

**To:** Cabinet  
**Date:** 11 February 2026  
**Report of:** Group Finance Director  
**Title of Report:** Treasury Management Strategy 2026/27

<b>Summary and recommendations</b>	
<b>Decision being taken:</b>	To approve the Council's Treasury Management Strategy for 2026/27 together with the Prudential Indicators for 2026/27 to 2029/30 for recommendation to full Council for its approval.
<b>Key decision:</b>	No
<b>Cabinet Member:</b>	Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management.
<b>Corporate Priority:</b>	Well Run Council.
<b>Policy Framework:</b>	The Treasury Management Strategy is a Budget Policy Framework document.

**Recommendation(s):** That Cabinet resolves to recommend that Council approves:

1. The Treasury Management Strategy 2026/27 as set out in paragraphs 11 to 56 of this report and the Prudential Indicators for 2026/27 – 2029/30 as set out in Appendix 2;
2. The Borrowing Strategy 2026/27 at paragraphs 32 to 33 of this report;
3. The Minimum Revenue Provision (MRP) Statement at Appendix 3 which sets out the Council's policy on charging borrowing to the revenue account;
4. The Investment Strategy for 2026/27 and the investment criteria as set out in paragraphs 37 to 55 of this report and in Appendix 1;
5. The Treasury Management Scheme of Delegation at Appendix 4

**Information Exempt From Publication**

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<b>Appendix No.</b>	<b>Appendix Title</b>	<b>Exempt from Publication</b>
Appendix 1	Credit and Counterparty Risk Management	No
Appendix 2	Prudential Indicators 2026/27	No
Appendix 3	Minimum Revenue Provision (MRP) Statement and Policy	No
Appendix 4	Environmental, Social and Governance (ESG) Policy	No
Appendix 5	Scheme of Delegation	No
Appendix 6	Risk Register	No

## **Introduction and background**

1. The Council's Treasury Management Strategy has been written in accordance with the CIPFA Prudential Code, the CIPFA Treasury Management Code of Practice (the Codes) and the Ministry of Housing, Communities and Local Government's (MHCLG) Guidance on Local Government Investments.
2. The report presents the Council's Prudential Indicators for 2026/27 – 2029/2030. Notable indicators include capital expenditure and borrowing limits as these are areas of significant activity.
3. The average value of the Council's investments during the calendar year to 31st December 2025 was £59.1 million. The actual daily value fluctuated between £88.8 million and £19.3 million. For the previous calendar year, average balances were £36.5 million and daily values ranged from. £60.6 million and £18 million.
4. All external debt as at 31 March 2025 (£288.5m) relates to the Housing Revenue Account (HRA).
5. The Council's General Fund Capital Programme over the next four years is expected to be funded from a combination of government grants, capital receipts, revenue, Community Infrastructure Levy receipts and prudential borrowing. However, due to the scale of investment over the period to 2026/27 to 2029/30, including the loans to the Council's wholly owned housing company (£45.9 million), the level of prudential borrowing will increase to around £999.3 million in 2029/30 from a projected £509.8 million at the end of 2025/26. Borrowing from internal

resources will be maximised on the General Fund, however much of the borrowing will need to be from external resources with anticipated external borrowing increasing from £288.5 million at the end of 2024/25 to £843.5 million in 2029/30. The Housing Revenue Account Capital Programme is largely funded from council house rents over time but includes £450.2 million borrowing over the years 2026/27 to 2029/30. Since the Council operates a two pool system for borrowing, any new prudential borrowing on the HRA will, over time, be funded by external borrowing to the same value.

6. All Prudential Indicators are covered together in the Treasury Management Strategy. This allows the indicators to be seen as a whole and in the context of Treasury Management activity to which they are closely related. There are some cross-overs to activity covered by the Council's Capital Strategy but the detail is held within the Treasury Management Strategy, including a summary of the capital programme and financing.
7. The regulations on the Minimum Revenue Provision (MRP) restrict local authorities financing capital expenditure on investments in commercial projects made primarily for yield and borrowing in advance of need. The Government has closed access to all Public Works Loans Board (PWLB) borrowing if such schemes are included in an authority's capital programme. The CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield. The Council has no intention to enter into arrangements that would breach these restrictions.
8. There have been no major changes to the strategy this year.

### Interest and Economic Outlook

9. 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 Corporate Markets provided the following forecasts on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates (which are gilt yields plus 0.8%):

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

Table 1: MUFG Corporate Markets forecasts

10. MUFG Corporate Markets suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

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

Table 2. MUFG Corporate Markets suggested budgeted earnings rates for investments up to about three months' duration in each financial year

This shows the downward trajectory in interest rates which is in line with the expected trend. This profile has been used to advise the rates built into the Council's Medium Term Financial Plan.

## Treasury Management Strategy Statement

### Background

11. The Council is required to operate a balanced budget, which broadly means that revenue cash raised during the year will meet cash expenditure. Part of the Council's treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.
12. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
13. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a

loss of principal will in effect result in a loss to the General Fund balance. Additionally reserves and balances are forecast to reduce over the short to medium term which will lead to reduced balances available for investment or to use for internal borrowing.

14. Whilst any loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, arising usually from capital expenditure, and are separate from the day-to-day treasury management activities and need different consideration and due diligence.

15. 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.”*

### **Treasury Management Advisors**

16. Treasury advice and market information is provided by MUFG Corporate Markets. A procurement exercise was undertaken during 2023 and the contract was awarded to Link Group (which subsequently became MUFG Corporate Markets) in November 2023 for 3 years and options to extend for a further 2 periods of 2 years each (to a maximum contract length of 7 years). The information provided by MUFG Corporate Markets that is used for making investment decisions has been considered in the writing of this report and its associated appendices.

17. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon 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.

### **Training**

18. The CIPFA Treasury Management Code requires the responsible officer to ensure that officers and members with responsibility for treasury management receive adequate training in treasury management. The focus of this is on members responsible for the Council’s scrutiny function.

19. The code also says that authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

20. The training needs of the Council’s treasury management officers are periodically reviewed. A formal record of the training received by officers central to the treasury

function will be maintained by the Treasury Manager. Similarly, a formal record of finance training received by members will also be maintained.

## **Bank Account Management**

21. Bank accounts for the Council and its wholly owned companies are with the same banker. The bank accounts have a grouping arrangement in place which means that overall there are limits of a net overdraft of £100k and aggregate overdraft balances cannot exceed £5 million.
22. The daily treasury function aims to keep net overnight balances as close to zero as possible to maximise the level of funds invested and balances between accounts are managed by making temporary cash transfers between the entities.
23. Interest is paid / charged to the Council's companies based on the true balance (i.e. excluding any temporary cash transfers). Overdrawn balances are charged at a rate based on PWLB 1 year borrowing rates plus a supplement to account for arms-length transfer pricing; interest is paid at the average interest earnt on investments (excluding the pooled funds).

## **Borrowing and Debt**

24. Under the Prudential Code, individual authorities are responsible for deciding their level of borrowing. The system is designed to allow authorities with an affordable borrowing requirement, to borrow in order to pay for capital investment. The arrangements also facilitate 'invest to save' schemes where they are affordable, prudent and sustainable.
25. In the Prudential Code guidance, CIPFA has defined the Council's investments in Property Funds and Multi Asset Funds as "Commercial Investments". It then goes on to say "Authorities with existing commercial investments (including property) are not required by this Code to sell these investments. Such authorities may carry out prudent active management and rebalancing of their portfolios. However, authorities that have an expected need to borrow should review options for exiting their financial investments for commercial purposes and summarise the review in their annual treasury management or investment strategies." Accordingly, the Council's Chief Financial Officer has considered these investments and does not believe that divesting from the active ones is prudent or appropriate given the current economic climate and also does not consider that a general divestment of these is in the best interest of the Council or its Medium Term Financial Plan at this time.
26. The parameters for determining the level of prudential borrowing are:
  - A balanced revenue budget that includes the revenue consequences of any capital financing i.e. interest, debt repayment and running costs of any new project; and
  - That the impact of the Authorised Borrowing Limit on Council Tax or council rents is reasonable.
27. The Council's draft Capital Programme for 2026/27 to 2029/30, which appears elsewhere on the agenda for this meeting; includes £489.4 million expenditure which is currently planned to be financed by borrowing of which £450.2 million relates to the Housing Revenue Account.

28. The Council Chief Financial Officer (the Section 151 officer) has delegated authority to determine the need for external borrowing taking into account prevailing interest rates and associated risks. Borrowing may be undertaken to fund the approved Capital Programme or to fund future debt maturities and a combination of long-term and short-term fixed and variable rate borrowing may be considered which may include borrowing in advance of future years' requirements. In using the delegated authority, the Council's S151 Officer will take into account the following factors:

- The on-going revenue liabilities created, and the implications for the future plans and budgets;
- The economic and market factors that might influence the manner and timing of any decision to borrow;
- The pros and cons of alternative forms of funding including internal borrowing; and
- The impact of borrowing in advance on cash balances and the consequent increase in counterparty risk.

29. Council officers, in conjunction with the Council's treasury advisors, MUFG Corporate Markets, monitor prevailing interest rates and market forecasts, thereby allowing the Council to respond to any changes that may impact on the timing and manner of borrowing decisions, to ensure these are optimised.

30. The Council currently has £288.5 million of external debt held at fixed rates with varying maturity terms up to 2071. All of this debt relates to the Council's housing stock within its HRA. The next repayment, of £20 million, is due at the end of 2025/26 and it is anticipated that debt to the same value will be taken out in order to replace the debt repaid.

31. The Council's Capital Financing Requirement (CFR) is an indication of the Council's underlying need to borrow to fund its capital investments; this borrowing can be undertaken internally using available resources or externally by borrowing from a reputable institution or the (PWLB). The estimated level of CFR for each year can be found in the Prudential Indicators in Appendix 2.

## **Borrowing Strategy 2026/27**

32. The Council had an estimated £102.6 million internal borrowing as at 1<sup>st</sup> April 2025. This means that the capital borrowing need (the Capital Financing Requirement), had not been fully funded with external loan debt because cash supporting the Council's reserves, balances and cash flow has been used as a funding source. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

33. The Group Finance Director will continue to monitor interest rates and take a pragmatic approach to changing circumstances. Due to the risks within the economic forecast, and the increased fluctuations in cashflow being experienced, caution will be adopted with the 2026/27 treasury operations. Additionally the Council will consider carefully when to take out borrowing, balancing the need for cash to fund capital expenditure and the cost of borrowing:

- If it is considered that there is a likelihood of a significant fall in long and short term rates (e.g. due to a marked increase of risks in respect of recession or deflation), then long term borrowing will be postponed, and potential

rescheduling from fixed rate funding into short term borrowing will be considered.

- Alternatively, if it is felt that there is a significant risk of a sharp increase in long and short term rates than currently forecast, then external borrowing is likely to be taken earlier.

### **Borrowing in Advance of Need**

34. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Prior to borrowing in advance the risks and benefits of undertaking the borrowing will be considered. Actual borrowing will be subsequently reported through either the mid-year performance report or annual report as appropriate. Due to the amount of prudential borrowing in the Capital Programme, the potential benefits of earlier borrowing will be closely monitored.

### **Housing Revenue Account (HRA) Borrowing**

35. The Housing Revenue Account does not have a requirement to have a Minimum Revenue Provision (MRP) charge. Therefore prudential borrowing taken out on the HRA needs additional controls to ensure that the level of debt remains affordable. A projection of the long term finances of the HRA is monitored through the 40 year HRA business plan. Within this plan, the interest cover ratio – the ratio of operating surplus divided by interest cost i.e. how many times interest can be paid from surpluses – is tracked. The Section 151 Officer has agreed a trajectory of interest cover ratio of 1.25: 1 over the first 4 years of the Business Plan and thereafter a level of budgeted spend is approved which seeks to ensure that borrowing costs a such that the ratio is maintained at a level of at least 1.25:1. This is considered in more detail in the budget report elsewhere on the agenda for this meeting and a graph showing the current projections is shown in the Prudential Indicator appendix (Appendix 2).

### **Minimum Revenue Provision (MRP) Statement 2026/27**

36. The Minimum Revenue Provision (MRP) Statement and Policy is in Appendix 3.

### **Annual Investment Strategy 2026/27**

37. This Treasury Management Strategy and the Annual Investment Strategy deals solely with treasury management investments; the categories of service delivery and commercial investments are addressed as part of the Capital Strategy report and appendix and also appear within the Prudential Indicators set out in appendix 2 to this report.

### **Management of Risk**

38. MHCLG and CIPFA have extended the meaning of 'investments' to include both treasury and non-treasury investments. This report deals solely with treasury investments, (as managed by the Council's treasury management team). Non-treasury investments, essentially the purchase of or investment in fixed assets, are covered in the Capital Strategy which is presented in a separate report.

39. The Council's investment policy has regard to the following: -

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

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return).

40. The guidance from MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- b) 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.
- c) Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- d) 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 1 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 of one year.
  - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

41. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. The MHCLG put in a temporary override to the application of the standard in local authorities to allow English local authorities time to adjust their portfolio of all pooled investments. The IFRS 9 Statutory Override in UK local government is a temporary measure allowing councils to bypass the standard's requirement to recognise volatile fair value changes of pooled investment funds in their main revenue budget, instead moving

them to an unusable reserve. This temporarily protects council tax payers from sudden budget impacts. The override has been extended for existing investments until April 1, 2029, while new pooled investments made after April 1, 2024, are subject to full IFRS 9 compliance. The Council has set aside funds to manage any adverse impact on the revenue account of principal losses.

### **Investment Levels and Interest Rates**

42. The average value of the Council's investments during the calendar year to 31st December 2025 was £59.1 million. The actual daily value fluctuated between £88.1 million and £19.3 million over that year. For the previous calendar year, average balances were £36.5 million and daily values ranged from £60.6 million to £18 million. This has increased year on year due to the payment, in 2025/26, of housing subsidy grant by the Department for Work and Pensions which was outstanding from previous years.

### **Investment Durations**

43. Investments are made in accordance with the Council's Treasury Management Strategy such that returns are balanced against security of investment and liquidity of cash to ensure funding of day to day cash flows and yield. Consequently, procedures are in place to determine the maximum periods that funds may be invested for, as well as the nature of those investments. The Council works to achieve the optimum rate of return on its investments commensurate with proper levels of security and liquidity.

### **Creditworthiness**

44. Investment instruments identified for use are listed in Appendix 1 to this report under the Specified and Non-specified investment categories. Counterparty limits are set in accordance with the Council's Treasury Management Practices (TMPs).

45. The Council utilises the creditworthiness services provided by MUFG Corporate Markets. The model combines the credit ratings, credit watches and credit outlooks provided by the credit rating agencies - Fitch, Moody's and Standard and Poor's in a weighted scoring system which is then combined with an overlay of Credit Default Swap (CDS) spreads and sovereign ratings. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration of investments.

46. The Council is alerted to changes to ratings by MUFG Corporate Markets' creditworthiness service and takes the following action in respect of updates:

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, it is withdrawn immediately from further use.
- If a counterparty's credit rating is placed on negative watch or negative outlook, officers carry out a review to determine whether the institution is still worthy of inclusion on the counterparty list. If there is any doubt, the counterparty is temporarily suspended pending the credit rating agency's full review.

47. As part of the creditworthiness methodology a minimum sovereign rating equal to the UK sovereign rating from Fitch (or equivalent from other agencies if Fitch does not provide one) has been determined.

48. In addition to the recommendations from MUFG Corporate Markets, the S151 Officer and the Council's Treasury Management Team have agreed to limit the amounts invested with any one country (excluding the UK) or sector as follows:

- No more than 20% of the previous year's average investment balance (to 31<sup>st</sup> December) with any one counterparty or group or £15 million, whichever is the greater for normal fixed term deposits
- Maximum of 10% of total investments to be with institutions in other countries that meet the required criteria.

49. To ensure that the Council's Investment Strategy is complied with and to also be aware of any new opportunities, the Council's counterparty list (as set out in Appendix 1 to this report) is reviewed on a daily basis taking into account market information and changes to the methodology used. The list is maintained by the Treasury Management Team, and reported to the S151 Officer on a regular basis.

50. The Investment Strategy provides delegated authority for the S151 Officer to determine the most appropriate form of investment for the Council dependant on prevailing interest rates and counterparty risk at the time.

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

51. In approving the Investment Strategy and the counterparty limits at Appendix 1, members are approving the types of investments the Council can undertake. Investments are classified as either Specified or Non-specified and are shown in more detail in Appendix 1.

52. The Investment Strategy defines a Specified Investment as one that is in sterling, no more than one year in duration or, if in excess of one year can be repaid earlier on request and with counterparties that meet the Council's credit rating criteria. Additionally, once the duration of a Non-specified Investment falls below 365 days, it also falls into the Specified Investment category.

53. Non-specified investments are any other type of investment including pooled investment funds. Whilst generally these investments will earn a higher rate of return they are inherently more risky in nature and therefore limited to either a maximum of 30% of the previous full year's average monthly investment balance to 31st December, or £30 million, whichever is the greater. The Council currently has £3.2 million of property pooled asset investments; a residual £0.2 million with Lothbury property fund and £3 million with CCLA Investment Management Ltd property fund plus £5 million with each of the Fidelity and Artemis multi asset funds.

54. Investments may be arranged in advance. Trades arranged up to four weeks in advance of the start date are still classified as Specified Investments provided the duration of the investment from the start date to the maturity is no longer than 364 days. Trade dates are factored into the duration of the investment if arranged more than four weeks in advance because there is an increased risk due to funds being contractually committed.

### **Ethical Investment Policy**

55. The Council adopted an Ethical Investment Policy in 2015/16. This is incorporated into the latest Environmental, Social and Governance (ESG) Policy contained in Appendix 4. The Council passed a motion in March 2025 related to ethical policies

and the implications of this are still being worked through; the existing ESG policy will be applied in the meantime.

## Prudential Indicators

56. The Council is required to set out a number of indicators, relating to the affordability and prudence of its Treasury Strategy. These indicators are detailed in Appendix 2 for the period 2024/25 – 2029/30 and will be monitored and reported on an annual basis.

## Financial implications

57. All financial issues are addressed in the body and appendices of the report. The Council's assumptions for net investment interest for the General Fund for 2026/27 to 2029/30 are as follows:

	2026/27 £000's	2027/28 £000's	2028/29 £000's	2029/30 £000's
Interest Payable	18,176	23,653	27,946	33,419
Interest from companies on borrowing	-2,522	-2,416	-2,422	-2,593
Transfer from HRA	-19,648	-24,425	-28,310	-33,796
Treasury management investment interest	-1,254	-1,272	-1,293	-1,323
<b>Net investment interest</b>	<b>-5,248</b>	<b>-4,460</b>	<b>-4,079</b>	<b>-4,293</b>

This includes the cost of borrowing, interest from companies and interest from external investments.

## Legal issues

58. Approving this report fulfils four key requirements:

- The reporting of the Prudential Indicators setting out the Council's expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities).
- Agreeing the Council's Minimum Revenue Provision (MRP) Policy, which determines how the Council will pay for capital assets through revenue each year.
- Agreeing the Treasury Management Strategy, which links day to day Treasury Management to the Capital Programme and the Treasury Management Prudential Indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing limit required by Section 3 of the Local Government Act 2003.
- Agreeing the Annual Investment Strategy, this sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

59. The Local Government Act 2003 and supporting regulations require the Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set prudential and treasury indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

60. The Council's Constitution requires the Treasury Management Strategy to be reported to the Cabinet on an annual basis outlining the expected treasury activity

for the forthcoming four years and for it to be approved by the full Council. (EG 13 Jan 2026 20301)

### **Level of risk**

61. Risks are managed as set out in this report and appendices.

62. The value of property funds is reliant on the value of the property held by the funds and of multi-asset funds on the value of the assets held by those funds. Property and investment asset values can go down as well as up. The Funds that the Council uses are monitored to ensure that they hold an asset portfolio which will mitigate the risk of specific sectors suffering a loss. The regular returns from property funds are from property rentals so as long as the properties remain tenanted there will be a return. The risk of holding property is also affected by the continuing uncertainty over the UK's exit from the EU and changes in markets, especially retail. The regular returns from multi-asset funds are from income returns which are reliant on the earnings of the underlying assets. Increases and decreases in the value of funds now have to be charged to the revenue account, although there is a statutory mitigation from the Government that allows these impacts to be reversed out for the next few years. Returns from the funds are around 3 to 4% of the original investment value.

### **Equalities impact**

63. The Council has adopted an Environmental, Social and Governance (ESG) Policy to help reduce the environmental, health and wellbeing impacts that could potentially arise from investments. There are no other equalities impacts relating to this report.

### **Carbon and Environmental Considerations**

64. The Environmental, Social and Governance (ESG) Policy ensures that, through the Council's treasury management investments, the Council will not knowingly, directly invest in businesses that undertake harmful environmental activities.

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### **Background Papers:**

1	Capital Strategy (on this agenda)
2	Budget (on this agenda)

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