Appendix 6

TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS) 2026/27

Including Minimum Revenue Provision Policy Statement and Annual Investment Strategy

CONTENTS

1 INTRODUCTION

1.1 Background

The council is required to set a balanced budget, which broadly means that cash raised and received during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Cash can often be set aside (e.g. reserves) or received ahead of when it is required, for example, government capital grant funding, and therefore cash balances are invested in counterparties or instruments commensurate with the council's risk appetite and always prioritising adequate liquidity before considering investment return.

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 down may be restructured to meet council risk or cost objectives.

The contribution that the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue spending 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 holding 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 direct loss to the General Fund.

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."

Due to the council's overall challenging financial position, the Council has applied to Government for Exceptional Financial Support (EFS) in 2026/27 in the form of a capitalisation direction. If approved, this would allow the council to treat certain types of revenue expenditure as capital that can be funded by borrowing or capital receipts as opposed to from the revenue budget. The impact of this on the council's borrowing strategy and treasury management activity have been reflected in this TMSS, with specific implications separately reported where possible to explicitly demonstrate the financial implications.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities (arising usually from capital expenditure) and are separate from the day-to-day treasury management activities.

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, to provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risks are managed;
- the implications for future financial sustainability.

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

This Capital Strategy is reported separately from the Treasury Management Strategy Statement with non-treasury investments being reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy-driven and commercial investments usually driven by expenditure on an asset.

1.2.2 Treasury Management reporting

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

a. Prudential and treasury indicators, and treasury strategy (this report) - The first, and most important report, is forward looking and covers:
  - the capital investment plans, (including prudential indicators);
  - a Minimum Revenue Provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
  - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an Annual Investment Strategy, (the parameters on how investments are to be managed).

b. A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. This will be presented as an appendix to the TBM Month 7 Report to Cabinet in December

c. An annual treasury management report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This will be presented as an appendix to the TBM Outturn Report to Cabinet, typically in June or July.

This Council delegates responsibility for implementation and monitoring of treasury management to the Cabinet and responsibility for the execution and administration of treasury management decisions to the Section 151 Officer.

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Cabinet.

In addition to the three major reports detailed above, interim monitoring reporting is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Cabinet and will be incorporated into TBM5 and TBM9 monitoring reports presented in October and February of each year, with the other quarters being fulfilled by the mid-year and annual end of year reports.

1.3 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

1.3.1 Capital issues:

- the capital expenditure plans (section 2), including expenditure allowable under capitalisation direction, and the associated prudential indicators (Annex C);
- the minimum revenue provision (MRP) policy (Section 3).

1.3.2 Treasury management issues:

- the current treasury position (section 1.5);
- the borrowing strategy (section 2);
- policy on borrowing in advance of need (section 2.5);
- debt rescheduling (section 2.6);
- the investment strategy (section 4);
- creditworthiness policy (section 4.4);
- the policy on the use of external service providers (section 5.3).
- prospects for interest rates (Annex B); and
- treasury indicators which limit the treasury risk and activities of the council (Annex C);

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG (previously DHLUC) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Treasury Management Policy Statement

The policies and objectives of the council's treasury management activities are as follows:

i) This council defines its treasury management activities as:

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

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

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

1.5 *Current Treasury Portfolio Position*

A summary of the council's borrowing & investment portfolios as at 31 December 2025 and forecast at the end of the financial year is shown in **Table 1** below:

Table 1	Actual at 31 December 2025			Forecast to 31 March 2026		
	£'000	% of portfolio	Average Rate*	£'000	% of portfolio	Average Rate
Treasury Investments						
UK Banks	5,720	16.9%	4.39%	5,720	18.6%	4.64%
Non-UK Banks	5,000	14.8%	4.62%	5,000	16.3%	4.62%
Building Societies	-	-	-	-	-	-
Local Authorities	-	-	-	-	-	-
Money Market Funds (Including VNAV)	13,069	38.7%	3.96%	10,000	32.6%	3.75%
Royal London Funds**	10,000	29.6%	6.75%	10,000	32.6%	6.75%
Total Investments	**33,789**	**100.0%**	**4.96%**	**30,720**	**100.0%**	**4.87%**
Borrowing						
PWLB loans	425,296	89.8%	2.95%	485,296	93.1%	3.00%
Market loans	35,000	7.4%	4.31%	35,000	6.7%	4.31%
Local Authorities	13,280	2.8%	4.15%	1,000	0.2%	4.15%
Total external Borrowing	**473,576**	**100.0%**	**3.08%**	**521,296**	**100.0%**	**3.09%**

**average rate is taken as a snapshot as at 31 December 2025*
***The Royal London Funds combined valuation remains below the initial £10.000m investment because fixed income funds such as these reduce in value in a rising interest rate market. The council is still receiving an appropriate level of revenue income from these funds, and the decline in capital value is expected to be short term and therefore not expected to result in an actual capital loss.*

2 BORROWING STRATEGY

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

Any capital investment, or expenditure allowable under capitalisation direction, that is not funded from new and/or existing resources (e.g. capital grants, receipts from asset sales, revenue contributions or earmarked reserves) increases the council's need to borrow, represented by the council's Capital Financing Requirement (CFR). However, external borrowing does not have to take place immediately to finance its related capital expenditure: the council can utilise cash being held for other purposes (such as earmarked reserves and working capital balances) to temporarily defer the need for external borrowing. This is known as 'internal borrowing' or 'under-borrowing'.

The council's primary objective is to strike an appropriate balance between securing cost certainty and securing low interest rates.

The council operates a two-pool approach for borrowing following the HRA Self Financing regime introduced in March 2012.

2.1 Capital Prudential Indicators

The Authority's capital expenditure plans, including expenditure allowable under capitalisation direction, are a key driver for Treasury Management activity. The output of the capital expenditure and capitalisation direction is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Tables 2, 3 and 4 show the capital expenditure plans of the Authority, and the implications of these on the Capital Financing Requirement over the 3-year period to 2028/29. These indicators have been included in the Treasury Management Strategy for a number of years to demonstrate the affordability and sustainability of the Authority's capital activity.

A further prudential indicator now required is the Liability Benchmark. This benchmark measures the Authority's external debt levels net of the external investments, with the inclusion of a liquidity buffer against the Authority's CFR projection. This measure assumes that the authority will internally borrow almost all its available cash held in reserves and balances, with an allowance ensure it is able to meet is cash obligations.

There are four components to the Liability Benchmark: -

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.

The Liability Benchmark has been produced for the General Fund and HRA separately, and are shown below in sections 2.2.2 & 2.3.2 with notes to explain each element and the Authority's assumption and forward view.

2.2 General Fund Borrowing Position and Strategy

The General Fund has been carrying an internal borrowing position (i.e. where the General Fund borrows cash from its own reserves) for a number of years. The General Fund last entered into planned borrowing from the PWLB to reduce the internal borrowing position during 2022/23 in preparation for it increasing again during the current period of high interest rates, to reduce the need to enter into borrowing at those higher rates.

Table 2 below demonstrates that the General Fund has a borrowing need of £53m to support the 2025/26 capital programme. No new long-term external borrowing has been undertaken for the General Fund during the year to date.

Based on latest capital programme projections, it is anticipated that new general fund borrowing of up to £49m (see Table 5) will be required during the remainder of

2025/26 to ensure that the internal borrowing position remains at an appropriate level. Any decision on undertaking new borrowing will be taken in the context of the Council's overall treasury management position, with regards to limits, indicators, economic environment and available balances, particularly during an environment where interest rates are expected to fall. Given the expected interest rate forecasts over the next 12 months it may be beneficial for the council to take short term borrowing and refinance when rates are expected to fall.

2.2.1 General Fund Borrowing Strategy for 2026/27

The General Fund (GF) capital programme 2026/27 to 2028/29 forecasts a total of £217m capital investment, £143m of which will be met from existing or new resources. The GF borrowing need over this period is therefore £74m as shown in **Table 2** below. The capital programme position reflects latest forecasts and the outcome of a wider review by the officer led Capital Programme Board to present a more realistic profile and to reduce the borrowing need as much as possible.

Table 2 also presents the additional borrowing requirement as part of the application for Exceptional Financial Support (EFS) in the form of a capitalisation direction. The council intends to treat up to £15m of revenue spend as additional capital expenditure in 2026/27 as part of the capitalisation direction, resulting in an additional borrowing need.

2025/26 Projected £m	Table 2 – General Fund Borrowing Requirement	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	Total £m
145	GF Capital Expenditure	113	72	32	**217**
(92)	Funded by Existing Resources	(61)	(59)	(23)	**(143)**
53	**Capital Programme Borrowing**	**52**	**13**	**9**	**74**
-	EFS Capitalisation Direction	**15**	**-**	**-**	**15**
-	Funded by Existing Resources	**-**	**-**	**-**	**-**
-	**EFS Capitalisation Borrowing**	**15**	**-**	**-**	**15**
53	**Total Borrowing Requirement**	**67**	**13**	**9**	**89**

Of the £74m borrowing need shown for capital projects from 2026/27 to 2028/29, £37m is for projects that are awaiting approval or detailed analysis. Therefore, the timing of borrowing is uncertain, and borrowing decisions for these projects will form part of the viability and due diligence process.

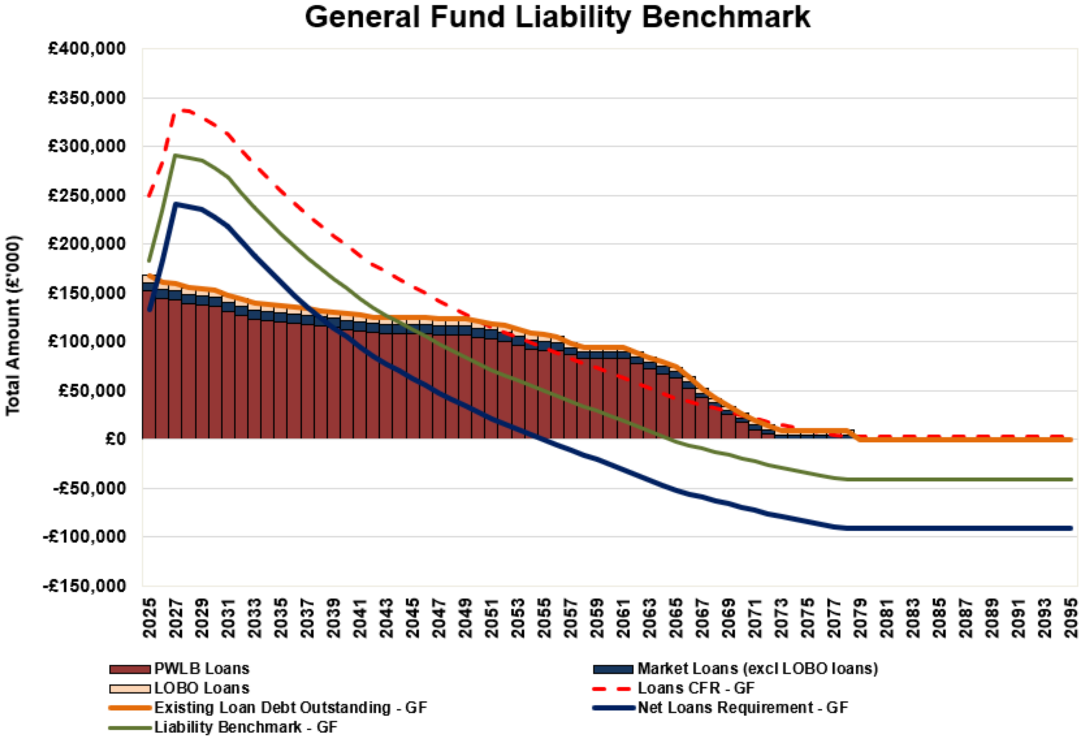
Modelling of the movement of reserves and the Council's capital expenditure plans previously demonstrated that the Council's long-term reserves could support a level of at least £75m of internal borrowing, mitigating the need to undertake new external borrowing. The borrowing strategy for 2026/27 will initially focus on meeting this borrowing need from internal borrowing; i.e. avoiding external borrowing by utilising the council's own surplus cash flows, or by short-term borrowing where required. However, due to an increasing borrowing requirement, reducing reserves, and the revenue budget inclusion of Exceptional Financial Support in the form of capitalisation direction, it is likely that the council will need to enter into new General Fund borrowing at some point during 2026/27.

Officers continually review the level of internal borrowing that the General Fund is able to support in the context of prevailing and forecast interest rates, economic outlook and the expected movement in reserves. Modelling of the movement of reserves and the council's capital expenditure plans demonstrates that the General Fund's long-term reserves and balances can support a level of approximately £75m of internal borrowing in the medium term. This will mitigate the increase in the cost of borrowing and reduce counterparty risk within the council's investment portfolio by reducing the portfolio size.

The internal borrowing position needs to be carefully and continually reviewed to avoid incurring higher borrowing costs in the future at a time when the authority may not be able to avoid new borrowing to finance capital expenditure or refinance maturing debt.

2.2.2 *General Fund Liability benchmark*

The Liability Benchmark graph for the General Fund is shown below:



1) **External Debt –** The maturity profile of the current portfolio of general fund external debt is shown by the bars. The debt has a fairly gradual maturity profile which means that there are no requirements to pay back large amounts of debt in any one year.
2) **Loans CFR –** This is the projections of the general fund's underlying borrowing requirement (or CFR) based on the current capital plans and capitalisation direction, and is shown by the top, red line. The 2025/26 opening Loans CFR was £242m, and it is expected to peak at £338m in 2026/27. This only shows the Loans CFR projection based on the current 5-year capital programme of the council, therefore if ongoing borrowing is required beyond 2030/31 then the CFR would rise further and for longer.
3) **Net Loans Requirement –** The expected net treasury position is shown by the bottom blue line. This shows a projection of the loans requirements measured by opening external debt for 2025/26 (£161m) less the opening external investments for 2025/26 (£20m). The projections are then based on the expected borrowing within the capital programme and the expected movement in reserves and balances, and shows the borrowing requirement if the Council were to utilise all of its reserves and balances for internal borrowing. This shows that the general fund had more external debt than external investments as at 31 March 2025. Based on the current forecast, the net loans requirement peaks at £241m in 2026/27.

4) **Liability Benchmark –** The liability benchmark shows the Net Loan Requirement, but with a buffer of £50m incorporated to ensure the General Fund has sufficient cash to meet its cash obligations. This measure shows the level to which the council can internally borrow based on the projection of the capital programme, movement of reserves and allowing for a liquidity buffer. Where the liability benchmark rises above the current debt portfolio, this shows a need for external borrowing, and where the benchmark reduces back below the current portfolio, it shows that the council will be over-borrowed based on current plans.

This graph demonstrates that the General Fund will need to externally borrow during 2026/27, and that the external borrowing requirement will peak at £291m in 2026/27, before falling. The graph also shows that based on current plans, new borrowing will be required until 2038/39, so a shorter period than the Council historically borrows over.

Whilst the Liability Benchmark is a good indicator of the General Fund's direction of travel in terms of borrowing need, it assumes that capital borrowing stops after the current capital planning period and ignores future borrowing beyond the planning period. Therefore, it should not be used in isolation when making long term decisions, but as part of a range of factors.

2.3 Housing Revenue Account (HRA) Borrowing Position and Strategy

The Housing Revenue Account (HRA) carries a fully funded borrowing position (i.e. the HRA does not borrow from its own reserves, but instead undertakes borrowing for its entire borrowing requirement). At the end of 2024/25, the HRA was temporarily under-borrowed from the General Fund by £46m in order to mitigate against undertaking external borrowing during a period of high interest rates. Table 5 demonstrates that the HRA has a new borrowing need of £136m to support the capital programme in 2025/26. External borrowing of £75m has been undertaken for the HRA during the year, therefore, up to £61m of new borrowing is expected to be required for the remainder of 2025/26, either borrowed externally, or temporarily from the General Fund.

2.3.1 HRA Borrowing Strategy for 2026/27

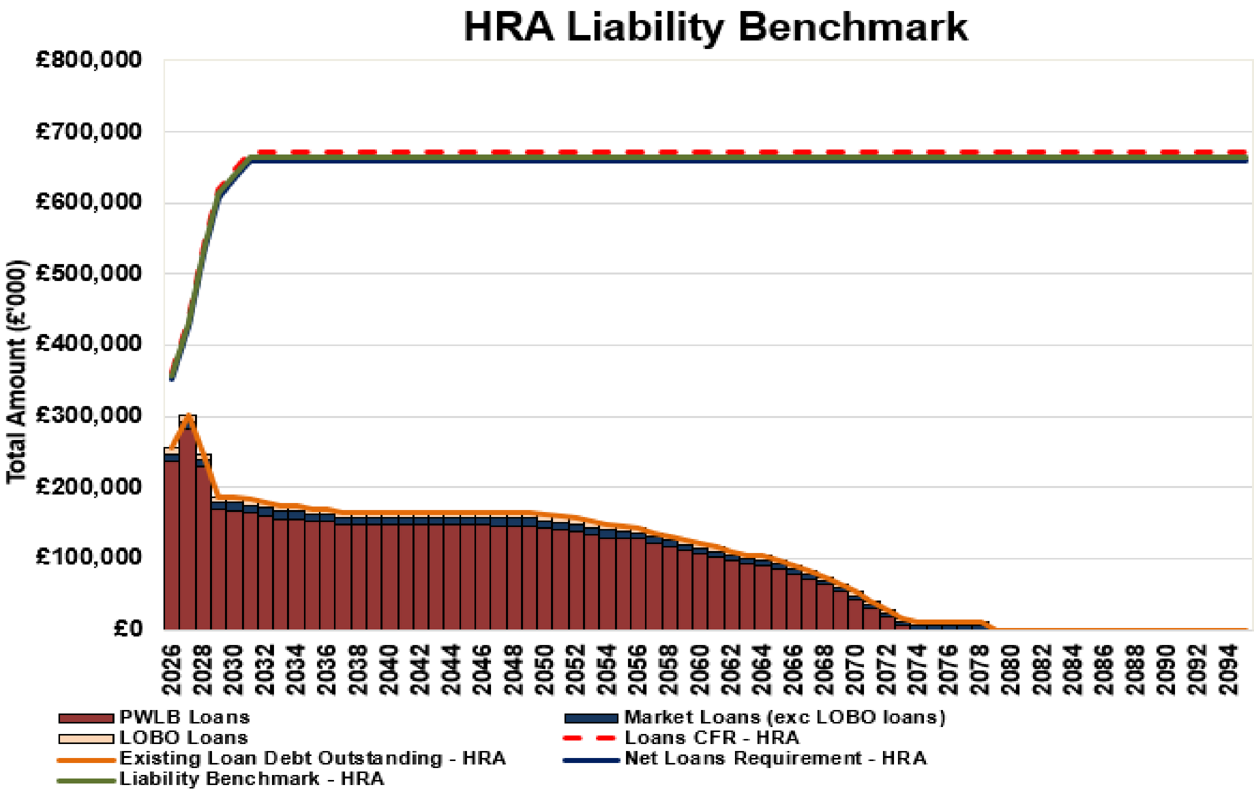
The HRA Capital Programme 2026/27 to 2028/29 forecasts a total £363m of capital investment over the next three years with £107m met from existing or new resources. The increase in the HRA's borrowing need over this period is therefore £256m as shown in **Table 3** below. It is expected that this borrowing need will be met from a combination of borrowing externally and from the General Fund. The extent to which the HRA can borrow from the General Fund is dependent on the level of liquid resources the General Fund has available to lend to the HRA and additionally will depend on the view of interest rate prospects:

- If it is considered that there is a significant likelihood of reducing long term interest rates, long term borrowing should be postponed;
- If it is considered that there is a significant risk of sharply increasing long term interest rates, long term borrowing should be considered.

2025/26 Projected £m	Table 3 – HRA Borrowing Requirement	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	Total £m
104	HRA Capital Expenditure	126	137	100	**363**
(43)	Funded by Existing Resources	(52)	(34)	(21)	**(107)**
61	**HRA Borrowing Need**	**74**	**103**	**79**	**256**

2.3.2 HRA Liability Benchmark

The Liability Benchmark graph for the HRA is shown below:



5) **External Debt –** The maturity profile of the current portfolio of HRA external debt is shown by the bars. The debt has a fairly gradual maturity profile which means that there are no requirements to pay back large amounts of debt in any one year. The more pronounced profile in the early years reflects shorter term borrowing undertaken when interest rates are high.

6) **Loans CFR –** This is the projections of the HRA's underlying borrowing requirement (or CFR) based on the current capital plans, and is shown by the top, red line. The 2025/26 opening Loans CFR was £301m, and it is expected to peak at £670m in 2030/31. This only shows the Loans CFR projection based on the current capital programme of the council, therefore if ongoing borrowing is required beyond 2030/31 then the CFR would rise further. The CFR is maintained at £670m as the HRA is not required to set aside MRP, and the current assumption is that the HRA will re-finance maturing debt. This strategy is subject to review, depending on the expectation of the long-term borrowing need in the HRA capital programme.

7) **Net Loans Requirement –** The expected net treasury position is shown by the bottom blue line. This shows a projection of the loans requirements measured by opening external debt for 2025/26 (£255m) less the opening HRA reserves for

2025/26 (£13m). The projections are then based on the expected borrowing within the capital programme and the expected movement in reserves and balances, and shows the borrowing requirement if the HRA were to utilise all of its reserves for internal borrowing. This line tracks very closely to the Loans CFR due to the borrowing requirement being proportionality high compared to the HRA reserves.

8) **Liability Benchmark –** The liability benchmark shows the Net Loan Requirement, but with a buffer of £5m incorporated to ensure the HRA has sufficient cash to meet its cash obligations. This measure shows the level to which the HRA can internally borrow based on the projection of the capital programme, movement of reserves and allowing for a liquidity buffer. The HRA liability benchmark demonstrates that the HRA needs to externally borrow for nearly all of its borrowing requirement, which is the current strategy.

The graph demonstrates that the HRA has an ongoing external borrowing requirement to the extent of its CFR.

2.4 Capital Financing Requirement

Table 4 below shows the impacts of the borrowing requirement against the Capital Financing Requirement (CFR). The CFR represents the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. Any capital expenditure which has not immediately been paid for through identified funding will increase the CFR. The CFR is reduced over time in the form of a Minimum Revenue Provision (MRP) charge, being a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life.

The table below also includes the impact of the additional borrowing requirement in the form of a capitalisation direction. Where revenue costs may be treated as capital expenditure by virtue of a capitalisation direction and the costs are financed by debt (borrowing), this will increase the council's CFR and MRP will be due. MRP guidance recommends that MRP in cases of capitalisation direction should be charged over a maximum of 20 years.

2025/26 Estimate £m	Table 4 – Capital Financing Requirement (CFR)	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund				
242	Opening Capital Programme CFR	284	323	322
53	Borrowing Need (table 2)	52	13	9
(11)	Minimum Revenue Provision	(13)	(14)	(15)
284	**Closing GF Capital Programme CFR**	**323**	**322**	**316**
-	Opening Capitalisation Direction CFR	-	15	14
-	Borrowing Need (table 2)	15	-	-
-	Minimum Revenue Provision	-	(1)	(1)
-	**Closing Capitalisation Direction CFR**	**15**	**14**	**13**
284	**Total Closing General Fund CFR**	**338**	**336**	**329**
Housing Revenue Account				
301	Opening Capital Programme CFR	362	436	539
61	Borrowing Need (table 3)	74	103	79
0	Minimum Revenue Provision	0	0	0
362	**Closing HRA Capital Programme CFR**	**436**	**539**	**618**

* *GF CFR in Table 4 is the underlying need to borrow and excludes PFI and lease arrangements, which are included in the CFR figures in the Prudential Indicators (Annex C).*
*** Includes both external debt and sums borrowed temporarily from the General Fund .*

Table 5 below shows the actual expected external debt compared to the capital financing requirement over the next 3 years for both the General Fund and the HRA. This demonstrates that the HRA CFR is expected to be fully funded to 2028/29, and the General Fund is expected to maintain an under-borrowed position.

2025/26 Estimate	Table 5 – Level of Borrowing	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
£m		£m	£m	£m
General Fund				
161	Capital Programme Opening External Debt	209	248	247
(1)	Expected Debt Maturity	(4)	(1)	(2)
49	Expected New Borrowing	43	-	-
209	**Capital Programme Closing External Debt**	**248**	**247**	**245**
284	**Capital Financing Requirement (table 4)**	**323**	**322**	**316**
75	**Capital Programme Under Borrowing**	**75**	**75**	**71**
-	Capitalisation Direction Opening External Debt	-	15	14
-	Expected Debt Maturity	-	(1)	(1)
-	Expected New Borrowing	15	-	-
-	**Capitalisation Direction Closing External Debt**	**15**	**14**	**13**
-	**Capital Financing Requirement (table 4)**	**15**	**14**	**13**
-	**Capitalisation Direction Under Borrowing**	**-**	**-**	**-**
Housing Revenue Account				
255	HRA Capital Programme Opening External Debt	362	436	539
(29)	Expected Debt Maturity	(53)	(60)	-
136	Expected New Borrowing	127	163	79
362	**HRA Capital Closing External Debt**	**436**	**539**	**618**
362	**Capital Financing Requirement (table 4)**	**436**	**539**	**618**
-	**HRA Capital Programme Under Borrowing**	**-**	**-**	**-**

The council's priority is to strike a balance between cost and certainty, and therefore the internal borrowing position will be carefully monitored to avoid incurring higher borrowing costs in the future at a time when the authority may not be able to avoid new borrowing to finance capital expenditure or refinance maturing debt.

2.5 Policy on Borrowing in Advance of Need

The council will not borrow purely in order to profit from investment of sums borrowed in advance of need. Any decision to borrow in advance will be within 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. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting.

2.6 Debt Rescheduling

Officers continue to regularly review opportunities for debt rescheduling but there has been a considerable widening of the difference between new borrowing and repayment rates, which has resulted in far fewer opportunities to realise any savings or benefits from rescheduling PWLB debt.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil long term treasury strategy aims;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).

The strategy is to continue to seek opportunity to reduce the overall level of the council's debt where prudent to do so, thus providing in future years cost reduction in terms of lower debt repayment costs, and potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All rescheduling will be agreed by the S151 Officer.

2.7 Interest Rate Risk & Continual Review

The council's total borrowing need of between 2026/27 and 2028/29 of £345m is identified in **Tables 2 & 3.** This borrowing need, together with the debt at risk of maturity shown in **Table 6**, is the extent to which the council is subject to interest rate risk over the next three years.

Table 6 – Debt Maturity	2026/27 £m	2027/28 £m	2028/29 £m
Maturing Debt	57	61	2
Debt Subject to early repayments options	10	10	5
Total debt at risk of maturity	**67**	**71**	**7**

Officers continue to review the need to borrow taking into consideration the potential increases in borrrowing costs, the need to finance new capital expenditure, the need to refinance maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

Against this background and the risks within the economic forecast, caution needs to be exercised. The S151 Chief Finance Officer will therefore continue to monitor interest rates in financial markets and adopt a proactive approach to changing circumstances as follows:

- if it was considered that there was a significant risk of a forthcoming sharp fall in long- and short-term rates (e.g. due to a marked increase in the risk of relapse into recession or increasing risk of deflation), then long term borrowings will be postponed and potential rescheduling from fixed rate funding into short term borrowing will be considered;
- if it was considered that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, then the portfolio position will be re-appraised with the likely action that borrowing would be undertaken and fixed rate funding drawn on whilst interest rates are still lower than they are expected to be in the next few years.

3 MINIMUM REVENUE PROVISION POLICY STATEMENT

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) regulation 2023, where the council has financed capital expenditure by borrowing, it is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the Minimum Revenue Provision - MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

Ministry of Housing, Communities and Local Government (MHCLG) regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options are available to councils, so long as the principle of any option selected ensures a prudent provision to redeem its debt liability over a period which is commensurate with the period over which capital assets are estimated to provide benefits (i.e. the estimated useful life of the asset being financed).

The Council is recommended to approve the following MRP Statement for 2026/27.

For all debt where the government has provided revenue support (supported capital expenditure), the MRP policy will be:

- Provision on a straight-line basis over 50 years.

For all debt where the government does not provide revenue support:

- Where the debt relates to an asset, the council will set aside a sum equivalent to repaying the debt over the life of the asset either in equal instalments or on an annuity basis over a maximum life of 50 years. The method to be adopted will be determined according to which is the most appropriate over the life of the asset.
- Where the debt relates to expenditure which is subject to a capitalisation direction issued by the government, the council will set aside a sum equivalent to repaying the debt over a period consistent with the nature of the expenditure on an annuity basis for a maximum of period of 20 years in accordance with the Statutory Guidance.
- Capital expenditure financed by borrowing will not be subject to an MRP charge until the financial year after the expenditure has been incurred, or in the case of assets under construction, MRP will be delayed until the relevant asset becomes operational.

Where the debt relates to capital loans to a third party:

- Where capital loans are provided to a 3rd party incorporating an annual repayment structure such as annuity or equal instalments of principal, the principal repayments will be set aside annually as capital receipts to finance the initial capital advance in lieu of making MRP over the loan term.
- Where capital loans are provided on a maturity basis, then the following approach will apply in accordance with the revised MHCLG MRP Guidance:
    - Commercial Loans – MRP provided over the associated asset life of the underlying assets acquired by the 3rd party
    - Service Loans – the authority will either:

    - apply a statutory exemption in making MRP, recognising any future Expected Credit Loss in accordance with proper accounting practices, or
    - provide MRP using the same methodology as for commercial loans
  - Where the debt relates to the i360 Limited, the council will set aside MRP on an annuity basis for a period equal to the original loan period

Where the debt relates to the Living Wage Joint Venture:

- For loans to the Living Wage Joint Venture to develop housing and subsequently dispose of these assets on completion, the council will set aside the capital receipt at the point of transfer in lieu of making an MRP payment. Loans to the Living Wage Joint Venture are considered to be service related and as such the council can apply a statutory exemption for setting aside MRP

For on-balance sheet PFI schemes and leases, the MRP policy will be:

- MRP will be measured as being equal to the element of the principal repayment that goes to write down the equivalent balance sheet liability.

There is the option to charge more than the prudential provision of MRP each year through a Voluntary Revenue Provision (VRP). The cumulative amount of any future VRP will be included in the MRP Policy Statement to enable the Authority to ‘offset’ this against future MRP charges. As at 31 March 2025 no VRP has been made by the Authority.

4 ANNUAL INVESTMENT STRATEGY

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals with financial investments. Non-financial investments are covered in the Capital Strategy (Appendix 2 of the budget report).

The council’s investment policy has regard to the following:

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

The council’s investment priorities will be the security of capital first, portfolio liquidity second and then yield (return). *The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority’s risk appetite.*

4.1 Annual Investment Strategy for 2026/27

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Greater returns are usually obtainable by investing for longer periods. However, based on the forecast of Bank Rate below, and the Councils’ ongoing challenging financial position, it is it is considered appropriate to maintain a large degree of liquidity to cover cash flow needs, but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions if cash balance allows.

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

- If it is predicted that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments on short term or variable terms.
- Conversely, if it is predicted that Bank Rate is likely to fall within that time period, consideration will be given to locking in the higher rates currently obtainable, for longer periods.

It is widely believed that the Bank Rate has peaked, with the expectation of continuing gradual interest rate reductions. There have already been a number of rates cuts during 2025/26, with the prospect of further rate cuts into 2026/27 and beyond. Bank Rate forecasts for financial year ends (March), as per the council's treasury management advisors (MUFG) are:

Year	2025/26	2026/27	2027/28	2028/29
Bank Rate	3.75%	3.25%	3.25%	3.25%

The MUFG view on the prospect for interest rates, including their forecast for short term investment rates is appended at Annex B.

The primary principle governing the council's investment criteria is the security of its investments but return on investment is also important. After this main principle, the council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security;
- It has sufficient liquidity in its investments.

4.1.1 Approach for 2026/27

The council's investment balances have been in steady decline since 2022/23 as result of a number of factors, such as repayment of temporary central government support received during the Covid-19 pandemic, planned use of reserves, debt maturities and the Council's ongoing Targeted Budget Monitoring position. Treasury management activity during 2025/26 has focused on keeping cash liquid as opposed to reinvesting maturing investment into longer term, higher yielding deals, to ensure cash is available when required and avoid the need for long term borrowing in a falling interest rate environment.

Investment returns are expected to reduce further in 2026/27 due to a combination of reducing interest rates and reducing reserve balances. Work is therefore being undertaken to try and maximise cash to ensure investment income is protected as far as possible. This work includes measures to improve the working capital (that is, the timing differences between the council paying its suppliers and receiving money from its customers), and a review of the timing of capital projects undertaken by the officer led Capital Programme Board. The Financing Costs budget for the medium term has been prepared to include these measures.

The environment for borrowing has not been attractive during 2025/26 due to long term interest rates remaining elevated. The council has therefore continued with a policy of avoiding long-term borrowing in a falling interest environment, maximising internal borrowing as much as possible. An exception has been the entering into four tranches of PWLB totalling £75m to support the HRA borrowing position, on terms of up to 2 years, when it is expected to be refinanced at a lower interest rates. Further borrowing will be required in the final quarter of 2025/26 and into 2026/27 to replace internal and maturing borrowing, although this will only be done based on an assessment of cash flow requirements and the interest rate outlook.

In February 2021, £10.0m was invested across two short term bond funds managed by Royal London Asset Management. There has been a fall in the capital value as a result to the increase in interest rates. There is no impact on the council's income from these funds, and a current statutory override means that there is no impact on the council's budget as a result of this change in value. The MHCLG has extended the IFRS 9 statutory override to apply to existing local authority investments in pooled investment funds until 1st April 2029, to provide local authorities with additional time to manage their investment strategies. The council is still receiving an appropriate level of revenue income from these funds.

4.1.2 Changes from 2025/26 Strategy

There are no changes proposed to the 2026/27 Annual Investment Strategy.

4.2 Investment Policy – Management of risk

The guidance from MHCLG and CIPFA outlined in 4 places a high priority on the management of risk. The Council has a prudent approach to managing risk and defines it's risk appetite by the following means:

i) Minimum acceptable credit criteria are applied in order to generate a list of high creditworthy counterparties. This also enables diversification and thus avoids a concentration of 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 monitor market pricing such as "credit default swaps" (CDS) and overlay that information on credit ratings.

iii) Other information sources used will include the financial press, share prices 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.

iv) Where there is a significant or sudden deterioration in one or more indicators (such as CDS prices), officers will undertake a review and, where necessary take action. This action may take the form of temporary suspension of a counterparty from the council's approved lending list, or a restriction of the maximum period and investment limits.

v) This authority has defined the list of types of investment instruments that the treasury management team are authorised to use.

a. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year. The limits and permitted instruments for specified investments are listed within Table 7.

b. **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. The limits and permitted instruments for non-specified investments are listed within Table 8.

vi) Lending limits (amounts and maturity) for each counterparty will be set through applying the credit criteria matrix (within Table 8).

vii) This authority will set limits for the amount of its investments:

a. which are invested for longer than 365 days, detailed in the Treasury Indicators in Annex C;

b. which are invested in any one sector (paragraph 4.5);

c. which are invested in any one counterparty within its relevant sector (paragraph 4.5).

viii) Investments in Non-UK Banks will only be placed with counterparties from countries with a specified minimum sovereign rating of AA (paragraph 4.3).

ix) Investments in UK banks will only be placed with counterparties with a minimum credit rating of BBB.

x) This authority has engaged external consultants, (see paragraph 5.3), 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.

xi) All investments will be denominated in sterling.

xii) As a result of the change in accounting standards under IFRS 9, this Authority 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 (see section 5.6).

xiii) The application of a risk benchmark (paragraph 4.7) to monitor the expected potential loss within the investment portfolio on an ongoing basis.

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 (see paragraph 4.78). Regular monitoring of investment performance will be carried out during the year.

4.3 Sovereign Credit Ratings

For 2026/27 it is recommended to maintain the policy of lending to sovereign nations and their banks which hold at least an AA- credit rating. The list of countries that qualify using this credit criteria (as at the date of this report) are shown below:

AAA Australia, Denmark, Germany, Netherlands, Norway, Singapore, Sweden, Switzerland
AA+ Canada, USA
AA Abu Dhabi (UAE), Finland,
AA- **United Kingdom**

4.4 Creditworthiness Policy

Each counterparty included on the council's approved lending list must meet the criteria set out below. Without the prior approval of the Council, no investment will be made in an instrument that falls outside the list below.

Table 7 below summarises the types of specified investment counterparties available to the council, and the maximum amount and maturity periods placed on each of these. A full list of the council's counterparties and the current limits for 2026/27 are appended at Annex A.

When assessing credit ratings to ascertain limits for each counterparty, the lowest short- and long-term ratings from each of the three ratings agencies is applied. For simplicity, the ratings for Standard & Poor's are used in the tables below.

4.4.1 Criteria for Specified Investments

All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' rating criteria where applicable:

Table 7	Country/ Domicile	Minimum Capital Require-ments	Min. Credit Criteria (L/term / S/term)	Max Amount	Max. maturity period
Debt Management and Deposit Facilities (DMADF)	UK	N/A	N/A	unlimited	6 months
UK Local Authorities	UK	N/A	UK Sovereign Rating	£20m per LA	12 months
UK Banks – part nationalised*	UK	UK government must own majority shareholding	N/A	£30m	12 months
UK Banks & credit rated Building Societies	UK	Must meet minimum credit criteria	AA- / A-1+	£30m	12 months
			A / A-1	£20m	12 months
			BBB / A-2	£15m	6 months
Banks – Non-UK	Those with sovereign rating of at least AA*	Must meet minimum credit criteria	AA- / A-1+	£30m	12 months
Non-rated Building Societies	UK	Must have an asset base of at least £5bn at the time of investment	N/A	£5m	6 months

Table 7	**Country/ Domicile**	**Minimum Capital Require-ments**	**Min. Credit Criteria (L/term / S/term)**	**Max Amount**	**Max. maturity period**
Money Market Funds (CNAV and LVNAV)	UK / Ireland / EU domiciled	Must meet minimum credit criteria	AAA	£20m per fund	Liquid
Ultra Short Dated Bond Funds	UK / Ireland / EU domiciled	Must meet minimum credit criteria	AA	£20m per fund	Liquid

*See Paragraph 4.3 for full list of countries that meet these criteria

4.4.2 Lending to the council's operational banking service provider

An additional operating limit of £2m and an additional investment limit of £5m will be provided for the council's provider of transactional banking services (currently Lloyds Bank plc). It is unavoidable that the £2m operational limit will be breached from time to time however, officers will endeavour to keep this to an absolute minimum.

4.4.3 Part-Nationalised Banks

The council can lend up to £30m for up to 12 months to any bank in which the UK Government holds a majority shareholding regardless of the credit rating due to the implied government support of those entities.

4.4.4 Non-Specified investments

These are any other types of investment that are not defined as specified.

Table 8	**Instrument Type**	**Minimum credit criteria (L/term / S/term)**	**Max. Amount 2025/26**	**Period (Years)**
UK Local Authorities	N/A	N/A	£20m per LA	5
UK Banks & Non UK Banks	Fixed Deposits	AA+ / A-1+	£30m	3
		AA- / A-1+	£30m	2
	Negotiable Instruments	AA- / A-1+	£30m	5
Short Dated Bond Funds	UK/Ireland/EU domiciled	Short Dated bond funds are not rated. A selection process will evaluate relative risks & returns. Security of the council's money and fund volatility will be key measures of suitability	£15m per fund	Liquid

A full list of counterparties that meet the council's criteria for both specified and non-specified investments are listed in Annex A.

4.5 Other Limits

In order to mitigate concentration risk, there are a number of other limits imposed within the investment strategy. **Table 9** sets out the maximum permitted investment for each sector at the time of investment:

Table 9 – Other Limits	
Sector	**Max total of portfolio**
Banking sector	100%
Building Society Sector	75%
Local Authority Sector	100%
Money Market Funds (MMF)	100%
Short Dated & Ultra Short Dated Bond Funds	50%
Debt Management Account Deposit Facility (DMADF)	100%

In addition to these limits:

- no more than 25% of the portfolio can be invested for more than 1 year; and
- with the exception of MMF & the DMADF, no one counterparty may have more than 25% of the relevant sector maximum at the time the investment is made.

4.6 Approved Methodology for adding and removing counterparties

A counterparty shall be removed from the council's list where a change in their credit rating results in a failure to meet the criteria set out above.

A new counterparty may only be added to the list with the written prior approval of the Chief Finance Officer and only where the counterparty meets the minimum criteria set out above.

A counterparty's exposure limit will be reviewed (and changed where necessary) following notification of a change in that counterparty's credit rating or a view expressed by the credit rating agency warrants a change.

A counterparty's exposure limit will also be reviewed where information contained in the financial press or other similar publications indicates a possible worsening in credit worth of a counterparty. The review may lead to the suspension of any counterparty where it is considered appropriate to do so by the Chief Finance Officer.

4.7 Investment Risk Benchmarking

The weighted average benchmark risk factor for 2026/27 is recommended to be 0.05%. This is unchanged from 2025/26. This is a measure of the percentage of the portfolio deemed to be at risk of loss by reference to the maturity date, value of investment, and credit rating of the individual investments within the portfolio compared to the historic default data for those credit ratings.

This benchmark is a simple target (not limit) to measure investment risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that the in-house treasury team can monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the mid-year or end of year reviews.

This matrix will only cover internally managed investments, excluding externally managed cash that has been subject to an individual selection process. It also excludes funds lend to other Local Authorities, consistent with the CIPFA Accounting Code.

For any investment where there is a direct and legal offset against an existing financial liability, the investment will be assumed to have a benchmark risk of 0.00%.

4.8 Investment Performance Benchmarking

The performance of the Council's investment portfolio will be measured against the overnight SONIA Rate.

5 OTHER TREASURY MATTERS

5.1 Banking Services

Lloyds Bank plc currently provides banking services for the council.

5.2 Training

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

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

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

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

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

Training was last provided and offered to all members on 19 January 2024. A virtual recording of this training session is available on the Members section of the council's learning platform. Further training sessions will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function and members who are responsible for decision making and scrutiny of the Treasury function is maintained by the Principal Accountant -Treasury.

A monthly Treasury Management Bulletin is provided to lead Finance members of the main political groups.

5.3 Policy on the use of External Service Providers

The council uses MUFG as its external treasury management advisors.

The council recognises that responsibility for treasury management decisions remains with the council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

5.4 Lending to Third Parties

The council has the power to lend monies to third parties subject to a number of criteria. These are not treasury type investments, rather they are policy investments. Any activity will only take place after relevant due diligence has been undertaken, as described in the Capital Strategy (Appendix 5 to the budget report).

5.5 Updates to the Codes of Practice 2021

CIPFA published the revised Treasury and Prudential codes in 2021. Full adoption of the new Codes was fully incorporated within the strategy for 2023/24.

5.6 Updates to Accounting Requirements

IFRS 9 – local authority override – English local authorities

The MHCLG has extended the IFRS 9 statutory override to apply to existing local authority investments in pooled investment funds that were made before 1st April 2024. The government has extended this specific override for these existing investments until 1st April 2029, to provide local authorities with additional time to manage their investment strategies.

However, any new investments in pooled investment funds made on or after 1st April 2024 are subject to the standard IFRS 9 accounting requirements, meaning fair value movements must be recognised directly in the general fund. The override prevents these "paper" fluctuations from immediately impacting the authority's revenue accounts and annual balanced budget requirement.

Additionally, IFRS9 impacts the write-down in the valuation of impaired loans.

ANNEX A - Approved List of Counterparties 2026/27

Counterparty	Specified /Non-specified	Short-term			Long-term			Lending Limit	Fixed deposit duration limit (months)
		F=Fitch M=Moody's SP=Standard & Poor's							
		F	M	SP	F	M	SP		
(1) UK Banks									
Lloyds Banking Group:									
Bank of Scotland PLC (RFB)	Specified	F1+	P-1	A-1	AA-	A1	A+	£20m	12
Lloyds Bank PLC (RFB)	Specified	F1+	P-1	A-1	AA-	A1	A+	£20m	12
Lloyds Bank Corporate Markets PLC (NRFB)	Specified	F1+	P-1	A-1	AA-	A1	A	£20m	12
Total Max. exposure to Lloyds Banking Group								£20m	12
Barclays Banking Group:									
Barclays Bank PLC (NRFB)	Specified	F1	P-1	A-1	A+	A1	A+	£20m	12
Barclays Bank UK PLC (RFB)	Specified	F1	P-1	A-1	A+	A1	A+	£20m	12
Total Max. exposure to Barclays Banking Group**								£20m	6
HSBC Group:									
HSBC Bank PLC (NRFB)	Specified	F1+	P-1	A-1	AA-	A1	A+	£20m	12
HSBC UK Bank PLC (RFB)	Specified	F1+	P-1	A-1	AA-	Aa3	A+	£20m	12
Total Max. exposure to HSBC Group**								£20m	12
RBS/Natwest Group:									
Natwest Markets PLC (NRFB)	Specified	F1+	P-1	A-1	AA-	A1	A	£20m	12
National Westminster Bank PLC (RFB)	Specified	F1+	P-1	A-1	AA-	A1	A+	£20m	12
The Royal Bank of Scotland PLC (RFB)	Specified	F1+	P-1	A-1	AA-	A1	A+	£20m	12
Total Max. exposure to RBS/Natwest Group**								£20m	12
Clydesdale Bank PLC	Specified	F1	P-1	A-1	A	A1	A+	£20m	12
Goldman Sachs International Bank	Specified	F1	P-1	A-1	A+	A1	A+	£20m	12
Handelsbanken PLC	Both	F1+		A-1+	AA		AA-	£20m	12
Santander UK PLC	Specified	F1	P-1	A-1	A+	A1	A	£20m	12
Standard Chartered Bank	Specified	F1	P-1	A-1	A+	A1	A+	£20m	12
SMBC Bank International Plc	Specified	F1	P-1	A-1	A-	A1	A	£15m	6
(2) Building Societies+									
Coventry (2)	Specified	F1	P-2		A-	A3		£15m	6
Leeds (5)	Specified	F1	P-2		A-	A3		£15m	6
Nationwide (1)	Specified	F1	P-1	A-1	A	A1	A+	£20m	12
Yorkshire (3)	Specified	F1	P-1		A-	A2		£15m	6
Skipton (4)	Specified	F1	P-1		A-	A2		£15m	6
(3) Non-UK Banks									
Toronto Dominion (Canada)	Both	F1+	P-1	A-1	AA-	Aa1	A+	£30m	24

Counterparty	Specified /Non-specified	Short-term			Long-term			Lending Limit	Fixed deposit duration limit (months)
		F=Fitch M=Moody's SP=Standard & Poor's							
		F	M	SP	F	M	SP		
Nordea Bank Abp (Finland)	Both	F1+	P-1	A-1+	AA-	Aa2	AA-	£30m	24
Landwirtschaftliche Renenbank (Germany)	Both	F1+	P-1	A-1+	AAA	Aaa	AAA	£30m	36
NRW.BANK (Germany)	Both	F1+	P-1	A-1+	AAA	Aa1	AA	£30m	24
Nederlandse Waterschapsbank N. V. (The Netherlands)	Both		P-1	A-1+		Aaa	AAA	£30m	36
DBS Bank Ltd (Singapore)	Both	F1+	P-1	A-1+	AA-	Aa1	AA-	£30m	24
Overseas Chinese Banking Corporation Limits (Singapore)	Both	F1+	P-1	A-1+	AA-	Aa1	AA-	£30m	24
United Overseas Bank Limited (Singapore)	Both	F1+	P-1	A-1+	AA-	Aa1	AA-	£30m	24
Svenska HandelsBanken AB (Sweden)	Both	F1+	P-1	A-1+	AA	Aa2	AA-	£30m	24
First Abu Dhabi Bank PJSC	Both	F1+	P-1	A-1+	AA-	Aa3	AA-	£30m	24
Bank of New York Mellon (USA)	Both	F1+	P-1	A-1+	AA	Aa1	AA-	£30m	24

Ratings as advised by Link Asset Services January 2026

+ UK Building Societies ranking based on Total Asset size – Source: Building Societies Association Jan 2026

** Where there are multiple counterparties within a banking group, exposure to the overall group will be the largest limit, but exposure to individual counterparties within the group will be based on the individual counterparty limit.

ANNEX B - ECONOMIC OVERVIEW & INTEREST RATE VIEW

Provided by MUFG, December 2025

- The first half of 2025/26 saw:
  - A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
  - The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
  - CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
  - The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August (and subsequently to 3.75% in December).
  - The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 - 2028 is currently forecast by the Office for Budget Responsibility to be in the region of 1.5%.
- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was only 0.1% q/q.
- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but headwinds are gathering.
- Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.
- Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was

going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.

- Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.
- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nearly all the months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.
- A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September (still at that level in November). The rate for the private sector has slipped just below 4% as the year end approaches.
- CPI inflation remained at 3.8% in September but dropped to 3.2% by November. Core inflation also fell to 3.2% by November while services inflation fell to 4.4%. Nonetheless, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced

demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by late December had fallen back again to a little over 4.50%.

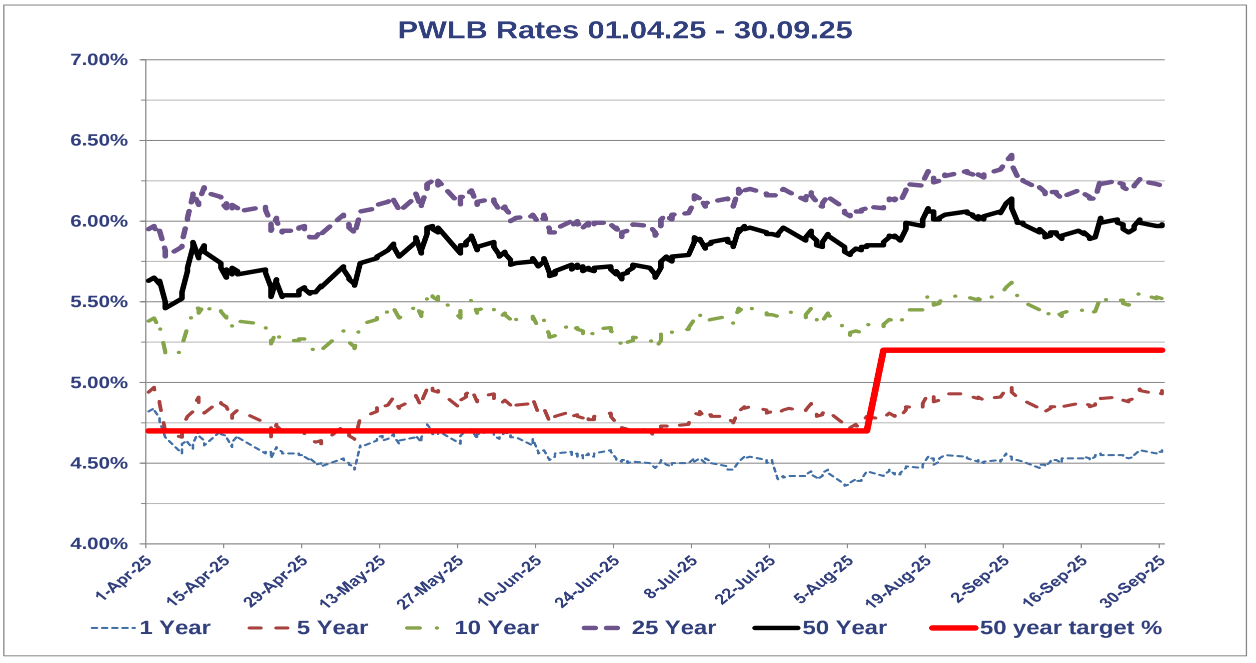
- The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900. By late December, the index had clung on to most of those gains standing at 9,870 on 23 December.

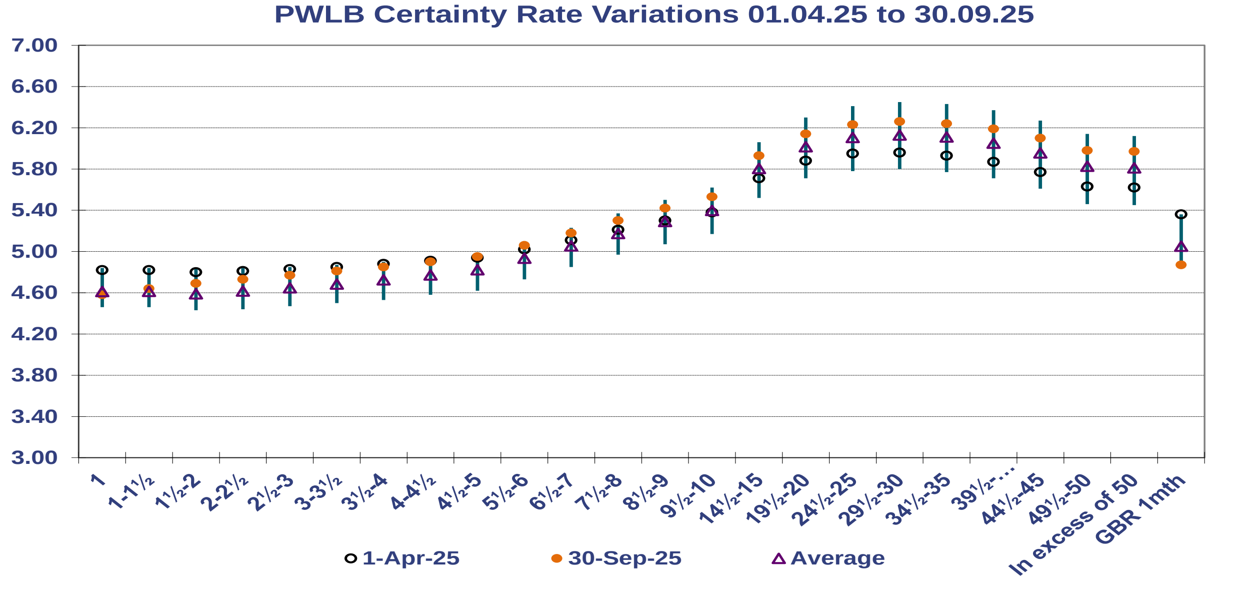
MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 18 December 2025

- There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June’s vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for “signs of weak demand”, “supply-side constraints” and higher “inflation expectations”, mainly from rising food prices. By repeating the well-used phrase “gradual and careful”, the MPC continued to suggest that rates would be reduced further.
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was “finely balanced” and reiterating that future rate cuts would be undertaken “gradually and carefully”. Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that “a gradual and careful” approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to

3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

- **PWLB RATES 01.04.25 - 30.09.25**





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%

Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low Date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High Date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

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 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

- 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 debt	Current borrowing rate as at 22.12.25 p.m.	Target borrowing rate now (end of Q4 2027)	Target borrowing rate previous (end of Q4 2027)
5 years	4.81%	4.10%	4.20%
10 years	5.39%	4.70%	4.70%
25 years	6.01%	5.30%	5.30%
50 years	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.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

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

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

ANNEX C - PRUDENTIAL AND TREASURY INDICATORS 2026/27 to 2028/29

The council's capital expenditure plans are a key driver of treasury management activities. The output of the capital expenditure plans are reflected in prudential indicators. Local authorities are required to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable. The Code sets out the indicators that must be used but does not suggest limits or ratios as these are for the authority to set itself.

The Prudential Indicators for 2026/27 to 2028/29 are set out in **Table A** below:

Table A	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund (GF) Prudential Indicators			
GF Capital Expenditure £m (gross) General Fund capital expenditure plans	£113m	£72m	£32m
GF Capital Financing Requirement £m Measures the underlying need to borrow for capital purposes (including PFI & Leases)	£380m	£375m	£366m
Capitalisation Direction £m (gross) Council's application to borrowing for capitalisation direction	£15m	-	-
Capital Financing Requirement for Capitalisation Direction £m Measures the underlying need to borrow for capitalisation direction	£15m	£14m	£13m
GF Ratio of capital programme financing costs to net revenue stream** Identifies the trend in the cost of capital programme (borrowing and other long term obligation costs net of investment income) against net revenue stream	6.25%	6.76%	6.89%
GF Ratio of capitalisation direction financing costs to net revenue stream* Identifies the trend in the cost of EFS capitalisation direction borrowing against net revenue stream	0.24%	0.36%	0.36%
GF Ratio of total financing costs to net revenue stream** Identifies the trend in the cost of capital programme and capitalisation direction (borrowing and other long term obligation costs net of investment income) against net revenue stream	6.49%	7.12%	7.25%
Housing Revenue Account (HRA) Prudential Indicators			
HRA Capital Expenditure £m (gross) HRA capital expenditure plans	£126m	£137m	£100m
HRA Capital Financing Requirement £m Measures the underlying need to borrow for capital purposes	£436m	£539m	£618m
HRA Ratio of financing costs to net revenue stream* Identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against net revenue stream	13.71%	17.70%	21.97%

** the ratio of financing costs to net revenue stream illustrates the percentage of the Council's net revenue budget being used to finance the council's borrowing. This includes interest costs relating to the council's borrowing portfolio and MRP. Previously this was shown net of the investment income from the council's investment portfolio, but this has been removed following changes to the Treasury Management Code.*

The Treasury Management Code requires that Local Authorities set a number of indicators for treasury performance in addition to the Prudential Indicators which fall under the Prudential Code. The Treasury Indicators for 2025/26 to 2027/28 are set out in **Tables B & C** below. These have been calculated and determined by Officers in compliance with the Treasury Management Code of Practice:

Table B	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Authorised Limit for External Debt £m The council is expected to set a maximum authorised limit for external debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council.	£896m	£955m	£1,025m
Operational boundary for external debt £m The council is required to set an operational boundary for external debt. This is the limit which external debt is not normally expected to exceed. This indicator may be breached temporarily for operational reasons.	£866m	£925m	£995m
Principal Sums invested for longer than 365 days	£40m	£40m	£40m

Table C **Maturity Structure of fixed interest rate borrowing*** The council needs to set upper and lower limits with respect to the maturity structure of its borrowing.		
	Lower	Upper
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	50%
5 years to 10 years	0%	75%
Over 10 years	40%	100%

ANNEX D - SCHEME OF DELEGATION

1. Full Council

- Approval of Annual Investment Strategy, Treasury Management Strategy Statement, Capital Strategy, Treasury Management Policy Statement;
- Approval of the Minimum Revenue Provision Policy;
- Approval of the Prudential and Treasury indicators, including the Affordable borrowing limits;
- Approval of the annual revenue budget for financing costs.

The requirements are all contained within this appendix (TMSS incorporating the AIS) and Appendix 5 (Capital Strategy) of the budget report.

- Any changes to the Annual Investment Strategy during the year require approval by full Council.
- Full Council are able to delegate the implementation and monitoring of the treasury management function. This function is delegated to the Cabinet.

2. Cabinet

- Approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;
- Budget development, consideration and approval;
- Approval of the division of responsibilities;
- Receiving and reviewing regular monitoring reports and acting on recommendations.

Cabinet receives the following reports in order to fulfil these requirements:

- A **Mid-Year Review Report** – an update on progress of the treasury and investment strategy against budget and the treasury & prudential indicators for the first six months of the year. Any amendments to the indicators or investment strategy require Cabinet to recommend that full Council approve the changes. This report is now embedded as part of the TBM7 Budget Monitoring report.

- **End of Year Review report** – an update regarding the actual outturn of the treasury position provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This report is now embedded as part of the Outturn Budget Monitoring report.

- **Regular TBM reports** - includes the revenue impact of the financing cost budget.

Cabinet is the body held responsible for the scrutiny of the actual performance of the treasury activities against the strategy.

3. Role of the Section 151 Officer

The council’s appointed Section 151 Chief Financial Officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;

- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

There are further responsibilities for the S151 Officer identified within the 2021 Code in respect of non-financial investments. They are identified and listed in the Capital Strategy where relevant.