring any of the loans are prohibitively expensive.

- 5.7 The weighted average life of the overall debt portfolio is 22 years as at 2 January 2026. Market debt has a longer life than PWLB loans. When new debt is considered, it is important that this profile is kept broadly flat and even to mitigate against refinancing risk (i.e. the risk that the Council needs to refinance debt in any year when rates are high).
- 5.8 Based on the current levels of external borrowing and the medium-term CFR forecast presented in Sections 7 & 8 (Table 15), the Council will be under-borrowed by £544.2m at the end of 2025/26, and this figure is expected to decrease to £541.8m in 2026/27.
- 5.9 In recent years the council has chosen to maintain an “under-borrowed” position and internally borrow to fund capital expenditure. Internal borrowing is a treasury management practice whereby the council delays the need to borrow externally by temporarily using cash it holds for other purposes, such as earmarked reserves. This has allowed the council to avoid paying interest costs until the original expenditure planned for the ‘borrowed’ cash falls due. This approach saved the council an estimated £12.9m in avoided interest costs.
- 5.10 **Strategy:** Despite the increasing underlying need to borrow, it is recommended that the existing internal borrowing approach is continued for 2026/27. The Council’s financial position as well as the outlook for interest rates (see main report, paragraph 2.8 – 2.14) which shows both PWLB rates and rates on the investment portfolio decreasing. Lower PWLB rates mean that the Council can “lock in” cheaper borrowing as rates fall. Similarly, predicted lower investment portfolio rates mean the cost of the HRA internally borrowing from the GF is expected to reduce over time. The Council’s ability to maintain this position is dependent on the timing of capital expenditure and funding inflows. Forecasts indicate that cash balances may fall into negative territory at certain points during the period of the Strategy, and therefore the continuation of internal borrowing will be actively managed through detailed cashflow forecasting and, where necessary, the use of short-term borrowing to maintain liquidity.
- 5.11 The medium-term outlook for interest rates supports this strategy with PWLB rates forecast to fall from c5.80% to 5.50% by the end of 2026 and, in the investment portfolio, Base Rates set to fall from 3.75% to 3.25% over the same period. If the Council did take on new borrowing it would immediately increase investment balances, which would increase credit risk (more invested with external banks). Internal borrowing therefore reduces exposure to default risk (a borrower not repaying investments) as cash balances held with external counterparties are smaller, which reduces the Council’s exposure to the risk of a counterparty defaulting. The council would also incur unnecessary borrowing costs of c£12.9m per year.
- 5.12 Unless there is a requirement to borrow in order to maintain liquidity, the Council will continue to utilise internal borrowing by temporarily using available cash balances to finance capital expenditure. This approach reduces external interest costs and supports value for money.

While no new long-term external borrowing is currently planned, cashflow forecasts indicate the potential for short-term liquidity pressures arising from the timing of capital expenditure and uncertainty over the timing and quantum of expected funding receipts. The Council therefore retains flexibility to undertake short-term external borrowing where required to ensure that sufficient liquidity is maintained at all times.

The Council will continue to closely monitor cash balances, capital expenditure profiles, and funding inflows, and will review its borrowing position on an ongoing basis to ensure that borrowing decisions remain affordable, prudent, and sustainable.

- 5.13 The Council's core funds continue to support the use of internal borrowing; however, the capacity to maintain this approach is sensitive to the timing of capital expenditure, cashflow movements, and the receipt of anticipated funding. Forecasts indicate that cash balances may become negative at certain points during the period of the Strategy, and therefore the continuation of internal borrowing will be kept under active review.

The Council will continue to manage this risk through detailed cashflow forecasting, close monitoring of funding inflows and capital spend profiles, and by retaining the flexibility to undertake short-term external borrowing where required to maintain liquidity.

Table 2

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Core Funds					
Earmarked Reserves	£122.6	£113.7	£98.0	£95.5	£96.5
General Balances	£18.4	£19.9	£21.4	£22.9	£24.4
HRA Balances	£24.1	£21.8	£27.6	£34.3	£40.1
School Balances	£15.2	£9.4	£3.6	£0.3	£0.3
Capital Receipts Reserve	£64.9	£91.0	£110.1	£92.9	£37.3
Total Reserves	£245.2	£255.8	£260.6	£245.9	£198.5
Provisions	£36.4	£30.0	£30.0	£30.0	£30.0
Capital Grants Unapplied	£135.0	£130.0	£125.0	£120.0	£115.0
Working Capital Surplus	£95.2	£95.0	£85.0	£75.0	£70.0
Total Core Funds	£511.8	£510.8	£500.6	£470.9	£413.5
Internal Borrowing	£467.4	£558.4	£601.4	£525.4	£537.5
Implied Investments	£44.4	(£47.6)	(£100.8)	(£54.4)	(£124.0)

- 5.14 The main inherent risk to this approach relates to interest rates. Eventually the Council will need to arrange new external borrowing to replace the temporary use of internal resources and there is a risk that it will need to source new debt at a time when interest rates are high.
- 5.15 Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Director of Finance 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 the Council would maintain an under-borrowed position and or 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 would be considered whilst interest rates are lower than they are projected to be in the next few years.
- 5.16 Officers are mindful of these risks and monitor borrowing rates on a daily basis.
- 5.17 The Council will monitor rates on borrowing from the PWLB and will continue to review with our treasury management consultants. The Director of Finance will make any final decision whether or not to borrow from the PLWB given market conditions and the latest views of officers and our treasury consultants.
- 5.18 Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility
- Institutions approved for investments (see Investment Strategy)
- Bank or building societies authorised to operate in the UK
- UK Public Sector Bodies
- UK Public and Private Sector Pension Funds
- Capital Market Bond Investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

5.19 The Municipal Bond Agency (MBA) has now halted new lending and bond issuances, however it continues to operate in a reduced form managing existing obligations. The Council has a £50k shareholding in the MBA and approved the Framework Agreement required for participation in the 2016/17 Treasury Management Strategy.

Policy on borrowing in advance of need

5.20 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 borrowing (capital financing requirement) estimates over the three-year planning period 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.

5.21 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 cycle.

Debt Rescheduling

5.22 Currently it would cost £8.4m to reschedule the £169m PWLB debt (in addition to repaying the principal debt amount) and so this is not economically advantageous.

5.23 The reasons for any rescheduling to take place will typically include:

- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the borrowing strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

5.24 The position will be monitored during the year and consideration will be given to identify whether there is any residual potential left for making savings by running down investment balances to repay debt prematurely.

6.0 Investment Strategy

6.1 **Objective:** The Council's investment strategy has regard to the Guidance on Local Government Investments issued by the Ministry of Housing, Communities and Local Government (MHCLG) and the CIPFA Code of Practice on Treasury Management. The main objectives for the investment strategy in order of priority are;

- Security (protecting the capital sum from loss)
- Liquidity (money is readily available for expenditure when needed) and;
- Yield (the returns the council receives from investing)

6.2 **Context:** The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 9 months, the Council's treasury investment balance has ranged between £198.8m and £220.7m. These balances support the Council's current internal borrowing approach; however, their

availability is subject to cashflow movements, capital expenditure requirements, and the timing of funding inflows. As such, investment balances and liquidity levels will continue to be actively monitored.

- 6.3 The Council benchmarks its returns against other local authorities and at the latest benchmarking round in September 2025, Camden Council was performing in line with other London Council's. The Weighted Average Rate of Return was 4.17% for a weighted average maturity of 49 days. The benchmarking group average was 4.17% and a weighted average maturity of 60 days.
- 6.4 **Strategy:** In pursuing the primary goal of preserving capital from loss, the investment strategy operates a minimum level of credit quality to produce a list of highly creditworthy counterparties. Long-term and short-term credit ratings from the three main rating agencies will be used for this purpose.
- 6.5 Credit ratings will not be the only means by which the creditworthiness of potential and ongoing investments will be established. Officers will continue to monitor market information including the pricing of shares and "credit default swaps" as well as financial news reported in the quality press. An ongoing dialogue with relevant professionals in the financial sector, including money market brokers, is also maintained for this purpose. The council will also engage its treasury management advisors, MUFG Corporate Markets, on a regular basis to discuss its investment strategy.
- 6.6 The creditworthiness policy establishes how suitable counterparties of an adequate credit standing will be selected and how their creditworthiness will be monitored. The types of investments the Council will make use of are listed in Table 4. By engaging in an array of investment instruments the Council is able to maximise its access to high-quality counterparties.
- 6.7 The list of specified investment instruments and non-specified investments is unchanged from last year. The Director of Finance will maintain a list of eligible counterparties (a "counterparty list") in compliance with the following criteria. Any proposal to alter the credit rating criteria or maximum sums invested per counterparty will need to be agreed by Full Council.

Creditworthiness Policy

- 6.8 The Council will only use banks which meet the criteria outlined in table 3 and will only make investments with banks in line with the cash limits and durations specified in Table 3 below. As shown in the interest rate forecast, rates are expected to continue to fall. Given this outlook, the maximum duration has been held at 2 years and will only be applied to banks that meet MUFG's credit rating methodology.

Table 3

Fitch		Moody's		S&P		Cash Limit £m	Maximum Duration
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term		
AA -	F1 +	Aa2	P - 1	AA -	A - 1 +	80	2 Years
AA +	F1 +	Aa3	P - 1	AA +	A - 1 +	100	2 Years
AA	F1 +	Aa1	P - 1	AA	A - 1 +	140	2 Years
AAA	F1 +	Aaa	P - 1	AAA	A - 1 +	160	2 Years

- 6.9 All three rating agencies will be used and in the case of divergent opinion amongst the agencies, the lowest commonly held rating will be used to assess creditworthiness.

- 6.10 Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely 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 counterparties.
- 6.11 The Council is responsible for agreeing the credit rating criteria. The Director of Finance has delegated authority to maintain banks on the counterparty list at an operational level. This may mean throughout the year that banks are removed from the list as ratings are downgraded, or their cash limits are amended. It is possible that banks are added to the list if their ratings improve (and the Director of Finance will update the counterparty list following due diligence).
- 6.12 All credit ratings are monitored weekly. The Council is alerted to changes to ratings of all three agencies through its treasury consultants immediately after they occur, and so is able to act swiftly to a change the lending list. 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 is advised of information in movements in Credit Default Swap information against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of a bank or removal from the Council's lending list.
- 6.13 The Council's creditworthiness policy has regard to MUFG Corporate Markets' creditworthiness methodology. MUFG use a mathematical scoring system to determine appropriate investment durations for counterparties of differing credit quality. The Council operates with maximum investment durations which are stricter than this. The Executive Director Corporate Services has discretion to lengthen the maximum 24 month investment duration however this report recommends that the maximum duration is held at 2 years in line with Table 3 above.
- 6.14 MUFG have removed the part nationalised status from both NatWest and the Royal Bank of Scotland as part of the MUFG Credit Methodology, given HM Treasury have sold its final shares on 30 May 2025, completing the government's exit from NatWest. Officers will continue to follow developments and assess the implications for our counterparty list. Currently, the Council has a maximum investment duration of 12 months, with a total investment limit of £135m at any given time with NatWest.
- 6.15 The Council's main bank arrangements for transactional purposes are held with the NatWest. The Council aims to leave minimal balances overnight with its bankers.
- 6.16 In accordance with MHCLG guidance, the investments to be used in pursuit of the investment strategy can be categorised into two types based on the following distinctions:
- **Specified investments** will be denominated in sterling and with a maturity of no more than a year, meeting the minimum high credit quality criteria as applicable.
 - **Non-specified investments** are any investments which do not meet the specified investment criteria.

Table 4

Specified Investments	Minimum credit criteria	Cash Limit
Debt Management Agency Deposit Facility	n/a	Unlimited
Term deposits – local authorities	n/a	£40m
UK Government bonds (Gilts)	UK sovereign rating	Unlimited
Treasury Bills (government bonds up to one year)	UK sovereign rating	Unlimited
Bonds issued by multilateral development banks	AAA	£200m
Certificates of deposit issued by banks and building societies	As per credit rating criteria - table 3	As per credit rating criteria - table 3
Term deposits – banks and building societies		
Call accounts - banks		

- 6.17 The Council will continue to lend to other **UK local authorities** through term deposits. Lending to local authorities will be restricted to £40m per authority for a maximum of one year, although loans of up to five years may be made with the approval of the Director of Finance.
- 6.18 From time to time the Council will invest in the UK Government itself through the use of **gilts, treasury bills and the DMADF** (an overnight deposit facility). Treasury bills are loans issued by the Government to fund short term liquidity. They are similar to gilts in nature, but have a term of less than 1 year, whereas gilts are issued for more than one year.
- 6.19 The following funds (**Non-Specific Investments and Collective Investment Schemes**) are also permissible under the investment strategy although they will only be used if the investment has been considered and approved by the Director of Finance. At this stage only money market funds have been agreed for use. Any decision to invest using other funds will be reviewable by the Audit and Corporate Governance Committee and will be reported to Council as part of the Annual Report and Mid-Year Review.
- 6.20 **Non-Specific Investments** are separately classified because of their complex nature and the level of expertise needed to enter into and monitor such transactions. Although permissible under the strategy, the use of any of the instruments included on the Non-Specified Investment list would need to be agreed in advance by the Executive Director Corporate Services.

Table 5

Non-Specified Investments	Minimum credit criteria	Cash Limit	Maximum Maturity Limit
UK Government Gilts (primary and secondary)	As per country rating criteria	Unlimited	10 Years
Bank structured deposits	As per credit rating criteria	As per credit rating criteria	As per credit rating criteria
Commercial paper and corporate bonds (including Covered bonds)			
Floating rate notes			
Certificates of deposit			

Multilateral development bank bonds	AA-, F1+ (and equivalent from other agencies)	£200m for any one counterpart	As per credit rating criteria - table 3
Term deposits - local authorities (1 -5 Years)	n/a	As per credit rating criteria - table 3	5 Years
Property funds	UK property only	£20m per fund	None

- 6.21 The Gilts investment includes authority to invest in both primary gilts (bought directly from the Government) as well as gilts which can be bought on the secondary market. The underlying credit quality would be exactly the same – merely that the purchase would be via a market broker rather than direct from the debt Management Office who acts to sell Gilts for the Government.
- 6.22 In principle, **property funds** are usable as a potential means of investing longer term cash balances. While investment in property can be made on a direct basis, the use of property funds provides a wider array of exposure to the asset class in terms of usage/type and location, as well as efficiencies in terms of fees and maintenance and access to specialist investment managers. The authority views property as a long-term investment and there are a wide range of property funds suitable for local authority investing. However, at this stage it is not envisaged that the Council would use property funds. Appropriate due diligence will be undertaken before investment of this type is undertaken. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Council will always seek guidance on the status of any fund it may consider using.

Collective Investment Schemes structured as open ended investment companies (OEICS)

Table 6

Fund Type	Minimum credit criteria	Cash Limit
Money market funds (Sterling)	Fitch AAA MM – Stable LVNAV funds	£150m per fund
Money market funds (Euro)		€82.5m per fund
Government liquidity funds	AAA	Not set
Enhanced cash funds	AAA	Not set
Bond funds	AAA	Not set
Gilt funds	AAA	Not set

- 6.23 The Council has made use of **Money Market Funds (MMF)** since 2012 and will continue to use these in the year ahead. The Council uses three funds with a AAA rating and each fund has an individual cash limit of £150m.
- 6.24 Money market funds offer access to a much larger and diverse range of the counterparties than the Council could access independently. The size of the Council's investment can be increased or reduced on a daily basis and therefore the funds provide a very effective means of managing day-to-day liquidity. All the Funds are very large in comparison to the sums Camden has deposited with them and are monitored on a daily basis by officers.

Table 7

Non-Specified Euro Investments	Minimum credit criteria	Cash Limit	Maximum Maturity Limit
UK Government Gilts (primary and secondary)	As per country rating criteria	Unlimited	10 Years
Bank structured deposits			

Commercial paper and corporate bonds (including Covered bonds)	As per credit rating criteria	As per credit rating criteria	As per credit rating criteria
Floating rate notes			
Certificates of deposit			
Multilateral development bank bonds	AA-, F1+ (and equivalent from other agencies)	£200m for any one counterpart	As per credit rating criteria - table 3

- 6.25 The only investments the Council holds in Euros relate to the NLWA's Energy Recycling Facility. These are held in Euro Money Market Funds. Given the falling interest rate environment the strategy looks to permit the same standard instruments available for sterling investments in Euros. Table 7 above makes these instruments explicit and will allow the Treasury function to manage these balances effectively.
- 6.26 Environmental, Social and Governance (ESG) issues are becoming a significant consideration. This is currently better developed in the equity and bond markets rather than for short-term cash deposits. There are a diverse range of market approaches to ESG classification and analysis and so a consistent approach to ESG is currently difficult for public sector organisations. This is currently a developing area and counterparty policies will be considered in light of emerging guidance. Further details on our approaches are included in section 10.

7.0 Prudential Indicators

Capital Prudential Indicators 2026/27 to 2028/29

Prudential Indicator 1 – Capital Plans

- 7.1 This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously plus those forming part of this budget cycle. It also shows how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
<i>Capital expenditure</i>					
General Fund	£ 58.0	£ 108.4	£ 55.1	£ 42.6	£ 53.3
HRA	£ 198.1	£ 170.4	£ 157.4	£ 141.1	£ 156.0
Total	£ 256.1	£ 278.8	£ 212.6	£ 183.6	£ 209.2
<i>Financing of Capital expenditure</i>					
Capital receipts	£ 76.4	£ 35.8	£ 70.0	£ 110.8	£ 114.1
Capital grants	£ 60.0	£ 101.6	£ 41.9	£ 19.8	£ 40.2
Other contributions	£ 8.3	£ 22.6	£ 21.5	£ 21.8	£ 14.2
Capital reserves	£ 55.3	£ 43.3	£ 44.1	£ 45.4	£ 47.2
CFR Opening bal and IFRS16 adjs	£ 2.2	-£ 12.9	£ 43.6	£ 72.9	-£ 54.5
Revenue	£ 11.1	£ 11.6	£ 6.4	£ 4.7	£ 4.7
Net borrowing need for the year	£ 42.9	£ 76.8	-£ 14.8	-£ 91.7	£ 43.3

Table 9	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital expenditure					
General Fund	£ 58.0	£ 108.4	£ 55.1	£ 42.6	£ 53.3
HRA	£ 198.1	£ 170.4	£ 157.4	£ 141.1	£ 156.0
Total	£ 256.1	£ 278.8	£ 212.6	£ 183.6	£ 209.2
Financing of Capital expenditure					
General Fund					
Capital receipts	£ 4.7	£ -	£ 3.7	£ 20.9	£ 34.7
Capital grants	£ 30.0	£ 66.0	£ 20.4	£ 15.9	£ 29.4
MRP	£ 8.3	£ 7.6	£ 11.0	£ 11.2	£ 11.5
Reserves	£ 0.3	£ 0.3	£ -	£ -	£ -
CFR Opening bal and IFRS16 adjs	£ 2.2	-£ 12.9	£ 43.6	£ 72.9	-£ 54.5
Revenue	£ 11.1	£ 11.6	£ 6.4	£ 4.7	£ 4.7
Total	£ 56.5	£ 72.6	£ 85.1	£ 125.6	£ 25.9
HRA					
Capital receipts	£ 71.7	£ 35.8	£ 66.4	£ 89.9	£ 79.4
Capital grants	£ 30.0	£ 35.6	£ 21.4	£ 3.9	£ 10.8
Major Repairs Reserve	£ 55.0	£ 43.0	£ 44.1	£ 45.4	£ 47.2
RTB	£ -	£ 15.0	£ 8.0	£ 8.0	£ -
Leaseholder contribution	£ -	£ -	£ 2.4	£ 2.6	£ 2.6
Total	£ 156.7	£ 129.4	£ 142.3	£ 149.8	£ 140.0
Net borrowing need for the year					
General Fund	1.4	35.8	-30.0	-83.0	27.4
HRA	41.4	41.0	15.2	-8.7	15.9
Total	£ 42.8	£ 76.8	-£ 14.8	-£ 91.7	£ 43.3

Prudential Indicator 2 – Capital Financing Requirement

- 7.2 The CFR is 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 Authority's indebtedness and so its underlying borrowing need.
- 7.3 Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

Table 10	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Consolidated					
Opening CFR	£ 719.0	£ 761.7	£ 838.5	£ 823.7	£ 731.9
Net borrowing need for the year	£ 42.7	£ 76.8	-£ 14.8	-£ 91.7	£ 43.3
Closing CFR	£ 761.7	£ 838.5	£ 823.7	£ 731.9	£ 775.2

Table 11	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
General Fund					
Opening CFR	£ 157.6	£ 161.0	£ 196.8	£ 166.8	£ 83.7
Net borrowing need for the year	£ 3.4	£ 35.8	-£ 30.0	-£ 83.0	£ 27.4
Closing CFR	£ 161.0	£ 196.8	£ 166.8	£ 83.7	£ 111.1
HRA					
Opening CFR	£ 561.4	£ 600.7	£ 641.7	£ 656.9	£ 648.2
Net borrowing need for the year	£ 39.3	£ 41.0	£ 15.2	-£ 8.7	£ 15.9
Closing CFR	£ 600.7	£ 641.7	£ 656.9	£ 648.2	£ 664.1

Treasury Management Indicators 2026/27 to 2028/29

Prudential Indicator 3 – The Operational Boundary

- 7.4 This is the limit beyond which external debt 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.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Operational Boundary					
Debt	£ 649.8	£ 744.4	£ 779.0	£ 706.4	£ 723.4
Other long-term liabilities	£ 40.4	£ 38.0	£ 35.4	£ 32.3	£ 28.7
Total	£ 690.2	£ 782.4	£ 814.4	£ 738.7	£ 752.1

Prudential Indicator 4 – The Authorised Limit for External Debt

- 7.5 This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the 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.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Authorised Limit					
Debt	£ 749.8	£ 844.4	£ 879.0	£ 806.4	£ 823.4
Other long-term liabilities	£ 40.4	£ 38.0	£ 35.4	£ 32.3	£ 28.7
Total	£ 790.2	£ 882.4	£ 914.4	£ 838.7	£ 852.1

Prudential Indicator 5 – Maturity Structure of Borrowing

- 7.6 The Council is exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. This indicator helps to manage this risk and avoid large concentrations of fixed rate debt maturing at the same time.

	Lower	Upper	Current
	Limit	Limit	Position
Maturity Structure of Borrowing - 2026/27			
Under 12 Months	0%	20%	4%
12 months and within 24 months	0%	20%	0%
24 months and within 5 years	0%	25%	0%
5 years and within 10 years	0%	50%	3%
10 years and within 20 years	0%	50%	27%
20 years and within 30 years	0%	50%	42%
30 years and within 40 years	0%	50%	22%
40 years and within 50 years	0%	50%	0%

Prudential Indicator 6 – Capital Financing Requirement & Gross Debt

- 7.7 In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. Gross debt includes other long-term liabilities.

Table 15	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement & Gross Debt					
General Fund	£ 161.0	£ 196.8	£ 166.8	£ 83.7	£ 111.1
HRA	£ 600.7	£ 641.7	£ 656.9	£ 648.2	£ 664.1
Total CFR	£ 761.7	£ 838.5	£ 823.7	£ 731.9	£ 775.2
General Fund	£ 38.9	£ 38.9	£ 37.3	£ 36.3	£ 36.3
HRA	£ 255.4	£ 255.4	£ 244.6	£ 244.6	£ 244.6
Total Gross Debt	£ 294.3	£ 294.3	£ 281.9	£ 280.9	£ 280.9
General Fund	£ 122.1	£ 157.9	£ 129.5	£ 47.5	£ 74.9
HRA	£ 345.3	£ 386.3	£ 412.3	£ 403.6	£ 419.5
Total Under-borrowing	£ 467.4	£ 544.2	£ 541.8	£ 451.1	£ 494.4

Prudential Indicator 7 – Upper Limit for Principal Sums Invested for over 365 Days

- 7.7 A key risk inherent in investment activity is that the Council may be forced to liquidate an investment before it reaches final maturity, and thus at a time when its value may be dependent on market conditions that are unlikely to be known in advance. In order to mitigate this risk, an upper limit will be set on the total principal sums invested for periods longer than 365 days.
- 7.8 The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 16	2026/27	2027/28	2028/29
	£m	£m	£m
Upper limit for principal sums invested for over 365 days	75.0	75.0	75.0

Affordability Indicators 2026/27 to 2028/29

Prudential Indicator 8 – Ratio of financing costs to net revenue stream

- 7.9 This indicator estimates the Council's capital financing costs as a percentage of overall revenue. The ratio distinguishes between financing costs and revenues attributable to the Housing Revenue Account (HRA) and those relating to the General Fund. The ratio includes financing costs associated with the Council's PFI contracts for completeness.
- 7.10 The indicator shows increasing financing costs for the HRA and a negative ratio for the General Fund. A negative General Fund financing cost ratio arises where the internal interest charged by the General Fund to the HRA exceeds the General Fund's own external interest costs, Minimum Revenue Provision (MRP), and PFI financing costs.

Table 17	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
Ratio of financing costs to net revenue stream					
GF	-3.0%	5.1%	5.8%	5.4%	5.3%
HRA	16.3%	14.0%	11.5%	11.3%	11.0%

* HRA forecasted revenue stream assumes CPI + 1% only.

8.0 Liability Benchmark

- 8.1 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making.
- 8.2 The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold in order to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
- 8.3 While CIPFA acknowledge that the minimum time horizon should be over three years in-line with other Prudential Indicators, they strongly recommend that this is provided for at least 10 years and ideally cover the length of the full external borrowing maturity profile.

There are four components:

- **Existing loan debt outstanding:** this is the maturity profile of the Council's existing external borrowing portfolio, based on final maturity dates.
- **Loans CFR:** this is the Council's Capital Financing Requirement excluding PFI and Finance lease liabilities and is calculated in accordance with the CIPFA Prudential Code. It is projected into the future based on prudential borrowing that has been approved, it also includes planned MRP.
- **Net loans requirement:** This shows the Council's gross loan debt less treasury management investments at the last financial year end. This is projected into the future and based on prudential borrowing approved, planned MRP and any other major cash flows forecast.
- **Liability Benchmark (also known as the Gross Loans Requirement):** this equals the Net Loans Requirement plus a short term liquidity allowance. CIPFA have defined the liquidity allowance as an adequate allowance for a level of excess cash to be invested short-term to provide sufficient liquidity for treasury management operations. The Council has incorporated a liquidity allowance of £50m within the liability benchmark workings.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Loans CFR	649.8	744.4	779.0	706.4	723.4
Less: Balance Sheet Resources	554.4	565.1	578.1	577.4	600.5
Net Loans Requirement	95.4	179.3	201.0	129.0	123.0
Plus: Liquidity Allowance	100.0	100.0	100.0	100.0	100.0
Liability Benchmark	195.4	279.3	301.0	229.0	223.0

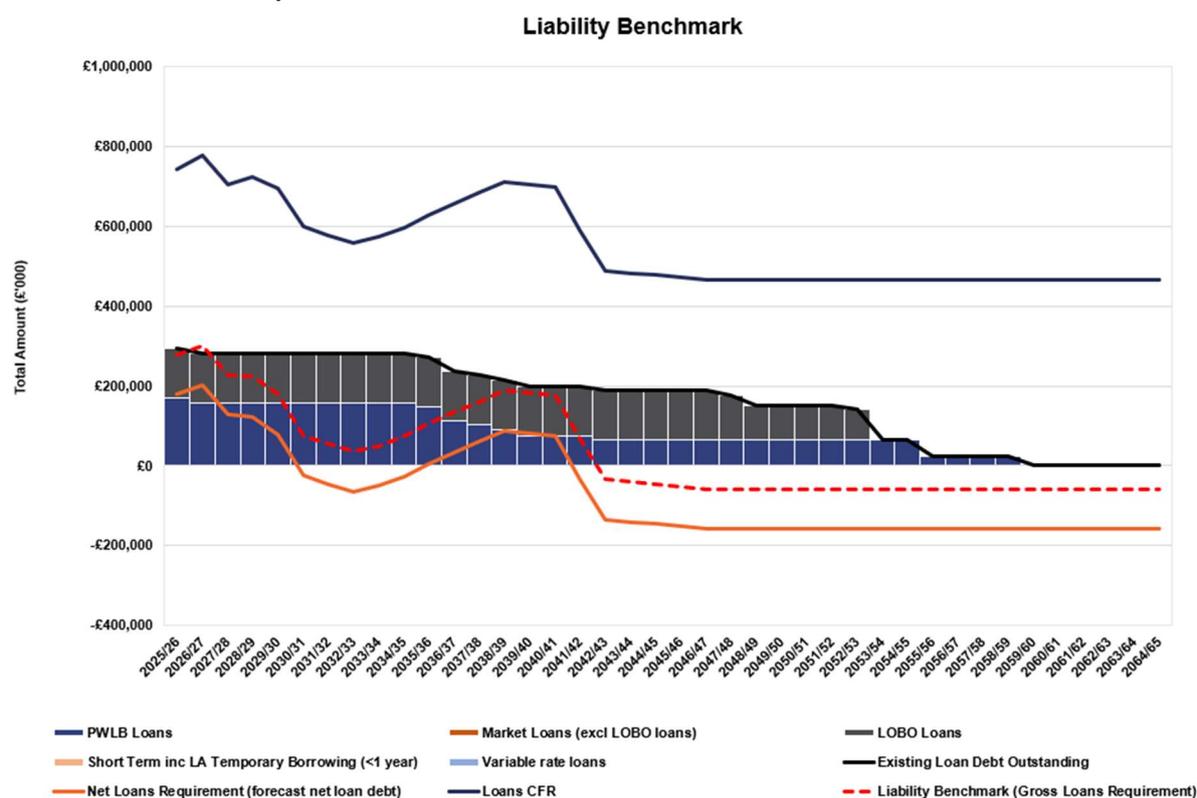
- 8.4 The benchmark compares the borrowing in each year (blue and grey bars) with the CFR (purple line). It then deducts forecast spare cash to arrive at a net loan requirement (i.e. assuming all spare cash is available to use for internal borrowing). A margin of £100m is deducted to ensure that there is ample room in the revenue operations to cope with timings differences in cash flow.
- 8.5 The graph illustrates that, based on current forecasts, the Council may need to undertake external borrowing to support its capital financing and liquidity requirements. However, the Net Loans Requirement remains below the Liability Benchmark throughout the forecast period. The Liability Benchmark incorporates available balance sheet resources together with a £100m liquidity allowance and therefore provides an

indication of the level of borrowing that would be consistent with maintaining adequate liquidity.

The Liability Benchmark is forecast to peak at approximately £301m in 2026/27 before declining, while the Net Loans Requirement increases to £179.3m in 2025/26 and peaks at £201.0m in 2026/27 before reducing towards 2028/29. This indicates that, while borrowing pressures increase over the medium term, the Council retains headroom within its liability benchmark and flexibility to manage borrowing requirements, including through the use of internal borrowing and short-term external borrowing where required.

The Liability Benchmark does not represent a borrowing target, but a risk management indicator used to assess the Council's exposure to refinancing and liquidity risk.

Chart 2 – Liability Benchmark



9.0 Minimum Revenue Provision (MRP)

9.1 For local authorities, depreciation on fixed assets is a notional charge which is reversed out of the accounts through a statutory adjustment. In its place, a 'Minimum Revenue Provision' (MRP) is required to be charged to the General Fund. The regulations specify that local authorities must charge an amount to revenue with respect to all capital expenditure financed by debt. It requires the council to calculate in each financial year an amount of MRP that it considers to be prudent.

9.2 An underpinning principle of the local authority financial system is that all capital expenditure has to be ultimately funded either from capital receipts, capital grants (or other contributions) or eventually from the revenue of an authority. Before the start of each financial year, the council must prepare a statement of its policy on making MRP in respect of that financial year and submit it to Full Council for approval. This sits alongside reports on Prudential Borrowing limits and the Treasury Management Strategy.

- 9.3 The guidance presents four ready-made options for calculating prudent provision. Local authorities can use a mix of these options for debt taken out at different times should they consider it appropriate to do so.

Option 1: Regulatory method

MRP is equal to the amount determined in accordance with the former Regulations 28 and 29 of the 2003 Regulations as if they had not been revoked by the 2008 amendment to those regulations.

Option 2: CFR method

MRP is equal to 4% of the General Fund Capital Financing Requirement (i.e. non-HRA CFR) at the end of the preceding financial Year.

Option 3: Asset Life Method

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset. There are two main methods by which this can be achieved a) Equal Instalment Method, or b) Annuity Method.

Option 4: Depreciation method

MRP is deemed to be equal to the provision required in accordance with deprecation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.

MRP Policy for Camden

For 2026/27, it is proposed that the Council continues to apply the CFR method (Option 2) in respect of supported borrowing, and the Asset Life Method (Option 3 – Equal Instalment Method) in respect of prudential borrowing. This approach reflects the differing nature and risk profile of the underlying capital expenditure and is considered to represent prudent provision in accordance with statutory guidance.

Capital expenditure incurred during 2026/27 will not be subject to an MRP charge until 2027/28, or in the year after the asset becomes operational.

In accordance with statutory guidance, there is no longer a blanket exclusion from the duty to make Minimum Revenue Provision in respect of borrowing or credit arrangements used to finance capital expenditure on housing assets. The Authority has determined that no further revenue charge for MRP on the HRA CFR is required as prudent provision has been made through the Major Repairs Reserve (MRR) held and duty to charge depreciation. The Authority is satisfied that prudent and sufficient provision is made currently and across the HRA 5 and 30-year Business Plan for depreciation. The affordability of new borrowing is examined at Business Case stage and in the case that borrowing would be unaffordable, capital receipts and other sources of income are used to reduce the level of borrowing required.

For leases recognised on the balance sheet under IFRS 16 and for PFI arrangements, the Council considers the element of the annual charge that reduces the outstanding liability to represent a prudent provision for MRP purposes, in accordance with statutory guidance. The principal will be repaid in both the HRA and General Fund.

For capital expenditure relating to loans to third parties, the Council assesses the repayment profile, asset life, and credit risk associated with each loan. Where principal

repayments are received, capital receipts are applied to reduce the Capital Financing Requirement. Where principal repayments are deferred, variable, or linked to project performance, MRP is charged in line with the expected life of the assets funded, ensuring that prudent provision is maintained in accordance with statutory guidance.

10.0 Environmental, Social and Governance (ESG)

10.1 This topic is becoming a more commonplace discussion within the wider investment community, including Local Authorities. Whilst many councils have declared a “climate emergency” this has not yet translated into formal professional guidance within the local government sector.

10.2 At Camden we hold most of our day to day treasury cash balances in Money Market Funds (MMFs), with our remaining investments in Local Authority lending. Generally, the risks and opportunities associated with ESG, sustainability and climate change are, by nature, long term, which makes it difficult to have an impact on these issues where investments are short-term, with maturities less than 12 months.

10.3 However, as noted in the investment strategy (section 7);

- The council requires a minimum rating -AA to AAA for individual investments for up to 2 years.
- Before investing, the Council takes ESG into account using credit ratings.
- All the main ratings agencies are now considering how they incorporate ESG risks alongside traditional a financial risk matrix to assess counterparty ratings. Financial institutions with poor/weak ESG approach are generally less well rated or are likely to be subject to a negative rating and would therefore not meet the council’s requirements for investing.
- All of the council’s MMFs are highly rated according to the European Sustainable Finance Disclosures Regulations, meaning that the council is actively integrating and promoting sustainability considerations into all our day to day investment decisions.

10.4 In May 2025, the Council adopted the Insight Money Market Fund as part of its treasury management investment approach. This marks an important step in further embedding ESG principles into the way we manage short term investments.

10.5 A key advantage of the fund is its strong integration of environmental, social, and governance (ESG) considerations, an area where many standard money market funds still rely on more traditional, financially driven criteria. They typically apply clearer ethical screening and sustainability assessments, avoiding issuers with weak governance, poor environmental performance, or links to controversial sectors. This provides greater confidence that our cash holdings are aligned with our own responsible investment values.

10.6 The fund’s ESG framework also places strong emphasis on transparency and stewardship. Through active engagement with issuers and clear reporting on ESG metrics, offering a level of accountability that is often absent in more conventional money market products.

10.7 At Camden, we have long held the view that our treasury practices should reflect our broader ethical values without compromising stability or liquidity. The adoption of this fund represents a meaningful step in strengthening our investment approach with further work expected during the year to fully embed ESG and Responsible Investment into our treasury management practices.

11.0 Risks

- 11.1 As noted in the main report the council's borrowing and investment balances are significant and it is therefore important that the Council manages the risks associated with its treasury position in order to safeguard the authority's financial position. The following risks and mitigations have been identified in compiling this strategy.

Risk	Mitigation
<p>Credit and counterparty risk The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.</p>	<p>The Council will ensure its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited and will limit its treasury management investment activities to the instruments, methods and techniques referred to in its approved instruments within the TMS.</p>
<p>Liquidity risk That cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.</p>	<p>The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.</p>
<p>Interest Rate Risk The risk that fluctuations in the levels of interest rates result in unplanned costs.</p>	<p>The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.</p>
<p>Exchange Rate Risk That fluctuations in foreign exchange rates create unplanned budgetary pressures.</p>	<p>The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. This Council does not, on a day to day basis, have foreign currency transactions or receipts, although the NLWA has borrowed €280m Euros to fund specific elements of its new Heat & Power Plant contract that is payable in Euros.</p>
<p>Inflation Risk The risk that the cash flows from an investment would not be worth as much in the future because of changes in purchasing power due to inflation.</p>	<p>Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.</p> <p>The Council will identify all major contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.</p>
<p>Refinancing Risk The risk that maturing borrowings, capital, project or partnership financing cannot be refinanced on terms that reflect the provisions made by the organisation for those</p>	<p>The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over reliance on</p>

refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time	any one source of funding if this might jeopardise achievement of the above.
Legal and Regulatory Risk The risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.	The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policies.

12.0 Training

- 12.1 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management, this is especially applicable to members responsible for scrutiny.
- 12.2 Council members have had a training session with MUFG last financial year (2024-25). Members were able to gain an appreciation of what Treasury Management involved; gain an understanding of how Treasury Management is undertaken; understanding the role of Officers and Members in Treasury Management decisions; understanding the risks in Treasury Management and how they should be managed; develop the skills and knowledge for Member scrutiny of Treasury Management decisions. This included training the Members to understand the CFR, the legislation involved and to help in their understanding of the balance sheet review. Treasury officers attend MUFG webinars and records of attendance are kept on file.
- 12.3 Since January 2018 the Markets in Financial Instruments Directive II (MiFID II) regulations are in force. For the Council to continue to invest as before it is required to opt up to become a “Professional Status” counterparty. Those with responsibility for the delivery of the treasury management function must be able to demonstrate that they have significant skills and experience of working in a market environment. The existing team fulfils this requirement, and the Council currently holds “Professional Status”.

13.0 Treasury Management Scheme of Delegation

- 13.1 Under the Council’s constitution, the Section 151 officer for the Council has delegated responsibility to make all decisions on borrowing, investment or financing on behalf of the Executive, acting in accordance with Prudential Code and the Council’s treasury management strategy.

Full Council

- Approval of annual strategy and Performance Indicators
- Approval of the Mid-Year Report
- Approval of the Annual Outturn Report

Cabinet

- Recommend the annual strategy and Performance Indicators to Full Council for approval
- Recommend the Mid-Year Report to Full Council for approval
- Recommend the Annual Outturn Report to Full Council for approval

Audit & Corporate Governance Committee

- Note and comment on the Mid-Year Report to Cabinet
- Note and comment on the Annual Outturn Report to Cabinet

Director of Finance

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- **Raising borrowing or funding finance from the most appropriate of these sources:**
 - Government's Public Works Loans Board
 - lenders' option borrowers' option (LOBO) loans
 - local bond issues
 - European Investment Bank
 - overdraft
 - banks and building societies
 - local authorities
 - lease finance providers
 - internal borrowing
 - municipal bonds agency
- **Debt management:**
 - managing the cost of debt
 - delegate authority to treasury management staff to undertake borrowing and debt rescheduling
- **CIPFA Prudential Code for Capital Finance in Local Authorities:**
 - ensuring that this requirement is not breached, considering current commitments, existing plans, and the proposals in the budget report
- **Investing:**
 - setting investment criteria in response to changing circumstances
 - arranging investments using these instruments:
 - fixed term deposits with banks and building societies
 - money market funds
 - local authorities
 - Government's Debt Management Agency deposits
 - pooled funds: gilts and corporate funds
 - compiling and updating the lending list, utilising the criteria for counterparties
 - managing surplus funds and revenue from investments
 - delegate authority to invest to designated treasury management staff
- **Loan rescheduling:**
 - any debt rescheduling which may be done in consultation with the TM consultants.
- **Policy documentation:**
 - formulation and review of the treasury management strategy statement;
 - formulation and review of the treasury management practices (TMPs).
- **Strategy implementation:**
 - implementing the strategy, ensuring no breaches of regulations;
 - reporting to Cabinet any material divergence from the strategy making requests to Council to approve amendments to the strategy as required;
 - ensuring that TM activities are carried out in accordance with CIPFA Codes of Practice.