

# **Treasury Management Strategy Statement**

Minimum Revenue Provision Policy Statement and  
Annual Investment Strategy

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2026/27

# **Executive Summary**

## **1. Purpose and Context**

The Treasury Management Strategy Statement (TMSS) 2026/27 sets out how the Council will manage its borrowing, investments, and cash flows in accordance with the CIPFA Treasury Management and Prudential Codes. The strategy prioritises security, liquidity and yield, while supporting the delivery of the Council's capital programme and maintaining affordability within the Medium-Term Financial Strategy (MTFS).

## **2. Capital Strategy and Investment Plans**

The Council's capital programme entails a higher level of investment in the early years, particularly within the Housing Revenue Account (HRA). Slippage from 2024/25 is expected to be recovered in 2025/26 and later years. Capital investment remains a key driver of treasury activity and borrowing requirements.

## **3. Capital Financing Requirement (CFR)**

The CFR increases over the medium term, reflecting planned capital expenditure and the impact of leases and PFI liabilities. It peaks towards the end of the forecast period before stabilising. The strategy incorporates Exceptional Financial Support (EFS) of £19m in 2026/27, subject to government approval, with the associated borrowing and financing costs fully reflected in forecasts. Minimum Revenue Provision (MRP) increases over time, helping to moderate longer-term debt levels.

## **4. Borrowing Strategy and Limits**

The Council continues to operate an under-borrowed position, using internal cash balances to defer external borrowing where prudent. Borrowing will be undertaken primarily from the PWLB, supplemented by short-term and temporary borrowing where cost-effective. The Authorised Limit is set above the CFR to provide flexibility, while the Operational Boundary is aligned to the CFR. The maturity profile and interest rate exposure remain within approved prudential limits.

## **5. Affordability and Prudential Indicators**

Affordability indicators show that financing costs remain manageable within both the General Fund and HRA, despite short-term increases associated with peak capital investment. Ratios of financing costs to net revenue are projected to rise modestly before stabilising, demonstrating that the capital programme is prudent, affordable and sustainable.

## **6. Investment Strategy and Risk Management**

The Annual Investment Strategy maintains a low-risk approach, with priority given to security and liquidity over yield. Investments are restricted to high-quality counterparties, supported by a colour-banded credit framework, counterparty limits, and maturity controls. Cash balances are managed to maintain a £50m liquidity buffer, ensuring the Council meets its obligations.

## **7. Governance and Compliance**

Strong governance arrangements are in place, with clear roles for Full Council, Audit and Governance Committee, and the Section 151 Officer. The Council confirms compliance with all relevant statutory guidance, the Local Government Act 2003, and CIPFA Codes. External treasury advice is provided by MUFG Corporate Markets, supporting informed and timely decision-making.

## **8. Overall Assurance**

Overall, the TMSS 2026/27 demonstrates a robust and prudent treasury management framework. The strategy supports delivery of the capital programme, manages financial risks effectively, and ensures

ongoing compliance with professional and statutory requirements, while maintaining affordability and financial resilience over the medium term.

## **INTRODUCTION**

### **Background**

1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet operational expenditure. The function of treasury management is to

ensure that the Council's capital programme and corporate investment plans are adequately funded, and the cashflow is adequately planned, with cash being available when it is needed to discharge the Council's legal obligations and deliver Council services. Surplus monies are invested in counterparties or instruments commensurate with the Council's appetite for risk and liquidity requirements, as priorities before considering investment returns.

2. 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."*

3. The Council has formally adopted CIPFA's Code of Practice on Treasury Management.
4. The TMSS covers three main areas summarised below:

### **Section 1 Capital spending**

- Capital strategy
- Council Companies activity
- Capital Finance Requirement (CFR)
- Affordability
- Minimum Revenue Provision (MRP) policy statement

### **Section 2 Borrowing**

- Overall borrowing strategy
- PWLB interest rate forecast.
- Alternative Borrowing Options
- Limits on external borrowing
- Maturity structure of borrowing
- Policy on borrowing in advance of need
- Debt rescheduling

### **Section 3 Managing cash balances**

- The current cash position and cash flow forecast
  - Prospects for investment returns
  - Council policy on investing and managing risk
  - Balancing short- and long-term investment
  - creditworthiness policy; and
  - the policy on use of external service providers
  - treasury indicators which limit the treasury risk and activities of the Authority
5. The Annual Investment Strategy (AIS) at Appendix 2 provides more detail on how the Council's surplus cash investments are to be managed in 2026/27. Approved schedules of specified and non-specified investments will be updated following consideration by Members and finalisation of 2026/27 budget plans.

## **SECTION 1 - CAPITAL SPENDING**

### **Capital spending plans**

6. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable. The 2021 CIPFA Prudential and Treasury Management Codes

require local authorities to undertake financial planning for periods longer than the minimum three years required for prudential and treasury indicators.

7. Table 1 summarises the Council's capital expenditure plans, both in terms of those projects agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current and estimated capital spending and funding.

In 2024/25, the General Fund Capital spend slipped by £1.6m and the HRA capital spend slipped by £17.6m. The slippage in expenditure is forecast to be recovered in 2025/26 and subsequent years. However, there remains the risk of further slippage in future years.

8. The risks are that:

- Continued slippage in expenditure will push borrowing requirements into later years. The current interest rate forecast shows rates falling in the coming years.
- Slippage in the forecast for future capital receipts may increase the need to borrow in the short to medium term.
- Any reduction in future capital receipts may increase the need to borrow.

**Table 1 Capital spending and funding plans (Prudential Indicator 1)**

2024/25 Actual £000s		2025/26 Forecast £000s	2026/27 Estimates £000s	2027/28 Estimates £000s	2028/29 Estimates £000s	2029/30 Estimates £000s	2030/31 Estimates £000s
	<b>Expenditure</b>						
70,708	General Fund	106,403	115,104	37,218	28,954	3,466	42
85,491	HRA	65,555	77,208	34,881	36,571	36,218	36,392
(24,401)	Adjustment - Sales from GF to HRA	0	(38,526)	0	0	0	0
<b>131,798</b>	<b>Total Expenditure</b>	<b>171,958</b>	<b>153,787</b>	<b>72,099</b>	<b>65,525</b>	<b>39,684</b>	<b>36,434</b>
	<b>Funding</b>						
	<b>General Fund</b>						
(25,442)	Government Grant	(37,544)	(36,335)	(17,073)	(22,710)	(832)	0
(3,968)	Other Contributions	(7,158)	(8,619)	(207)	(0)	0	0
(1,222)	S106 Developer Contributions	(6,701)	(4,447)	0	0	0	0
(2,942)	CIL Developer Contributions	(1,344)	(257)	0	0	0	0
(1,063)	Revenue Contributions	(856)	(600)	(260)	0	0	0
(158)	Capital Receipts	0	0	0	0	0	0
(24,401)	Adjustment - Sales from GF to HRA	0	38,526	0	0	0	0
	<b>HRA</b>						
(5,659)	Government Grant	(1,903)	(6,578)	(411)	(1,229)	(155)	0
(240)	Other Contributions	(966)	(2,286)	(1,487)	(1,487)	(1,487)	(1,487)
	Revenue Contributions	(13,524)	(5,384)	(5,512)	(4,834)	(5,689)	(6,953)
(13,868)	Major Repairs Reserve	(5,596)	(11,142)	(11,450)	(11,662)	(11,878)	(14,926)
(22,944)	Capital Receipts	(21,165)	(25,194)	(4,580)	(4,580)	(550)	(550)
24,401	Adjustment - Sales from GF to HRA						
<b>(77,505)</b>	<b>Total Funding</b>	<b>(96,756)</b>	<b>(62,316)</b>	<b>(40,981)</b>	<b>(46,502)</b>	<b>(20,590)</b>	<b>(23,916)</b>
<b>54,293</b>	<b>Net Financing Need for the Year</b>	<b>75,201</b>	<b>91,471</b>	<b>31,119</b>	<b>19,023</b>	<b>19,094</b>	<b>12,518</b>

## Council's Companies activity

9. As well as investing in assets owned by the Council and used in the delivery of services, the Council can also invest, where appropriate, in:
  - infrastructure projects, such as green energy.
  - loans to third parties.
  - shareholdings, and loans to limited companies and joint ventures.
10. Such investments are treated as capital expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities are agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Annual Investment Strategy.
11. There is a requirement to develop Investment Management Practices (IMPs) for service and commercial investments.
12. Currently the Council is invested in the following activities which fall within the category of commercial activity under the CIPFA Prudential Code, but investment returns are not the primary purpose of these activities.
  - a small commercial investment property portfolio comprising the Tramworks site acquired in October 2017 valued at £6.8m as at 31 March 2025. The Council also has three industrial estates at Lockwood Road, Selborne Walk Acacia and Hainault Road. These are held as operational assets as they were principally acquired for economic regeneration and fall outside the commercial activity category under the Prudential Code. Nonetheless they are managed to achieve a commercial rate of return.
  - Investment in a few Council companies summarised in Table 2 below.

**Table 2 Investment in Council companies**

Company Name	Share holding	Nominal Value	Net Worth 31/03/2025 £'000
<b>Subsidiaries</b>			
Sixty Bricks Ltd	100%	100	0
waltham Forest Services Ltd	100%	100	917
Waltham Forest Trading Ltd	100%	100	0
Walthamstow Scene Ltd	100%	100	0
<b>Joint Venture</b>			
More Homes Waltham Forest LLP	50%	100	(6,428)
<b>Associate</b>			
Evolve Norse Ltd	20%	2	(2,451)
<b>Investments in PFI Companies</b>			
Waltham Forest Local Education Partnership Ltd	10%	5500	(15)
BY Education (Waltham Forest) Limited	10%	5000	595
BY Education (Waltham Forest) Holdings Ltd	10%	5000	50
<b>Total</b>		<b>16002</b>	<b>(7,332)</b>

In March 2024, the council decided to wind down it's wholly owned subsidiary, Sixty Bricks. Both Waltham Forest Trading and Walthamstow Scene Ltd are dormant companies.

13. The Council has Board representation on all companies. The Council's Shareholder Committee represents its interests in its wholly owned companies and other companies, ensuring that they act in the interests of the borough and contribute to the Council's objectives.
14. The Council is not dependent on income generated by the companies, as the companies are primarily for delivering service policy objectives and to generate return for the Council. The Council's financial accounts review has not highlighted any going concern or value for money issues.

### Capital Financing Requirement (CFR)

15. 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 indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
16. In addition to traditional capital expenditure on tangible assets, such as buildings, the CFR includes PFI schemes and leases liabilities recognised through the adoption of IFRS16. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these contracts include an element of the charge to repay the financing provided by the PFI provider or the lessor. Consequently, the Council is not required to separately borrow for these schemes. At 31 March 2025, £32.5m of the CFR was in respect of PFI schemes and right of use leases liabilities.
17. 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.
18. Table 3 shows that the CFR will increase over the medium term. Consequently, the capital financing charge to revenue, the Minimum Revenue Provision (MRP) will increase, reflecting the capital spending plans.

**Table 3 Capital Financing Requirement forecast (Prudential Indicator 2)**

2024/25 Actual £'000		2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000	2030/31 Estimate £'000
400,823	<b>CFR as at 31 March</b>						
	General Fund	425,169	426,171	445,685	453,681	465,337	452,200
	General Fund - Exceptional Financial Support	0	19,000	19,000	25,000	0	0
342,745	HRA	364,945	404,801	416,115	428,794	445,152	457,532
<b>743,568</b>	<b>TOTAL CFR AS AT 31 MARCH</b>	<b>790,114</b>	<b>849,971</b>	<b>880,800</b>	<b>907,475</b>	<b>910,489</b>	<b>909,733</b>
	<b>Annual change</b>						
61,697	General Fund	24,346	20,002	19,514	13,996	(13,345)	(13,137)
44,193	HRA	22,200	39,855	11,315	12,678	16,358	12,380
<b>105,889</b>	<b>TOTAL ANNUAL CHANGE</b>	<b>46,546</b>	<b>59,857</b>	<b>30,829</b>	<b>26,675</b>	<b>3,014</b>	<b>(756)</b>
	<b>Reason for Change</b>						
61,233	Prudential Borrowing	75,201	104,904	31,119	19,023	19,094	12,518
	Exceptional Financial Support	0	19,000	19,000	25,000	0	0
	Self-Financed from Future Disposals	0	0	0	0	0	0
	Capital Receipts	(0)	0	0	0	0	0
(6,939)	Sales from GF to HRA	0	(38,526)	0	0	0	0
(6,093)	Other Changes	0	0	0	0	0	0
(8,173)	MRP Charge	(9,143)	(9,540)	(10,317)	(11,041)	(11,968)	(12,330)
65,862	Rights of Use Assets	(19,511)	(15,981)	(8,973)	(6,308)	(4,112)	(944)
<b>105,889</b>	<b>TOTAL CHANGE</b>	<b>46,546</b>	<b>59,857</b>	<b>30,829</b>	<b>26,675</b>	<b>3,014</b>	<b>(756)</b>

The 2026/27 budget for the Council sets out a balanced budget position. However, this includes an application for Exceptional Financial Support (EFS) of £19 million from central government and is contingent on that being agreed. The application for EFS seeks permission to fund this support from borrowing and is not a request to increase Council Tax above the referendum limit. For 2026/27, the threshold level allowable is 4.99% (2.99% for core council tax and 2% for Adult Social Care precept). The Treasury Management Strategy incorporates this required level of borrowing, and the impact of any financing costs are included within the Medium-Term Financial Strategy (MTFS).

Table 4 below confirms that the Council's gross debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the following financial years. This allows some flexibility for limited early borrowing for future years and ensures that borrowing is not undertaken for revenue purposes. The gross debts for 2024-25 is the actual debts plus other long-term liabilities (PFI and lease liabilities).

**Table 4 Gross Debts to CFR (Prudential Indicator 3)**

2024/25 Actual £000s		2025/26 Forecast £000s	2026/27 Estimates £000s	2027/28 Estimates £000s	2028/29 Estimates £000s	2029/30 Estimates £000s	2030/31 Estimates £000s
630,067	Gross Projected Debt	683,153	749,736	788,243	823,552	836,177	845,146
743,568	Capital Financing Requirement	790,114	849,971	880,800	907,475	910,489	909,733
113,501	Under/(Over) borrowing	106,961	100,235	92,557	83,923	74,312	64,587

### **Affordability**

19. The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and the impact on the Council's "bottom line". The estimates of financing costs include current commitments and the proposals in the Council's budget report.
20. Table 5 below sets out the expected 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), against the net revenue stream.

**Table 5 Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator 4)**

2024/25 Actual £000s		2025/26 Forecast £000s	2026/27 Estimate £000s	2027/28 Estimate £000s	2028/29 Estimate £000s	2029/30 Estimate £000s	2030/31 Estimate £000s
6.66%	General Fund	5.18%	4.64%	4.42%	7.16%	7.00%	6.81%
19.68%	HRA	18.67%	19.77%	20.26%	18.36%	18.34%	18.37%

### **21. Liability Benchmark**

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

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.

In any year where actual loans are less than the benchmark indicates a future borrowing requirement.

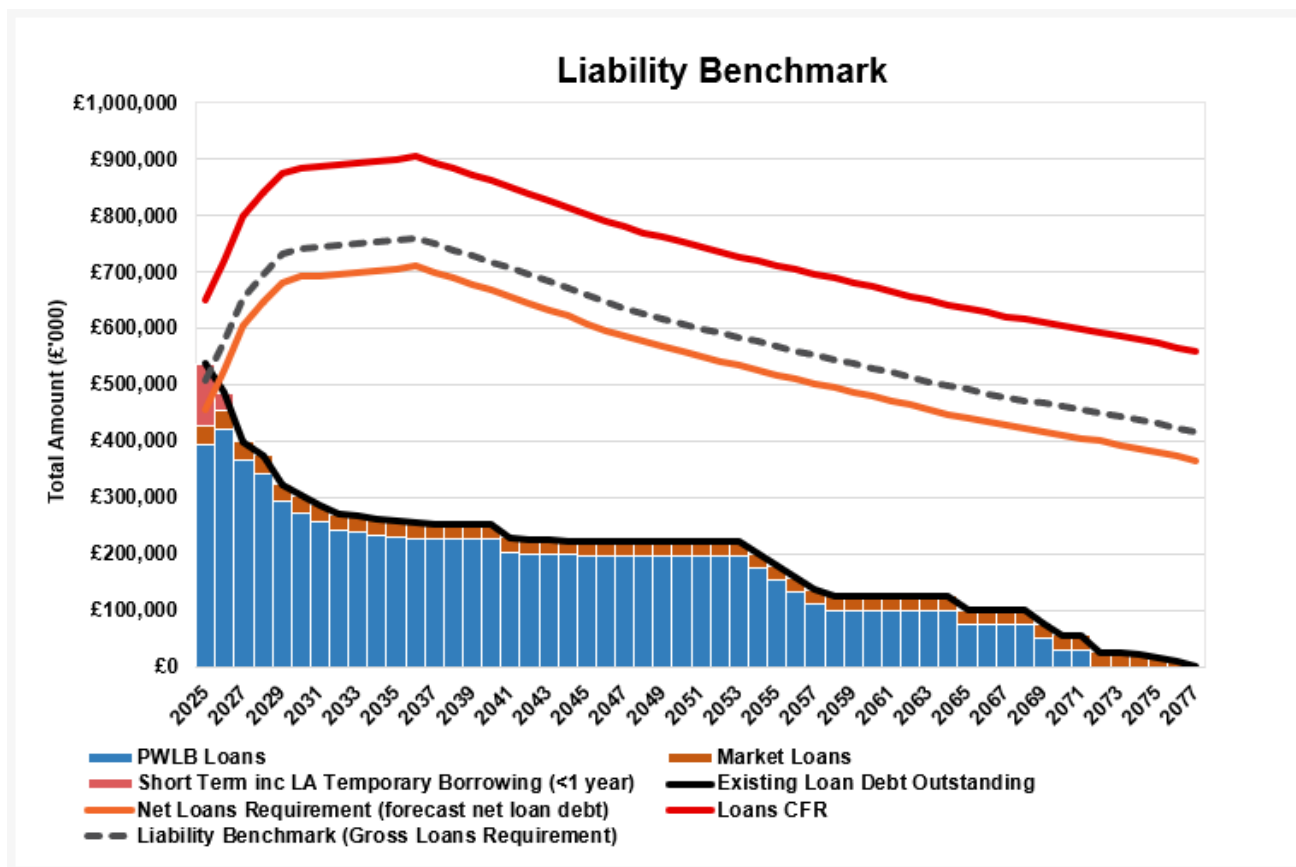
The liability benchmark shows the forecast borrowing required on a net book basis to maintain £50m of the treasury investments.

While the Authority could borrow up to its Loans CFR, CIPFA through the Liability Benchmark advocate a net book approach where internal borrowing is used to the extent that the Authority



retains a sufficient level of treasury investments identified within the calculations by the liquidity allowance. This has been set at £50m.

Therefore the Liability Benchmark is a debt metric to compare against the current maturity profile of the external borrowing portfolio. Where actual external borrowing is less than the benchmark this indicates a future external borrowing requirement need.



## SECTION 2 - BORROWING

### Overall borrowing strategy

22. One of the main functions 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, when it is prudent and economic benefit, any debt previously drawn may be restructured to meet Council risk or cost objectives.
23. The Council's main objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Given the significant cuts to public expenditure and to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio.
24. The key factors influencing the 2026/27 strategy are:
  - forecast borrowing requirements,
  - the current economic and market environment, and
  - interest rate forecasts.
  - Cost of borrowing

25. 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 debts as cash supporting the Council's reserves, balances and cash flow has been used as a source of temporary funding. In 2025/26, as the Council's reserves are reducing, temporary borrowing and short-term fixed PWLB loans borrowing facilities are utilised. On 31<sup>st</sup> December 2025 temporary borrowing stands £68.4m. On 17<sup>th</sup> November 2025 the Council executed short-term fixed PWLB loan of £20m for 1 years at 4.11% and on the 26<sup>th</sup> January 2026 short-term loan of £29m for 2 years at 3.98%. The treasury team will continue to monitor the rates in the market to take advantage of any opportunities.
26. Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

## **New Borrowing**

The council's borrowing strategy will give consideration to the following forms of borrowing to finance capital requirements:

- PWLB: borrowing for periods across all durations where rates offer best value.
  - Internal borrowing: The need to undertake external borrowing can be reduced by the temporary use of internal balances held for provisions and reserves within the Council's accounts and cashflow movements on a day-to-day basis. The option of postponing borrowing and running down investment balances may provide short term revenue savings and reduce investment risk. The use of internal balances, however, must be monitored to mitigate the risks arising from the need to externally refinance when rates are unfavourable.
  - Temporary Borrowing: from the money market or other local authorities.
  - Shorter Term Borrowing (1 – 5 years): from non PWLB and other sources.
  - Long Term Market Debt: where rates are significantly below those offered by the PWLB for an equivalent maturity period, and to provide diversity within the debt portfolio.
  - Other borrowing arrangements: such as the use of leasing may be more cost efficient for some types of capital expenditure such as for vehicles and equipment.
27. The council will continue to borrow in respect of the following:
- Maturing debt.
  - Approved (prudential) capital expenditure / capital investment.
  - To finance short-term cashflow fluctuations.
28. The type, period, rates, and timing of new borrowing will be determined by the Strategic Director of Resources (Section 151 Officer) under delegated powers, taking into account the following factors:
- Expected movements in interest rates as outlined above.
  - Maturity profile of the debt portfolio.
  - The impact on the medium-term financial strategy.
  - Prudential indicators and limits.
29. The Council's treasury management strategy permits borrowing from various sources, but it has not been previously anticipated that any alternatives to PWLB would need to be utilised, given the current cost of PWLB funding.
30. The key advantage of PWLB is the speed and ease of transaction processing and the low fee and administration cost associated with the loans. Alternative types of funding could result in lengthy due diligence, consultancy costs, legal advice and fees and will be far more costly administratively.

## **Other Borrowing Options**

31. Other options for funding include:

- **Banks/ Pension Fund Institutional investors**

Discussions with the Council's treasury consultant MUFG Corporate Market suggest that the Council could access borrowing from banks and other financial institutions.

Initial indications have suggested that the Council may be able to borrow from institutional investors based on weighted average life of approximately 30 years. Such an arrangement will be subject to extensive negotiations with the lenders, who will need to carry out due diligence on a Council's finances, budgets, and balance sheet. Institutional investors will struggle to beat the PWLB on a like for like basis as they offer different structures such as deferred drawdown.

- **Bond issuance**

A bond issue would first require the Council to become credit rated by one (or more) of the major ratings agencies: Fitch, S&P or Moody's. This is a complex, lengthy, repetitive, and costly process. The precise rate offered will be market led and dependent on the financial resilience of Council and the market's perception of its creditworthiness.

Councils with significant reserves and a record of not overspending on budget will be able secure the most advantageous rates. Bond releases typically require a minimum size of at least £200m.

- **The Municipal Bonds Agency**

The UK Municipal Bonds Agency (UKMBA) is set up to issue bonds on behalf of Local authorities to fund capital expenditure, essential projects such as schools, care homes, housing, recycling centres, energy from waste plants and infrastructure. With 56 local authorities and the Local Government Association as shareholders, the UKMBA is owned by local government for local government. The MBA closed to new business in 2025.

32. Alternative opportunities for the Council may well present themselves, and the borrowing strategy will be designed to allow for this. The 'benchmark' for a borrowing opportunity is referred to PWLB GF Certainty rate at +0.80% above the comparative gilts and PWLB HRA concessionary rate at 0.40% above the comparative gilts. It is unclear at this stage whether feasible PWLB competition will materialise, and it is likely to take some time to do so. Officers will continue to explore alternatives to the PWLB, working with the Council's treasury advisor, MUFG Corporate Market. PWLB rates will also be kept under regular monitor and review.

33. Public Works Loan Board Housing Revenue Account Concessionary rate – The government has extended the discounted Housing Revenue Account Concessionary rate until March 2027. The PWLB Concessionary rate, priced at 0.40% above the comparative gilts is intended to support local authority financing of capital expenditure on social housing in their Housing Revenue Account.

34. Immediate liquidity needs can be satisfied by borrowing from other local authorities in the short term, consistent with the Council's current approved treasury management strategy.

### **Limits on external borrowing**

35. The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 6 below. The Authorised Limit has been set higher than the CFR and operational limit is set the to equal the CFR.

36. The limits are:

- **Authorised Limit for External Debt (Prudential Indicator 5a)** –This is a key prudential indicator and represents a control on the maximum level of borrowing. This limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short term, but may not be sustainable in the longer term.
- **Operational Boundary (Prudential Indicator 5b)** – This is the limit which external debt is not normally expected to exceed. The boundary is set to equal to the CFR. The Council can borrow up to the CFR for capital expenditure. It is intended to act as a warning mechanism given local authorities can only borrow for a capital purpose.

**Table 6 Overall borrowing limits (Prudential Indicators 5a and 5b)**

2024/25 Actual £000s		2025/26 Forecast £000s	2026/27 Estimates £000s	2027/28 Estimates £000s	2028/29 Estimates £000s	2029/30 Estimates £000s	2030/31 Estimates £000s
<b>Authorised Limit:</b>							
782,103	Borrowing	836,168	905,107	941,921	973,911	979,819	981,853
32,566	Other long-term liabilities(OLTL)	29,962	27,147	24,509	22,102	19,745	17,139
814,668	<b>Total Authorised Boundary</b>	866,130	932,254	966,430	996,013	999,564	998,992
<b>Operational Boundary:</b>							
711,002	Borrowing	760,153	822,825	856,292	885,373	890,744	892,594
32,566	Other long-term liabilities(OLTL)	29,962	27,147	24,509	22,102	19,745	17,139
743,568	<b>Total Operational Boundary</b>	790,114	849,971	880,801	907,475	910,489	909,733

37. The Strategic Director of Resources reports that the Council complied with these prudential indicators 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 this report.

### **Maturity structure of borrowing (Prudential Indicator 6)**

38. Managing the maturity profile of debt is essential for reducing the Council's exposure to fixed rate sums falling due for refinancing within a short period and avoiding a high concentration of the borrowing portfolio maturing in any one period.

Table 7 below sets out current upper and lower limits for debts. The principal repayment profile for current council borrowing remains within these limits.

**Table 7 Debts maturity profile limits**

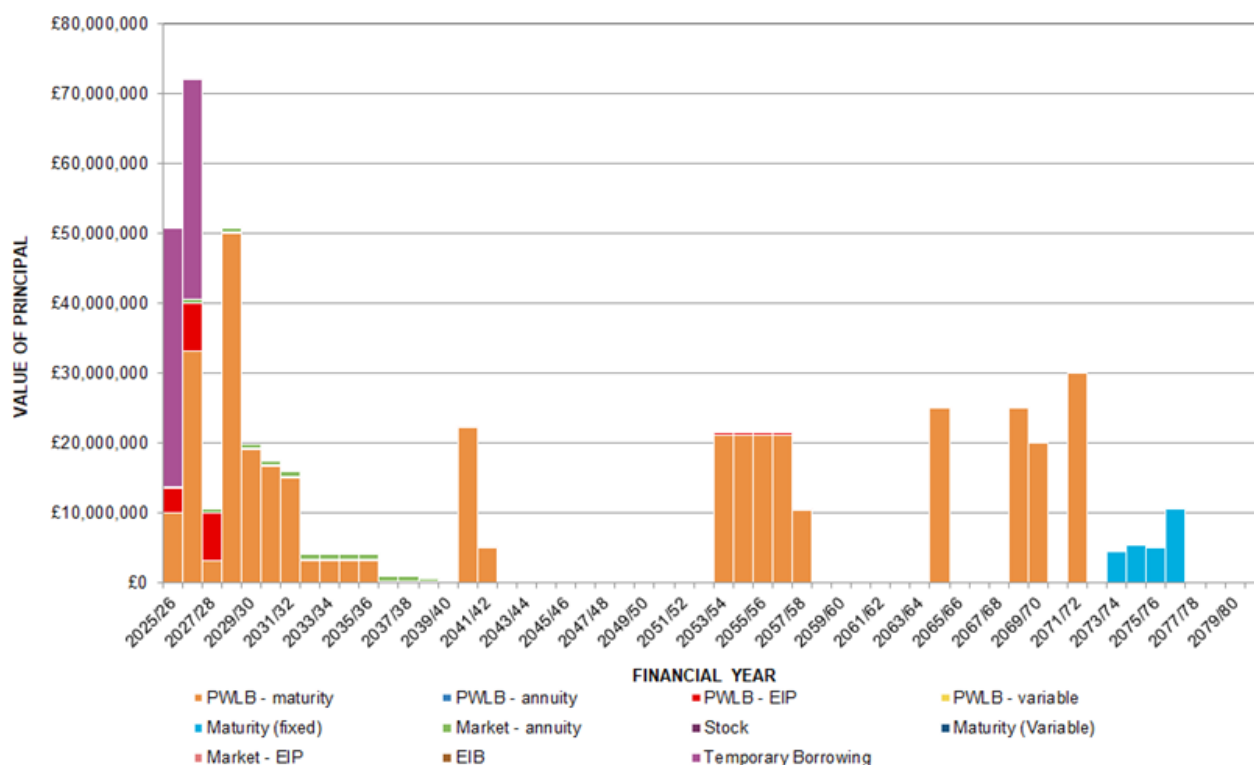
31-Dec-25 %	Actual maturity	Upper Limit %	Lower Limit %
21.45	Under 12 months	75	0
3.81	1 to 2 years	25	0
18.00	3 to 5 years	25	0
6.49	6 to 10 years	25	0
50.25	more than 10 years	75	0

39. The chart below shows the maturity of loan debts by type of borrowing on 31 December 2025. Currently the borrowing strategy is to continue to use medium-term PWLB and temporary borrowing while rates remain substantially below long-term interest rates.

### Chart 1 Loan maturity by type of borrowing

#### Maturity Profile

#### Current Maturity Profile



40. Table 8 below sets out the upper limits for interest rate exposures.

#### Table 8 Interest rate exposures (Local indicator)

	2026/27 Upper	2027/28 Upper	2028/29 Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	25%	25%	25%

41. The interest forecast suggests that the rates will fall. In December 2025 the current base rate is at 3.75%.
- 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.

### **Policy on borrowing in advance of need.**

42. The Council can borrow in advance of need where the borrowed funds are to support approved function (policies), within the confines of the agreed capital programme. The Council will not borrow more than or in advance of its needs primarily to profit from the investment of the extra sums borrowed i.e. (debt for yield). 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. Therefore, the Council must not borrow to fund primarily yield generating investments.
43. In determining whether borrowing will be undertaken in advance of need the Council will:
  - Ensure that the ongoing revenue liabilities created, and the implications for future capital plans and budgets have been considered.
  - Evaluate economic and market factors that might influence the manner and timing of the decision to borrow.
  - Consider the pros and cons of alternative forms of funding, interest rate structures and repayment profiles.
  - Consider the positive and negative impacts of borrowing in advance of need on the Council's cash balances, the increased exposure to credit risk that will arise because of investing this additional cash in advance of need.
  - Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **Debt rescheduling**

44. The treasury team are constantly monitoring the interest rates and liaising with Council's treasury advisor MUFG Corporate Market for any borrowing opportunities. However, savings will need to be considered in the light of the current treasury position and additional borrowing requirement identified.
45. The reasons for any rescheduling to take place will include:
  - generating cash savings and/or discounted cash flow savings.
  - helping to fulfil the treasury strategy; and
  - enhancing the balance of the portfolio by amending the maturity profile and/or the balance of volatility.

Should an opportunity for debt rescheduling arise, it will be reported to the Audit and Governance Committee and full Council at the earliest meeting following its action.

## **SECTION 3 – MANAGING CASH BALANCES**

### **Table 9 The current cash position and cash flow forecast**

	2024/25 Actual £000s	2024/25 Actual %	31.12.2025 Current £000s	31.12.2025 Current %
<b>Treasury Investments</b>				
Bank	15,061	18.81	568	2.13
Building Society	5,000	6.25		
Local Authorities	20,000	24.98		
Money Market Fund	40,000	49.96	26,073	97.87
<b>Total Investments</b>	<b>80,061</b>	<b>100</b>	<b>26,641</b>	<b>100</b>
<b>Treasury Borrowing</b>				
Local Authority/Public sector bodies	111,000	20.64	68,400	13.46
PWLB	392,873	73.06	406,247	79.94
Market loans	33,773	6.28	33,466	6.59
Other -Salix	87	0.02	56	0.01
<b>Total External Borrowing</b>	<b>537,733</b>	<b>100</b>	<b>508,169</b>	<b>100</b>
<b>Net Treasury Investment/(Borrowing)</b>	<b>(457,672)</b>		<b>(481,528)</b>	

46. 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). The liquidity allowance is £50m.
47. As at 31 December 2025 core cash and short-term investments totalled £26m. The medium-term cashflow forecast is that treasury will aim to have £50m average balances for the rest of the year to ensure liquidity. Treasury officers will work closely with the Corporate Finance team to monitor slippage within the capital programme and income through the Collection Fund, which will impact on cashflow levels.

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

## Prospects for investment rates

As widely expected, the Bank of England (BoE) cut Bank Rate by 25bps from 4.00% to 3.75% at its December 2025 meeting; consistent with futures markets having already priced in the change prior to the decision. The result and voting split also broadly held in line with expectations, with the fall in inflation in November persuading Governor Bailey to swing back to voting for a rate cut in a 5-4 split. The other four votes were cast by the four more hawkish members of the Committee all opting to keep rates unchanged. While it will present a full assessment of the Budget at its February meeting, the Committee confirmed earlier commentary that the policies would likely cut 0.4% to 0.5% off inflation by the middle of 2026, while subsequently nudging it higher in future years. On growth, the Committee revised down its expectations for the final quarter of 2025 to flat from 0.3% previously, but did indicate that new fiscal measures would add 0.2% to future growth. The accompanying statement kept the line that rates would continue a "gradual downward path", inferring this will not be the last rate cut of the cycle with inflation expected to near 2% by the middle of 2026. However, there are concerns that unless policy remains restrictive, inflation will not "settle sustainably" at 2% in the medium term. The Committee emphasised that future decisions would be "a closer call" with "limited space as Bank Rate approaches a neutral level" even as upside risks to inflation have "become somewhat less pronounced". This conveyed a more hawkish tone than some investors expected considering the latest data releases, leading traders to trim their bets on rate cuts this year. At the start of 2026, market expectations were for the next cut to come at the meeting in June, but with a growing view that this could shift to April. In terms of a



second rate cut, while this is not yet fully priced in, December expectations have risen since the start of 2026.

48. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are set out in Table 10 below (the long-term forecast is for periods over 10 years in the future): The current forecast includes the Bank rate to fall to a low of 3.5%. There are many variables at this time, caution must be exercised in respect of all interest rate forecast.

**Table 10 Forecast investment returns**

<b>Average earning in each year</b>	
2025/26	3.80%
2026/27	3.40%
2027/28	3.30%
2028/29	3.30%
2029/30	3.50%
Year 6 to 10	3.50%
Year 10+	3.50%

#### **Council policy on investing and managing risk**

49. The aim is to manage risk and reduce the impact of any adverse movement in interest rates on the one hand but, at the same time, not setting the limits to be so restrictive that they impair opportunities to reduce costs or improve performance.

#### **Balancing short and long-term investments**

50. Greater returns are usually obtainable by investing for longer periods. While most cash balances are required to manage the movement 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. During 2025/26, no investments exceeded 364 days. This means the Council remains well within the upper limit for such investments of £50m.

**Table 11 Investment limits (Prudential Indicator 7)**

	2025/26 Forecast £000s	2026/27 Estimate £000s	2027/28 Estimate £000s	2028/29 Estimate £000s
Upper limit for principal sums invested for more than 365 days	£50m or 50% of the outstanding balances			

51. The Prudential code 2021 supports local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear reporting framework, that:

- a local authority's capital expenditure plans and investment plans are affordable and proportionate.
- all external borrowing and other long-term liabilities are within prudent and sustainable levels



- the risks associated with investments for commercial purposes are proportionate to their financial capacity, and
- treasury management decisions are taken in accordance with good professional practice.

The prudential indicators are to illustrate the impact of capital programme on treasury management activity.

52. As the Council's S151 officer, the Strategic Director of Resources has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.
53. The Strategic Director Resources has confirmed that the PIs set out below are all expected to be complied with in 2025/26 and he does not envisage at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2026/27.
  1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence.
  2. An assessment of affordability, prudence, and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
  3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed.
  4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments).
  5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy).
  6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

## LEGAL IMPLICATIONS

54. The Local Government Act 2003 provides that a local authority has the power both to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Act requires the Council to determine and to keep under review how much money it can afford to borrow. It also requires local authorities to have regard to guidance issued directly by MHCLG (The investment & MRP) or referred to via regulations. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, provide that, in complying with this duty, the Council must have regard to the CIPFA Prudential Code and Treasury Management Code of Practice.
55. The current CIPFA Treasury Management Code of Practice 2021 and the Secretary of State's Investment Code both require the Section 151 officer (Strategic Director of Resources) to present an Annual Treasury Management Strategy Statement, which includes an Annual Investment Strategy, for the forthcoming year for approval by the Full Council before the beginning of each financial year.
56. The revised CIPFA Prudential Code for Capital Finance in Local Authorities sets out various indicators that are to be used to support capital expenditure plans and treasury management decisions. The prudential and treasury indicators must be set by Full Council when the budget is set and are monitored during the year.

57. The Council is also required to approve a Treasury Management Policy Statement setting out the overarching framework for treasury management services within the Council. This statement is set out in this report.

## **APPENDICES**

- 1 Minimum Revenue Provision (MRP) Policy
- 2 Annual Investment Strategy
- 3 Approved Counterparty List
- 4 Approved Countries for Investments
- 5 CIPFA Treasury Management Code requirements including:
  - a. Treasury Management Scheme of Delegation
  - b. Treasury Management role of s.151 officer
- 6 Prospect for Interest Rates/ Economic Update

## **BACKGROUND PAPERS**

1. Treasury Management Strategy Statement 2025/26 (Approved by Council 27<sup>th</sup> February 2025)
2. Section 3 Local Government Act 2003
3. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended
4. MHCLG Guidance on Minimum Revenue Provision 2021
5. MHCLG Capital Finance Guidance on Local Government Investments February 2018
6. 2021 CIPFA Codes of Practice (Treasury and Prudential) and Guidance Notes.

## APPENDIX 1

### Minimum Revenue Provision (MRP) policy statement

The new statutory MRP Guidance was published in April 2024 came into effect on 1st April 2025.

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

The Authority is recommended to approve the following MRP Statement.

For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy.

- **4% reducing balance (regulatory method)** - MRP will follow the historical practice outlined in former regulations as 4% of the opening GF CFR balance less adjustment A;

From 1 April 2008 for all unsupported borrowing the MRP policy

- **Asset life method (annuity)** – MRP will be based on the estimated life of the assets;

**Table – Asset life range**

<b>Asset Type</b>	<b>Years</b>
Intangible - Software	2 to 10
Plant/Vehicles/Equipment	5 to 40
Infrastructure	10 to 20
Highway infrastructure	10 to 55
Acquisition/Enhancement of Buildings	10 to 55
New Construction/Purchase of Land	55
Highway Bridges	100

Capital expenditure incurred during 2025/26 will not be subject to an MRP charge until 2026/27, or in the year after the asset becomes operational.

The Authority will apply the asset life determined in accordance with the Statutory Guidance method for any expenditure capitalised under a Capitalisation Direction.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

**MRP in respect of assets acquired leases due to IFRS 16 and right of use of assets** will be charged at an amount equal to the principal element of the annual repayment; or Regarding MRP in respect of assets acquired either under leases where a right-of-use asset is on the balance sheet or where on-balance sheet PFI contracts are in place, the prudent charge to revenue can be measured as being equal to the element of the rent/charge that goes to write down the balance sheet liability.

Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement is regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

**For capital expenditure on loans to third parties** where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

### **Capital loans**

Regulation 27(4) of the Local Authorities Capital Financing and Accounting (England) Regulations allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan. A commercial loan is defined in regulation 27(5) as a loan from the authority to another entity for a purpose which, if the authority were to undertake itself, would be primarily for financial return; or, where the loan is itself, capital expenditure undertaken primarily for financial return. Local authorities must make MRP with respect to any debt used to finance a commercial capital loan. Where an expected credit loss is then recognised on the capital loan, MRP to the equivalent amount would need to be made in that year.

**MRP Overpayments** - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. There is no VRP to reclaim.

## APPENDIX 2

### ANNUAL INVESTMENT STRATEGY

#### Investment policy

1. The Council's investment policy has regard to the following:
  - MHCLG Guidance on Local Government investments (the "Guidance")
  - 2021 CIPFA Codes of Practice (Treasury and Prudential) and Guidance Notes.
2. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The above guidance from MHCLG and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
  - i. Minimum acceptable **credit criteria** are applied 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.
  - ii. **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 Council 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 where applicable.
  - iii. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.
  - iv. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 3 under the categories of 'specified' and 'non-specified' investments.
    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit at the start of the investment of up to one year.
    - **Non-specified investments** are any financial investments that are not loans and do not meet the criteria to be treated as specified investments. These are long-term investment so may not just be lower credit quality than specified investments and carry a higher degree of credit risk.
  - v. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
  - vi. 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.
  - vii. All investments will be denominated in **sterling**.
3. However, this authority will also 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

4. The primary principle governing the Council's investment criteria is the security of its investments, followed by ensuring sufficient liquidity, after which the yield or return on the investment is a key consideration.
5. 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 processes in place to 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.
6. The Strategic Director of 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 those which determine which types of investment instrument are either specified or non-specified as they provide 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.
7. Credit rating information is supplied by the Council's treasury advisors the MUFG Corporate Market. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers immediately after they occur, through direct feeds from the rating agencies, and this information is considered before treasury dealing.
8. The Council takes into account the following relevant matters when proposing counterparties:
  - the financial position and jurisdiction of the institution.
  - the market pricing of credit default swaps for the institution.
  - any implicit or explicit Government support for the institution.
  - Standard & Poor's, Moody's and Fitch's short- and long-term credit ratings.
  - sovereign ratings to select counterparties from only the most creditworthy countries; and
  - core Tier 1 capital ratios.
9. Changes to counterparty credit ratings will be monitored and, in the event, that a counterparty is downgraded and does not meet the minimum criteria specified in Appendix 2.
  - no new investments will be made.
  - existing investments will be recalled if there are no penalties; and
  - full consideration will be given to recall or sale of existing investments which would be liable to penalty clause.

### **Specified and Non-specified investments**

10. The MHCLG Guidance on Local Government Investments made under section 15(1) of the Local Government Act 2003, places restrictions on local authorities around the use of specified and non-specified investments.
11. A **specified investment** is defined as an investment which satisfies all the conditions below:
  - the investment and any associated cash flows are denominated in sterling.
  - the investment has a maximum maturity of one year.
  - the investment is not defined as capital expenditure; and

- the investment is made with a body or in an investment scheme defined as of high credit quality; or with the UK Government, a UK Local Authority or parish/community council. See appendix 3.

## 12. **Non-specified investments**

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies and any treasury investment that are defined as capital expenditure (e.g. equities). Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition of high credit quality. In addition to the long-term investments listed in the table at the end of Appendix 1, the following non-specified investments that the Council may make include:

- **Social Housing Bonds** – Various fund managers facilitate the raising of financing housing associations via bond issues. The investment is therefore asset backed and provides enhanced returns. Officers will need to undertake due diligence on each potential investment to understand the risks and likelihood of default. This is a type of vehicle a few local authorities are involved which not only helps to meet a local authority's statutory duty to house the homeless, but also provides a return more than short-term investment rates.
- **Shareholdings in limited companies and joint ventures.**
  - i. Trading vehicles which the Council has set up to undertake functions. These are not held primarily as investments but to fulfil Council service objectives e.g. Sixty Bricks Ltd. Any new proposals will be subject to due diligence as part of the initial business case. As these are not to be held primarily as investment vehicles, then there is an expectation that they will break even.
  - ii. Trading vehicles held for a commercial purpose where the Council is obliged to undertake transactions via a **company** vehicle. Examples include the companies set up under the former Building Schools for the Future programme which operate the schools PFI contracts.

## 13. For any such investments, specific proposals will be considered by the Strategic Director Resources after taking into account of the following:

- cash flow requirements
- investment period
- expected return
- the general outlook for short to medium term interest rates
- creditworthiness of the proposed investment counterparty
- other investment risks.

## 14. The nominal value of non-specified investments will be capped at £50m.

### **Country of Domicile**

15. Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups, and sectors.
16. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- or equivalent except in the UK. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 4. This list will be kept under review and any proposed changes to the policy reported to the next Audit and Governance meeting.

### **Schedule of investments**

17. The criteria for providing a pool of high quality short, medium, and long-term, cash-based investment counterparties, with reference to the MUFG Corporate Markets creditworthiness methodology is included in Appendix 3. These parameters are used to generate time and monetary limits for institutions on the Council's counterparty list.



### APPENDIX 3

#### Approved counterparty list

	Minimum credit criteria / colour band	Max % of total investments/ limit institution	Max. maturity period
<b>Specified Investments</b>			
DMADF – UK Government	N/A	100%	6 months*
Money market funds: CNAV and VNVAV	AAA	100%	Daily Liquidity
Local authorities	N/A	100%	3 years
Barclays Bank plc (the Council's bankers)		£20m £5m	Overnight deposits ** Up to 12 months
Term deposits with banks and rated building societies	Yellow Purple Blue Orange Red Green	50%	Up to 3 years Up to 3 years Up to 3 years Up to 1 year Up to 6 Months Up to 3 months
Current and Ex - Government Supported banks	Green	50%	Up to 1 year

\* DMO – is the maximum period offered by the Debt Management Office of H.M Treasury

\*\* Over £20 million with the explicit agreement of the Strategic Director of Resources (Section 151 Officer).

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
<b>Non-specified investments</b>			
Term deposits with unrated Building Societies	Assets over £1.0bn	25%	12mths
UK Banks – Natwest, Santander, Lloyds, HSBC, Barclays and RBS	n/a	£70m or 50% of total investments	1-3 yrs.
<b>Pooled Vehicles:</b> Enhanced Money Market Funds:  UK Government and Government Guaranteed securities  Pooled Property Funds  Short – Term Investment – grade sterling denominated instruments	N/A	£10m	4yrs
UK Treasury Bills, Certificate of Deposits and T-bills	Yellow Purple Blue  Orange Red Green No Colour	25%	Up to 3 years Up to 2 years Up to 1 year  Up to 1 year
Corporate Bonds including Floating Rate Notes (FRNs)	Minimum Credit Rating: BBB	25%	3yrs

## APPENDIX 4

### APPROVED COUNTRIES FOR INVESTMENTS as at 31<sup>st</sup> December 2025

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

Lowest available rating	Approved Country
AAA	Australia Denmark Germany Luxembourg Netherlands Norway Singapore Sweden Switzerland
AA+	Canada Finland U.S.A.
AA	Abu Dhabi (UAE) France
AA-	Belgium Hong Kong Qatar United Kingdom

## **APPENDIX 5**

### **CIPFA Treasury Management Code Requirements**

1. 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 training will be arranged as required.
2. The training needs of treasury management officers are periodically reviewed.

#### **Treasury management consultants**

3. The Council uses the MUFG Corporate Market as its external treasury management advisors.
4. The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.
5. It also recognises that there is value in employing external providers of treasury management services 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.
6. The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council's Treasury Advisors the MUFG Corporate Market is used in relation to this activity.

#### **Treasury Management Delegations and Responsibilities**

7. The respective roles of the Council, Audit and Governance Committee and Strategic Director of Resources (Section 151 officer) are summarised below. Further details are set out in the Treasury Management Practices.

##### **(i) Full Council**

- Approval of annual strategy, mid-year review and Annual Report

##### **(ii) Treasury Strategy Group/Strategic Director of Resources**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval.
- approval of the division of responsibilities.

- receiving and reviewing regular monitoring reports and acting on recommendations.
- approving the selection of external service providers and agreeing terms of appointment.

**(iii) Audit and Governance Committee with responsibility for scrutiny**

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

**THE TREASURY MANAGEMENT ROLE OF STRATEGIC DIRECTOR OF RESOURCES (SECTION 151 OFFICER)**

**The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Delegates responsibilities to the Treasury team to carry out the day-to-day treasury activities to include investment and borrowing decisions.
- Approving regular treasury management policy reports.
- 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.
- Approving budgets and budget variations.

## APPENDIX 6

### Prospects for interest rates

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

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

Additional notes by MUFG Corporate Markets on this forecast table: -

- 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.
- Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.
- Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, 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".
- Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US,

are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.

- 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. Hopefully, there will be a further extension to this discounted rate announced in January.
- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

### **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 generally to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB borrowing	Current borrowing rates as at 22.12.25 p.m. %	Target borrowing rate now (end of Q4 2027) %	Target borrowing rate previous (end of Q4 2027) %
<b>5 years</b>	4.81	4.10	4.20
<b>10 years</b>	5.39	4.70	4.70
<b>25 years</b>	6.01	5.30	5.30
<b>50 years</b>	5.78	5.10	5.10

**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.