

# TREASURY MANAGEMENT STRATEGY 2026-27

## Background

- 5.1 The Council is required to operate a balanced budget. Part of the council's treasury management operation is to ensure that cash flow is planned, so that cash is available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk appetite, providing security and liquidity before considering investment return.
- 5.2 Another function of treasury management is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing needs 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 loans (external borrowing) or using cash flow surpluses (internal borrowing). Sometimes, when it is prudent and economic, loan debt may be restructured to support the Council's risk or cost objectives.
- 5.3 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 expenditure or for larger capital projects. The council's treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the 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 result in a loss of resources to the General Fund.
- 5.4 The Chartered Institute of Public Finance & Accountancy (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."
- 5.5 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.
- 5.6 This section of the budget report meets the council's legal obligation under the Local Government Act 2003 to have regard to relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the Ministry of Housing, Communities and Local Government (MHCLG).
- 5.7 This section of the budget report also fulfils the requirement for council to approve:

- A treasury management strategy before the start of each financial year (as required by CIPFA's Treasury Management Code) including treasury indicators.
  - Prudential indicators to ensure that the council's capital investment plans are affordable, prudent and sustainable (as required by CIPFA's Prudential Code).
  - An annual investment strategy before the start of each financial year (as required by MHCLG's Investment Code).
  - A Minimum Revenue Provision (MRP) policy (as required by MHCLG's MRP guidance).
- 5.8 The council's investment in commercial property, equity shares, and lending to third parties is considered in the capital strategy in Section 4.
- 5.9 However, for the purposes of clarity, the projections, indicators and limits given in this section of the budget report include:
- The general fund and HRA proposed capital programme and its funding as set out in Section 4, Tables 4.2, 4.4 and 4.5.
  - The implications for the council's capital financing requirement and borrowing position arising from the non-financial investments proposed in Section 4 of this report.

## **Reporting Requirements**

### **Capital Strategy**

- 5.10 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will 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 risk is managed
  - the implications for future financial sustainability
- 5.11 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.

### **Treasury management reporting requirements**

- 5.12 The Council's Treasury Management Committee meets quarterly to support the in-depth consideration of a range of matters relating to the governance of the Council's treasury management activity.

5.13 To support the Committee to meet its terms of reference and schedule forward meeting dates, a core annual workplan has been adopted as follows:

January	<b>Treasury Management Committee - January Meeting</b> • Consider the Annual Treasury Management Strategy Statement (TMS) prior to adoption by council
February	Full Council to receive Treasury Management Strategy
March	Full Council to receive Treasury Q3 report.
April	<b>Treasury Management Committee - April Meeting</b> • Review proposed treasury activity for forthcoming year • Initial update on end of year position
May	Statutory Accounts preparation
June	Treasury Management Outturn Report preparation
July	<b>Treasury Management Committee - July Meeting</b> • Consider outturn position report
August	Full Council to receive Treasury Management Outturn Report
October	Treasury Management Mid-Year Review Report preparation
November	<b>Treasury Management Committee - November Meeting</b> • Consider mid-year report • Consider initial Treasury Management Strategy changes for forthcoming year • Agree the Committee annual workplan
December	Full Council to receive Treasury Management Mid-Year Review Report and Q1

5.14 All Treasury Management quarterly reports will initially be presented to the Treasury Management Committee before onward reporting to Cabinet and Full Council.

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

- Annual reporting requirements before the start of the year including - a review of the organisation's approved plans, treasury management policy statements, prudential and treasury indicators and treasury strategy (this report).
- A mid-year treasury management report – This will update members with the progress of activities undertaken, any material decisions, interim performance including an update on the capital position and amend any policies or prudential indicators as necessary.
- An annual treasury report after year-end – This provides details of compliance with prudential and treasury indicators, the impact of actual treasury operations compared to the estimates within the strategy.

5.16 As part of implementing the new requirements of the Treasury Management Code of Practice, in addition to the three major reports detailed above, quarterly reporting (to the end of June and to the end of December) is also

required. These additional reports will also be presented to the Treasury Management Committee. Full details of the scheme of delegation are shown at Appendix D.

### **Treasury management - role of the Section 151 Officer**

- 5.17 Under the Treasury Management Code of Practice, the council's S151 officer has specific responsibilities. A list of responsibilities is supplied at Appendix E.

### **Treasury management practices**

- 5.18 The new CIPFA Treasury Management Code provides details of what CIPFA recommends an organisation's treasury management practices (TMPs). Each TMP requires a detailed explanation of the practices undertaken by the Council's Treasury Management team. The council's TMP's will continue to be developed to respond to best practice and regulatory updates.

### **Treasury Management Strategy 2026-2027**

- 5.19 The strategy for 2026-2027 covers two main areas:

#### **Capital issues:**

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

#### **Treasury management issues:**

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

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

### **Training**

- 5.21 The CIPFA Treasury Management Code requires the responsible officer to ensure that all staff and members with responsibility for treasury management receive adequate training in this area. The S151 officer is responsible for this function in this Council. Full details of the S151 officer's responsibilities are shown at Appendix E.
- 5.22 The Code also states that "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective

acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

5.23 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 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.”

5.24 The training needs of treasury management officers are recorded and periodically reviewed as part of the formal annual employee performance review. Member training is delivered via the Treasury Management Committee. At its meeting on 22nd July 2025 members of the Treasury Management Committee received training presentations from the Councils Treasury Advisors including an Economic Outlook and balance sheet review.

### **Treasury management advisers**

5.25 The council used MUFG Investor Services as its external treasury management advisers until October 31<sup>st</sup> 2025. From 1<sup>st</sup> November 2025 the council appointed Arlingclose as its external treasury management advisers.

5.26 Responsibility for treasury management decisions remains with the council at all times. Although the council will from time to time require the services of specialists, consultants and advisers in order to acquire access to specialist skills, undue reliance will not be placed upon the services and advice provided.

### **The Capital Prudential Indicators 2026-2027 to 2030-2031**

5.27 The council's capital expenditure plans are a key driver of treasury management activity. A summary of the council's capital budget plans and how these are being financed is shown in Table 5.1. The prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

### **Capital Expenditure and Financing**

5.28 This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of the new

budget cycle. The table below summarises the capital expenditure plans for the General Fund and HRA and how these plans are being financed by capital or revenue resources. Any shortfall of capital resources results in a need for borrowing. Further details are set out in the Capital and Commercial Strategy in Section 4.

**Table 5.1: The council's capital expenditure and financing plans**

	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £000
<b>Capital expenditure</b>						
General Fund	48,171	21,408	8,060	22,718	2,420	1,920
Capital Loans	0	1,000	0	0	0	0
<b>Total General Fund Expenditure</b>	<b>48,171</b>	<b>22,408</b>	<b>8,060</b>	<b>22,718</b>	<b>2,420</b>	<b>1,920</b>
Housing Revenue Account	40,549	67,483	54,731	46,391	45,815	46,155
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>88,720</b>	<b>89,892</b>	<b>62,792</b>	<b>69,109</b>	<b>48,235</b>	<b>48,075</b>
<b>Financing</b>						
Capital receipts	5,898	13,794	24,940	3,328	457	490
Retained "one for one" RTB receipts	8,541	20,586	8,219	2,223	6,642	1,500
Major repairs reserve	22,400	27,752	17,428	17,782	18,076	18,354
Contributions and grants	41,005	15,903	7,684	2,236	1,850	1,850
Revenue contribution	114	0	0	23,128	20,711	25,881
Greater Norwich growth partnership	1,470	1,471	0	0	0	0
Community infrastructure levy	240	218	80	212	358	0
S106	1,600	1,986	0	0	0	0
<b>Total</b>	<b>81,268</b>	<b>81,710</b>	<b>58,351</b>	<b>48,908</b>	<b>48,093</b>	<b>48,075</b>
<b>Borrowing need for the year</b>	<b>7,451</b>	<b>8,181</b>	<b>4,441</b>	<b>20,200</b>	<b>142</b>	<b>0</b>
<b>TOTAL FINANCING</b>	<b>88,720</b>	<b>89,892</b>	<b>62,792</b>	<b>69,108</b>	<b>48,235</b>	<b>48,075</b>

### **The Authority's Borrowing Need (the Capital Financing Requirement)**

5.29 The Capital Financing Requirement (CFR) calculation for 2026-2027 and future years of the capital programme is shown below in Table 5.2(i). This is the total historic outstanding capital expenditure yet to be financed from revenue or capital resources and a future projection of CFR based on capital expenditure plans. It is a measure of the council's indebtedness, and therefore its underlying borrowing need. The CFR also includes other long-term liabilities such as finance leases.

5.30 From 2025-2026 the CFR incorporates figures in relation to the new reporting requirements detailed within IFRS16. The reporting standard required that liabilities of certain leases previously accounted for through the revenue spend of the Council, to be shown on the balance sheet, for example, if the lease has more than a year to run or is above a de-minimis value. An example for Norwich is vehicles procured through an operating lease.

- 5.31 The Council implemented IFRS16 during 2024-2025. Officers collated the required data and model calculations to update the CFR and MRP for the Council. Processes are in place to ensure lease data is updated regularly and the impact on the authorised limit and operational boundary assessed as part of the closure of accounts process.
- 5.32 The general fund CFR does not increase indefinitely, as a Minimum Revenue Provision (MRP) is made each year which is a statutory annual revenue charge which broadly reduces indebtedness in line with each asset's expected life
- 5.33 The repayment of loan debt made to external organisations also reduces the CFR where the loan has been financed by borrowing.

**Table 5.2(i): Capital Prudential Indicators**

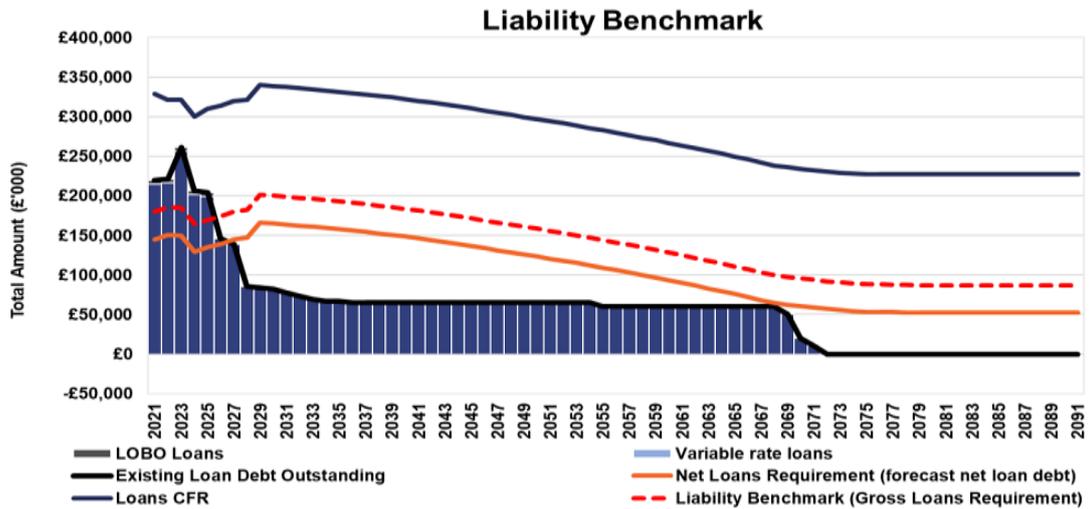
	2025- 2026 Estimate £000	2026- 2027 Estimate £000	2027- 2028 Estimate £000	2028- 2029 Estimate £000	2029- 2030 Estimate £000	2030- 2031 Estimate £000
General Fund	105,931	111,701	113,021	131,726	130,528	129,127
Housing Revenue Account	208,478	208,478	208,478	208,478	208,478	208,478
<b>TOTAL</b>	<b>314,409</b>	<b>320,179</b>	<b>321,499</b>	<b>340,204</b>	<b>339,006</b>	<b>337,605</b>
<b>Movement in Capital financing requirement</b>						
General fund	4,466	5,770	1,321	18,705	(1,198)	(1,401)
Housing Revenue Account	(54)	0	0	0	0	0
<b>TOTAL</b>	<b>4,412</b>	<b>5,770</b>	<b>1,321</b>	<b>18,705</b>	<b>(1,198)</b>	<b>(1,401)</b>

### Liability Benchmark

- 5.34 The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. The Benchmark is included to determine the appropriate structure of the Councils external loans profile and is presented as a chart reflecting four balances as follows:
- Existing loan debt outstanding: the authority's existing loans which are still outstanding in future years.
  - Loans CFR: 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 taking account of approved prudential borrowing.
  - Net loans requirement: the authority's gross loan debt, less treasury management investments, at the last financial year end, projected into the future based on its approved prudential borrowing, planned MRP and any other forecast major cash flows and,
  - Liability benchmark (or Gross Loans Requirement) = Net loans requirement + short term liquidity allowance.
- 5.35 Chart 5.1 shows the Council's existing outstanding loan debt in the blue and grey bars bordered by the black line. The dark blue line at the top of the chart shows the Council's Capital Financing Requirement (CFR). The orange line shows the net outstanding loan position after deducting treasury

management investments. The red dotted line is the Liability Benchmark (Gross Loan requirement) which is net loans plus a liquidity allowance. The liability Benchmark is significantly below the CFR demonstrating the Councils is under borrowed externally and utilising internal borrowing instead.

**Chart 5.1 Liability Benchmark**



5.36 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances. Forward projections will be added in the final version of the Strategy appended to the budget papers.

**Table 5.2(ii)**

Estimated Resources	2025-2026 Estimate £000	2026-2027 Estimate £000	2027-2028 Estimate £000	2028-2029 Estimate £000	2029-2030 Estimate £000	2030-2031 Estimate £000
General Fund Reserve	8,249	8,249	8,249	8,249	8,249	8,249
GF Earmarked Reserves	16,074	14,665	14,465	14,265	14,165	14,165
HRA Reserve	55,030	59,087	63,225	44,317	27,911	6,421
HRA Earmarked Reserve	1,823	1,816	336	336	336	336
Capital Receipts Reserve	68,986	49,298	31,629	42,405	52,463	68,560
Major Repairs Reserve	10,866	0	0	0	0	0
Capital Grants Unapplied	1,760	1,726	1,692	1,692	1,692	1,692
<b>Total Core Funds</b>	<b>162,788</b>	<b>134,841</b>	<b>119,596</b>	<b>111,264</b>	<b>104,816</b>	<b>99,423</b>
<b>Working Capital*</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Expected Investment Balances</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>90,000</b>	<b>70,000</b>	<b>60,000</b>

\*Working capital balances shown are estimated as at year-end; these may be higher or lower during the year depending on the day-to-day demands.

### Minimum Revenue Provision (MRP) Policy Statement

- 5.37 The MRP Policy Statement is set out in Appendix A. During 2023-2024 the Council engaged Link Asset Services (Now MUFG) to complete a review of its MRP policy. The review considered technical and regulatory guidance, and identified prudent policy changes the Council has adopted to meet its requirement to charge a Minimum Revenue Provision and reduce the financial impact on the medium-term financial plan.
- 5.38 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 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.
- 5.39 The Council overpaid £6,982,000 of MRP in previous years. This amount is being gradually released to the general fund revenue budget on a straight-line basis over 40 years. From the 2026-2027 TM Strategy onwards, there is £5,410,000 over 31 years still to be released. The amount of voluntary revenue provision (VRP) made by the council to 31st March 2026 is £909,00. A further £33,000 VRP will be made in 2026-2027. From 2024-25 the calculations include the impact of IFRS16 on the MRP and VRP figures.
- 5.40 In accordance with the new regulations and guidance the Councils policy in respect of charging minimum revenue provision (MRP) on loans to third parties has been updated and full details are shown in Appendix A paragraphs 9-14).
- 5.41 Currently there is no requirement for the Housing Revenue Account to make MRP provisions, although a voluntary revenue provision can be considered. The benefit of such a provision would be to provide a mechanism for the prudential repayment of debt over the life of the

business plan. In the absence of a repayment mechanism, the business plan demonstrates that debt could continue to be financed via the resources available without a specific provision being made. The current position is kept under review and will continue to adopt a prudent approach, in line with national guidance and best practice.

## Borrowing

5.42 The capital expenditure plans set out in Table 5.1 above, provide details of the service activity of the council for both the General Fund and HRA. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, ensuring that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. Further details of how the proposed capital programme is funded, are set out in the Capital and Commercial Strategy in Section 4.

**Table 5.3: The Council's current Treasury investment and external borrowing position**

	31/03/2025		30/11/2025	
	Actuals	%	Actuals	%
	£000		£000	
<b>Investments</b>				
Banks	34,237	34.0	44,154	39.1
Building Societies	0	0.0	0	0.0
Local Authority	35,000	34.7	20,000	17.7
UK Government	0	0.0	16,500	14.6
Money Market Funds	31,500	31.3	32,200	28.5
<b>TOTAL</b>	<b>100,737</b>	<b>100.0</b>	<b>112,854</b>	<b>100.0</b>
<b>Borrowing</b>				
PWLB	199,147	97.5	195,947	100.0
Banks	5,000	2.4	0	0.0
Others	170	0.1	22	0.0
<b>TOTAL</b>	<b>204,317</b>	<b>100.0</b>	<b>195,969</b>	<b>100.0</b>

5.43 On the 31<sup>st</sup> of December 2025, the council held £196,117,000 of external borrowing and £110,000,000 of treasury investments (including operational working cash balances).

5.44 During 2025-2026 the council has no plans to take on any new long-term borrowing.

5.45 Investment balances have increased slightly since the start of 2025-2026. This is mainly due to the timing of cash inflows and outflows during the year.

## Maturity Structure of Borrowing Strategy

- 5.46 These lower and upper limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing.

**Table 5.4: Maturity structure of borrowing**

Maturity structure of fixed interest rate borrowing	Lower Limit	Upper Limit
Under 12 Months	0%	40%
12 months to 2 years	0%	60%
2 years to 5 years	0%	60%
5 years to 10 years	0%	60%
10 years to 15 years	0%	60%
15 years to 20 years	0%	60%
20 years and above	0%	80%

The table below summarises the council's forward projections for borrowing based on the assumptions given in Table 5.1 above.

- 5.47 The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

**Table 5.5(i): Estimated forward projections for borrowing**

	2025- 2026 Estimate £000	2026- 2027 Estimate £000	2027- 2028 Estimate £000	2028- 2029 Estimate £000	2029- 2030 Estimate £000	2030- 2031 Estimate £000
<b>External Debt</b>						
Debt as at 1 April	204,148	146,235	188,602	188,586	188,569	188,553
Expected change in debt	(58,200)	42,500	0	0	0	0
Change in Other long-term liabilities	287	(133)	(16)	(17)	(16)	(17)
<b>Actual gross debt as at 31 March</b>	<b>146,235</b>	<b>188,602</b>	<b>188,586</b>	<b>188,569</b>	<b>188,553</b>	<b>188,536</b>
Capital Financing Requirement	314,409	320,179	321,499	340,204	339,006	337,605
<b>Under/(Over) borrowing</b>	<b>168,174</b>	<b>131,577</b>	<b>132,913</b>	<b>151,635</b>	<b>150,453</b>	<b>149,069</b>

N.B. Other long-term liabilities are any liabilities and other credit arrangements that are outstanding for periods in excess of 12 months e.g. finance leases.

- 5.48 Over the six-year period covered by this TM Strategy, the following loan maturities and maturities refinancing are expected to occur. Current PWLB rate forecasts show borrowing rates remaining relatively high (see Table 5.7), therefore any maturities refinancing and or new borrowing will be monitored and adjusted if rates start to fall or there is a requirement to borrow in order to maintain prudent cash balances.

**Table 5.5(ii): Estimated forward projections for borrowing (refinancing maturing loans)**

Amount of Each Loan Maturing	Financial Year	New Borrowing	Financial Year
2,500,000	2025-2026	0	2025-2026
700,000	2025-2026	0	2025-2026
50,000,000	2025-2026	50,000,000*	2026-2027
2,500,000	2026-2027	0	2026-2027
5,000,000	2026-2027	0	2026-2027
50,000,000	2027-2028	50,000,000	2027-2028
2,500,000	2027-2028	2,500,000	2027-2028
2,000,000	2028-2029	2,000,000	2028-2029
2,000,000	2029-2030	2,000,000	2029-2030
2,000,000	2030-2031	2,000,000	2030-2031
<b>119,700,000</b>		<b>108,500,000</b>	

\*Current strategy is to wait as long as possible to refinance due to interest rates, so this may fall into 2027-2028.

- 5.49 Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026-2027 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 5.50 The Council's S.151 Officer reports that the Authority complied with this prudential indicator in the current year and does not envisage breaches in the future. This view takes account of current commitments, existing plans and the proposals in this budget report.
- 5.51 During 2025-2026 the council will not take any new long-term borrowing. The subsequent high interest rate environment is being closely monitored in the light of further significant tranches of debt falling due from the end of 2027-2028.
- 5.52 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with external loan debt, as cash supporting the council's reserves, balances and cash flow is used as a temporary measure. This strategy is prudent as external loan interest rates are currently high and set to be at high levels for some time.
- 5.53 The council has been well served by this policy over the last few years. The Section 151 Officer will continue to review and adopt a pragmatic approach to changing circumstances to avoid incurring higher borrowing costs as set out below:

- If it is felt that there is a significant risk of a sharp FALL in long- and short-term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed and a potential rescheduling from fixed rate funding into short term borrowing will be considered.
- If it was felt that there was a significant risk of a much sharper RISE in long- and short-term rates than that currently forecast, perhaps arising from sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

### **Investment Property Review**

- 5.54 The revised Treasury Management and Prudential codes require Councils to review assets held for investment purposes annually against ongoing borrowing requirements and consider disposal of those investments to finance borrowing where the sale of an investment is financially viable.
- 5.55 To inform its Investment Strategy and take into account the CIPFA code requirements, the Council commissioned a review of its investment portfolio with Jones Lang LaSalle (JLL). This has led to a revised asset management action plan and pipeline of disposals which has been updated in March 2024 and then again in March 2025. This has resulted in a number of asset disposals over the past 24 months and a further round of asset disposals is due to take place in 2026-2027 in line with the new 5-year plan.

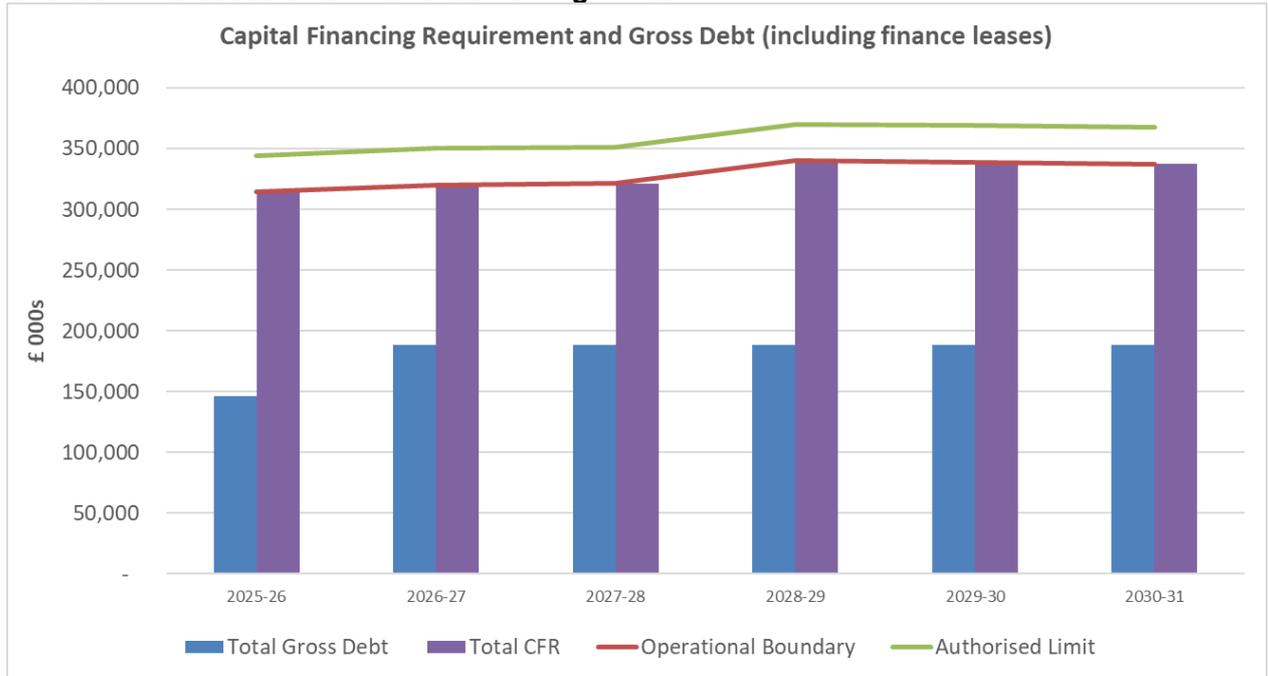
### **Treasury Indicators 2025-2026 to 2030-2031**

- 5.56 Table 5.6 below sets out the required affordable borrowing limit, namely:
- a. The operational boundary - the limit beyond which external debt is not normally expected to exceed.
  - b. The authorised limit for gross external debt - a statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents the legal limit on the maximum level of borrowing beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It is also the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The Authority is asked to approve the Authorised Limit shown below.

**Table 5.6: Treasury Indicators 2025-2026 to 2030-2031**

	2025- 2026	2026- 2027	2027- 2028	2028- 2029	2029- 2030	2030- 2031
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
<b>Gross Debt</b>						
Borrowing	146,235	188,602	188,586	188,569	188,553	188,536
<b>Operational boundary for external debt</b>						
Operational boundary	314,409	320,179	321,499	340,204	339,006	337,605
<b>Authorised limit for external debt</b>						
Authorised limit	344,409	350,179	351,499	370,204	369,006	367,605
<b>Actual external debt</b>						
Borrowing	145,948	188,448	188,448	188,448	186,448	184,448
<b>Debt maturity profile - all borrowing %</b>						
Less than one year	26%	5%	28%	1%	1%	1%
Between one and two years	4%	36%	1%	1%	1%	1%
Between 2 and 5 years	28%	4%	4%	5%	6%	6%
Between 5 and 10 years	7%	9%	6%	4%	2%	1%
Between 10 and 15 years	1%	1%	0%	0%	0%	0%
Between 15 and 20 years	0%	0%	27%	54%	55%	56%
Over 20 years	34%	45%	34%	34%	35%	35%
<b>Upper limit for fixed interest rates</b>						
Upper limit for fixed interest rates	100%	100%	100%	100%	100%	100%
<b>Upper limit for variable interest rates</b>						
Upper limit for variable interest rates	20%	20%	20%	20%	20%	20%
<b>Upper limit for investments &gt; 365 days</b>						
Upper limit for investments > 365 days	£30m	£30m	£30m	£30m	£30m	£30m
<b>Current treasury investments as at 30/11/2024 in excess of 1 year maturing in each year</b>						
Current treasury investments as at 30/11/2024 in excess of 1 year maturing in each year	-	-	-	-	-	-

**Chart 5.2: Forecast of CFR and borrowing limits**



**Prospects for Interest Rates**

5.57 The Council’s treasury advisor’s assist the Council to formulate a view on interest rates. Arlingclose have provided the following forecasts as at December 2025.

**Table 5.7 Interest Rate Forecasts**

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.80	3.75	3.80	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.94	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>10yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.47	4.45	4.45	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>20yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	5.10	5.10	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95
<b>50yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.70	4.75	4.65	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Source: Arlingclose

5.58 The Bank of England’s Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor’s deciding vote,

supported holding rates steady, while four favoured a further reduction to 3.75%. On 17<sup>th</sup> December the Bank of England's Monetary Policy Committee voted a majority of 5-4 to cut the official Bank Rate by 0.25%, to 3.75%.

5.59 An extract of the Arlingclose commentary on the prospect for interest rate is shown below:

- The impact on the UK from the government's Autumn Budget is likely to be one of the major influences on the Authority's treasury management strategy for 2026-2027. Other influences will include lower short-term interest rates alongside higher medium and longer term rates, modest economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.
- The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote, supported holding rates steady, while four favoured a further reduction to 3.75%.
- The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending.
- CPI inflation was 3.8% in September 2025, unchanged from the previous two months and below the 4.0% expected. Core CPI eased to 3.5% from 3.6%, contrary to forecasts of a rise to 3.7%. The Bank of England's November Monetary Policy Report projects inflation to fall from this level - expected to mark the peak - to 3.2% by March 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to September 2025, the unemployment rate increased to 5.0%, while the employment rate slipped to 75.0% and the inactivity rate held at 21.0%. Pay growth for the same period eased modestly, with total earnings (including bonuses) rising by 4.8% and regular pay up 4.6%. Going forward, the Bank predicts the unemployment rate will increase modestly to around 5.0% by around the end of 2025 before trending downwards at a gradual pace over the rest of the time horizon.
- The US Federal Reserve also continued to cut rates, most recently reducing the target range for the Federal Funds Rate by 0.25% at its October 2025 meeting, to 3.75%-4.00%, in line with expectations. The Federal Funds Rate was cut in December 2025, it is now 3.50% - 3.75%.
- The European Central Bank (ECB) kept its key interest rates unchanged in October for a third consecutive month, maintaining the deposit rate at

2.0% and the main refinancing rate at 2.15%. The ECB reiterated that future policy decisions will remain data-dependent, noting that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

- **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years. While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.
- **Interest rate forecast (November 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.75%. This forecast was issued ahead of the rate change in December 2025.
- Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

5.60 A more detailed economic and interest rate forecast provided the Councils Treasury Advisors (Arlingclose) as at November 2025 is shown at Appendix C.

## **PWLB Rates**

- 5.61 PWLB interest rates on borrowing are expected to remain relatively high before following the base rate movement down over time. Table 5.7 above shows the Arlingclose forecast PWLB rates over the coming years. HM Treasury introduced a new HRA rate for PWLB lending on 15 June 2023, solely for the use in the HRA and intended primarily for new housing delivery. The Autumn Budget 2024 confirmed that the availability of this rate has now been extended to June 2026. In producing the forecast Arlingclose have taken into account the trends set out below.
- 5.62 Rather than embedding fixed target PWLB borrowing rates within the strategy itself, the approach taken by Arlingclose is to set out the underlying economic assumptions and interest rate outlook, and to use these to inform borrowing decisions as opportunities arise. This avoids the risk of the strategy becoming quickly dated if market conditions move materially.
- 5.63 Arlingclose expects Bank Rate to be cut gradually, reaching around 3.25% by mid-2026, with risks weighted to the downside. This reflects continued disinflation, easing labour market conditions and subdued economic growth. Medium and longer-term gilt yields, and therefore PWLB borrowing rates, are expected to remain elevated relative to Bank Rate due to term premia, ongoing quantitative tightening and sustained gilt issuance, although modest easing is expected over the medium term. As a result, current PWLB certainty rates remain at a premium to long-run Bank Rate expectations and borrowing decisions should be considered carefully within this context. The Arlingclose interest rate forecast for PWLB borrowing is shown above in Table 5.7.

## **Borrowing advice**

- Given the current shape of the yield curve and forecast interest rate path, better value is generally available at the shorter end of the curve, subject to the Council's risk appetite and refinancing exposure. Short-dated fixed borrowing, including local authority to local authority loans, may therefore represent an attractive alternative to long-term PWLB borrowing at present, while temporary borrowing rates are expected to fall broadly in line with Bank Rate reductions.
- For budgeting purposes, investment income and interest payable assumptions are informed by the Arlingclose interest rate forecast less 25 basis points. Economic and market developments will continue to be monitored closely, with forecasts reviewed formally following the Bank of England's Monetary Policy Report and updated on an ad hoc basis as required.

## **Borrowing Strategy**

- 5.64 The Council is currently maintaining an under-borrowed position. This means that the Capital Financing Requirement, has not been fully funded with loan debt, as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent

as medium and longer dated borrowing rates are expected to fall from their current levels.

5.65 Against this background and the risks within the economic forecast, caution will be adopted with the 2026-2027 treasury operations. The Council's S151 officer and the treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

5.66 Any borrowing decisions made by the Council's S151 Officer will be reported to the appropriate decision-making body at the next available opportunity.

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

5.67 CIPFA's Prudential Code allows borrowing in advance of need when changes in interest rates mean that it benefits the council to borrow before the planned expenditure is incurred. This will be considered carefully, and appropriate advice will be sought from the council's treasury management advisers.

5.68 Borrowing in advance of need from a treasury management perspective will be made within the following constraints:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The authority would not look to borrow more than 3 years in advance of need (current and next two financial years).

5.69 The risks associated with any advanced borrowing from a treasury management perspective will be subject to appraisal and will be reported via the mid-year or annual Treasury Management reports.

### **Debt rescheduling**

5.70 Where short-term borrowing rates are cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

5.71 Any rescheduling will take account of:

- The generation of cash savings and / or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

5.72 If rescheduling is to be undertaken, it will be reported to the Treasury Management Committee, Cabinet and Council, at the earliest meeting following its action.

## Approved Sources of Long and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Internal (capital receipts & revenue balances)	●	●
Finance Leases	●	●

## Annual Investment Strategy

### Treasury investment policy

- 5.73 The council's treasury management investment policy has regard to MHCLG's Guidance on Local Government Investments ("the Guidance") and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") as well as the CIPFA Treasury Management Guidance Notes 2021. The Council's treasury management investment priorities will be Security first, Liquidity second, and then Yield.
- 5.74 All funds invested by the in-house treasury management team as part of the normal treasury management processes are made with reference to the cash flow requirements of the council and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Careful consideration will be given before investing sums identified for longer term investments.
- 5.75 The Council has defined the list of types of investment instruments that the treasury management team are authorised to use below.
- Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

In accordance with the Code, the Authority has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies (see Table 5.9).
  - 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 Non-specified Investments are listed in Table 5.9.

- 5.76 The Council has engaged external consultants (Arlingclose) 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.
- 5.77 Full details of lending limits for each counterparty, transaction and duration limits for each type of investment are set out in Table 5.9 below. All investments will be denominated in sterling.
- 5.78 As a result of the change in accounting standards for 2023-2024 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. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31<sup>st</sup> March 2023. A further extension to the over-ride to 31<sup>st</sup> March 2029 had been agreed by Government investments made before 1 April 2024.

### **Risk Management and Creditworthiness Policy**

- 5.79 Management of risk is placed in high priority in accordance with the MHCLG (DLUHC) and CIPFA Guidance. In order to minimise the risk to treasury investments, the council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which it maintains. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term ratings. Credit rating information is supplied by Arlingclose, our treasury advisors, on all active counterparties that comply with the criteria below in Table 5.9.
- 5.80 Ratings will not be the sole determinant of the quality of an institution; the financial sector will be continuously monitored on both micro and macro basis and in relation to the economic and political environments in which these institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this, the council will engage with its advisors to watch the market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- 5.81 Other information sources used will include the financial press, share price and other such information relating to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. For local authority or related counterparties, the financial standing and other available information will be considered before placing investments.
- 5.82 Where applicable consideration will be given to the materiality of expected credit losses for treasury investments before they are used.

- 5.83 The counterparty list for treasury investments may be revised from time to time and will be submitted to council for approval as necessary.
- 5.84 In its selection process, the council will apply its approved minimum criteria to the lowest available rating for any institution. Credit rating information is supplied by Arlingclose; the Council's treasury consultants. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.
- 5.85 Any rating changes, rating watches (notification of a possible change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Where a credit rating agency announces that a rating is on review for possible downgrade so that it may fall below the approved minimum rating criteria, then future investments (other than existing investments) will not be made with that organisation until the outcome of the review is announced.
- 5.86 Building Societies will be subject to an additional criterion where the assets on their balance sheet are taken into account to assess credit worthiness. The counterparty list will therefore permit investment with building societies where their credit ratings are below the minimum for banks/UK building societies, but where the assets on the building societies balance sheet exceed £2,500,000,000.
- 5.87 The list of types of investment instruments that the treasury management team are authorised to use are categorised as specified and non-specified investments.
- **Specified investments** that the Council will use are high security and high liquidity investments in sterling and with a maturity of no more than a year.
  - **Non-specified investments** are high security, high credit quality, in some cases more complex instruments for periods in excess of one year.
- 5.88 The council will consider the use of new investment instruments after careful consideration by officers and approval by council.
- 5.89 While all investments will be denominated in sterling, investments will only be placed with counterparties from countries with a specified minimum sovereign rating in Table 5.10. Lending and transaction limits for each counterparty will be set in the Treasury Management Principles (TMPs) through applying the matrix Table 5.9 below.

**Table 5.9: specified and non-specified investment approved instruments and limits**

Counterparty/Financial instrument	Minimum Long-term Credit Criteria or Equivalent	Specified Investments		Non-specified Investments	
		Maximum duration	Counterparty Limit (£m)	Maximum duration	Counterparty Limit (£m)
DMAF - UK Government	n/a	3 months	£30m	n/a	n/a
UK Government gilts	UK Sovereign rating	12 months	£15m	3 years	£5m
UK Government Treasury bills	UK Sovereign rating	6 months	£10m	n/a	n/a
Money Market Funds - CNAV	AAA	Liquid	£10m per fund	n/a	n/a
Money MARKET Funds - LVNAV	AAA			n/a	n/a
Money Market Funds - VNAV*	AAA			n/a	n/a
UK Local Authority term deposits (LA)**	n/a	12 months	£13m per LA	5 years	£5m per LA
Term Deposits with UK Building Societies	Assets worth at least £2.5bn but do not meet the minimum Bank/Building Society credit Criteria	12 months	£5m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AAA	12 months	£20m	2 years	£10m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA+	12 months	£17m	12 months	£5m
	AA				
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA-	12 months	£10m	n/a	n/a
	A+				
	A				
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	A-	6 months	£5m	n/a	n/a
The Authority's own banker	A-	12 months	£15m (for day to day operational working capital requirements – not for investment purposes)	Non-specified investment if banker fails to meet the minimum credit criteria	balances will be minimised as far as is possible.
Property Funds	Credit loss analysis, financial and legal due diligence	n/a	n/a	n/a	£5m per fund
Loan Capital and other third party loans including parish councils	Subject to financial & legal due diligence	considered on individual basis	n/a	considered on individual basis	n/a

\* Specialist advice will be obtained before the use of VNAV money market funds

\*\* Investments with Local authorities will reviewed and considered on a case by case basis

5.90 Arlingclose have advised that the current £50,000,000 overall sector limit on MMFs could be removed entirely. No sector limit is required for MMFs due to their exceptional security and liquidity characteristics. MMFs are AAA-rated products that invest in a highly diversified portfolio of high-quality short-term instruments. They provide next-day access to funds, making them highly suitable for managing short-term liquidity needs. The structural protections within MMFs, including regulated liquidity buffers, daily pricing, and strict asset quality requirements, ensure that investors retain capital value and ready access to funds even under stressed market conditions. Nevertheless, diversification across five or more MMFs is encouraged to

mitigate the operational risk of temporary access issues with any single provider.

5.91 Officers propose to retain the individual amount held in Money Market Funds (MMF) of £10,000,000 to promote diversification across its MMF portfolio but remove the upper limit in accordance with advice from Arlingclose.

5.92 Arlingclose stated *'No sector limit is required for MMFs due to their exceptional security and liquidity characteristics. MMFs are AAA-rated products that invest in a highly diversified portfolio of high-quality short-term instruments. They provide next-day access to funds, making them highly suitable for managing short-term liquidity needs. The structural protections within MMFs, including regulated liquidity buffers, daily pricing, and strict asset quality requirements, ensure that investors retain capital value and ready access to funds even under stressed market conditions.'*

5.93 The Council currently has access to six Sustainable triple A rated Money Market Funds. The six funds are Sustainable Finance Disclosure Regulation – Article 8 compliant.

#### **Sovereign limits**

5.94 Alongside changes in banking regulations which are focused on improving the banking sectors resilience to financial and economic stress, due care will be taken to consider the country, group and sector exposure of the Council's investments.

5.95 The Council will only use approved counterparties from the UK and countries with a sovereign credit rating from the three main rating agencies equal to or above AA-. In addition:

- No more than 20% will be placed with any non-UK country at any time and would always be sterling investments
- Sector limits will be monitored regularly for appropriateness.

5.96 Due to the current economic outlook for the UK economy, the UK sovereign rating is currently on the lowest acceptable level suggested for approved countries of AA-. However, if credit rating agencies downgrade the UK below AA- (the minimum Sovereign rating for 2026-2027), the council will immediately seek advice from its treasury adviser and report to council at the earliest possible reporting date.

**Table 5.10: Sovereign rating for 2026-2027**

<b>AAA</b>	Sweden	<b>AA</b>
Australia	Switzerland	France
Denmark		
Germany	<b>AA+</b>	<b>AA-</b>
Luxembourg	Canada	Belgium
Netherlands	Finland	Hong Kong
Norway	USA	U.K.

Singapore		
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### **Bank of England iteration UK bank stress tests**

- 5.97 In addition to the use of credit ratings provided by the three main rating agencies the other factors identified in paragraphs 5.79 and 5.80 will be taken into consideration when selecting UK banks.

### **Money Market Funds (MMFs)**

- 5.98 Money market funds are pooled investment vehicles consisting of instruments similar to those used by the council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager and analyst team. Fees are deducted from the interest paid to the council.
- 5.99 Arlingclose have advised that the current £50,000,000 overall sector limit on MMFs could be removed entirely. No sector limit is required for MMFs due to their exceptional security and liquidity characteristics.
- 5.100 The Council has access to six Sustainable triple A rated Money Market Funds. The six funds are Sustainable Finance Disclosure Regulation – Article 8 compliant.

### **Building societies**

- 5.101 Although the regulation of building societies is no longer any different to that of banks, the council may use building societies which meet the minimum credit rating for Banks and Building Societies or have a minimum asset size of £2,500,000,000 but will restrict these types of investments to fixed deposits subject to lower cash limit and shorter time limit.

### **Current account banking**

- 5.102 The council's current accounts are held with Barclays Bank UK Plc (Ring Fenced Bank RFB). In the event of the credit rating of Barclays Bank UK Plc (RFB) falling to a point lower than the council's minimum credit criteria of A- long term rating, the council will treat its bank as "high credit quality" for the purpose of making investments that can be withdrawn on the next working day.

### **UK banks – ring fencing**

- 5.103 The council will continue to assess any newly formed entities against existing criteria and those with sufficiently high ratings will be considered for investment purposes.

### **Investment risk benchmarking**

- 5.104 These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy

to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual Treasury Management report.

### **Security benchmark**

5.105 Counterparty risk will increase as duration of investment increases. The council will continue its policy of investing the majority of its investments with duration of less than 12 months or/and to manage security risk through the approved counterparty list, which sets out specific maximum durations for each counterparty based on our ongoing and comprehensive credit analysis. The council's security risk benchmark is 0.040%. Arlingclose have indicated that for our current portfolio, when compared to the historic default tables our security risk is 0.034%. This benchmark the council uses is an average risk of default measure and will be monitored retrospectively and action taken to manage the security risk when considering future investments.

### **Liquidity**

5.106 The council seeks to maintain the following Liquidity:

- Bank overdraft – zero balance
- Liquid short-term deposits of at least £1,000,000 available with a week's notice.
- Weighted average life benchmark is expected to be 0.50 years, with a maximum of 1.00 year. However, this benchmark may change if the Council decides to invest longer than 12 months.

### **Yield**

5.107 Local measures of yield benchmarks are:

- Investments – internal returns above the 7-day SONIA (Sterling Overnight Index Average) rate.

### **Ethical investment Policy**

5.108 The council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values.

5.109 This applies to direct treasury investment only, where the Council has full visibility over investment counterparties. The council's normal money market activity would usually be with financial institutions which may have unknown indirect links with companies which the council will be unable to monitor. However, where known links are publicly available the council will not knowingly invest.

## **Environmental, Social and Corporate Governance Policy**

- 5.110 The updated Treasury Management Code published in December 2021 included a requirement under TMP1 that ‘the organisation’s credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations’. The Code acknowledges that this is a developing area, and it is not implied that the organisation’s ESG policy will currently include ESG scoring or other real-time ESG criteria at the individual investment level. The council will continue to review and build on the emerging guidance in this area of treasury management as well as seek updates on good practice from its Treasury Management advisors.
- 5.111 The Council and its Members have a fiduciary duty to act in the best interests of local taxpayers in the management of the council’s resources. The law is clear that the Members must primarily act in the best financial interests of local taxpayers. Broadly speaking, Members must take financially material considerations into account (i.e. those which may affect investment returns) but cannot take decisions based purely on non-financial factors. Additionally the S151 Officer has a duty to ensure the effective financial management of the local authority as a whole, meaning that there is a wider responsibility than simply applying a policy set by the Administration or the Full Council, i.e. to ensure that the financial interests of Council Tax Payers are protected effectively, such as balancing the budget but also then in determining the best way to balance the financial viability of investments with the political priorities of the Administration and/or the Full Council.
- 5.112 The Council recognises that environment, social and governance (ESG) factors can influence investment performance and the ability to achieve sustainable returns. The Councils Treasury Management (TM) Committee therefore considers the following two key areas of responsible investment:
- Corporate Governance – acting as responsible and active investors.
  - Sustainable investment – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- 5.113 The TM Committee takes ESG matters very seriously and will regularly conduct reviews of its policies in this area with advice from its Treasury Advisors. The TM Committee has developed the following responsible investment beliefs.
- The TM Committee has an overriding duty to manage its investments in accordance with the Committees Terms of reference and the council’s legal obligation under the Local Government Act 2003;
  - The Committee will adopt the relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the DLUHC (Department for Levelling Up, Housing and Communities) including CIPFA’s Treasury Management Code of practice and the Prudential Code.

- The TM Committee consider proactive management of our ESG approach and will therefore encourage the Council's TM Advisers to actively engage with officers and the financial markets to identify suitable counterparty's and investments.
- 5.114 As part of their Environmental, Social and Governance (ESG) considerations, our TM Advisers should review the market for approaches to environmental factors such as fossil fuels and climate change along with Social factors such as employee rights and Governance factors such as compliance with standard industry practice and Legislation.
- 5.115 The TM Committee expects its advisors to demonstrate a positive review of the market in response to:
- Matters of social responsibility.
  - Environmental policy on how their impact can be minimised.
  - Monitor risks and opportunities associated with climate change and fossil fuels.
  - Anticipate future legislative requirements.
- 5.116 As part of the Council's Counterparty list, the Council has access to six Sustainable triple A rated Money Market Funds. The six funds are Sustainable Finance Disclosure Regulation – Article 8 compliant (funds that promote environmental or social characteristics and must include information on how their environmental or social characteristics are met in their annual reports). This allows the Council to place a significant proportion of its surplus cash in an ESG focused products which are also low risk (AAA rated), provide next day liquidity and a market rate return.
- 5.117 Where the Council opens further Money Market Funds these will be Sustainable Finance Disclosure Regulation (SFDR Article 8 compliant (or equivalent), AAA rated Money Market Funds (MMF's).
- 5.118 The Council will continue to work with its Treasury advisors to identify suitable ESG or Ethical investment options in accordance with the credit rating criteria set out in Table 5.9.

#### **Policy on charging interest to the Housing Revenue Account (HRA)**

- 5.119 Following the reform of housing finance, the council can adopt its own policy on sharing interest costs and income between the General Fund (GF) and the Housing Revenue Account (HRA).
- 5.120 The CIPFA Code recommends that authorities state their policy on this matter each year in their treasury management strategy. The charge is required to be fair to the general fund and to the HRA. This council's policy is to charge the HRA with actual interest on external debt plus an element for any under-borrowing and pay interest income on surplus cash at the Council's pooled borrowing/investment rates.

## **Policy on use of financial derivatives**

- 5.121 The council will not use standalone derivatives except where they can be clearly demonstrated to reduce the overall level of financial risk that the council is exposed to.

## **List of Appendices**

Appendix A: Minimum Revenue Provision (MRP) policy statement

Appendix B: Key Financial, Prudential and treasury indicators

Appendix C: Economic background

Appendix D: Treasury management scheme of delegation

Appendix E: The treasury management role of the section 151 officer

## APPENDIX A

### Minimum Revenue Provision (MRP) policy statement

For capital expenditure incurred:

1. In 2023-2024, the Authority's MRP policy was subject to a comprehensive review of MRP charges and methodology by the Council's Treasury Advisors. This policy reflects the new MRP calculation methods that have been implemented.
2. For supported capital expenditure incurred before 1st April 2008, the Authority will apply the Asset Life Method using an annuity calculation and will take account of the regulatory calculated Adjustment A, which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2008.
3. Unsupported borrowing will be subject to MRP under option 3 of the guidance (Asset Life Method). MRP will be based on the estimated life of the assets in accordance with the statutory guidance using the annuity method, calculated on a weighted average basis.
4. MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset lives as recommended by the statutory guidance.
5. The interest rate applied to the annuity calculations will reflect the market conditions at the time and will, for the current financial year, be based on PWLB annuity rates.
6. Where applicable, repayments included in annual PFI are applied as MRP. MRP on leased right of use assets are calculated on an annuity basis.
7. MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory minimum revenue provision (MRP), i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The Council overpaid £6,982,000 of MRP in previous years. This amount is being gradually released to the general fund revenue budget on a straight-line basis over 40 years. From the 2026-2027 TM Strategy onwards, there is £5,410,000 over 31 years still to be released. The amount of VRP made by the council to 31st March 2026 is £909,000. A further £33,000 VRP will be made in 2026-2027. From 2024-2025 the calculations include the impact of IFRS16 on the MRP and VRP figures.
8. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for asset under construction where the MRP will be deferred until the year after the asset becomes operational.

9. For capital loans which are classed as non-commercial and have not been subject to a recognised credit loss in the current or any previous financial year the Council has chosen not to provide MRP.
  10. For capital loans which are classed as commercial and have not been subject to a recognised credit loss in the current or any previous financial year then the Council will provide MRP over the useful life of the assets purchased by the third party.
  11. Capital receipts received from the non-commercial and commercial loan repayments in the financial year will be used to reduce the debt liability i.e. the capital receipts will be used in lieu of MRP to reduce the CFR.
  12. For capital loans to third parties granted before 7<sup>th</sup> May 2024 - Where those loans have been subject to an actual or expected credit loss in the current or any previous financial year then MRP will be provided in each financial year over the useful life of the assets purchased by the third party.
  13. For capital loans to third parties granted on or after 7<sup>th</sup> May 2024 - Where those loans are subject to an expected or actual credit loss, then the MRP charge will be at least the amount of the recognised credit loss for the financial year, after adjusting for any previous MRP or capital receipts applied to the loan.
  14. For supported capital expenditure incurred before 1st April 2008, the Authority will apply the Asset Life Method using an annuity calculation and will take account of the regulatory calculated Adjustment A, which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2008. This methodology writes down the debt liability over a much shorter period than the regulatory method and is therefore deemed prudent.
- 

## Appendix B

### 1. Key Financial, Capital Prudential and Treasury Indicators 2025-2026 – 2030-2031

#### Background

- 1.1 Local government finance is subject to a high level of regulation. There are various codes of practice which the council, under legislation, has a duty to have regard to when taking its budget decisions.
- 1.2 This section of the report provides information to show the affordability, proportionality, and value of potential risk exposure with regard to the council's proposals for borrowing, lending to third parties, investment in equity shares in third parties, as well as its commercial income streams.
- 1.3 MHCLG has suggested various financial indices that could be used to fulfil this requirement and recommends that councils should "where appropriate" consider setting self-assessed limits or targets for these indices.
- [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/678866/Guidance\\_on\\_local\\_government\\_investments.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf)
- 1.4 For the majority of indicators, the council has not elected to set self-assessed limits. This will be kept under review as better benchmarking data becomes available from other authorities. The annual limit regarding borrowing along with a number of other prudential and Treasury Management indicators are set in the above Treasury Management Strategy.
- 1.5 The indices chosen as being the most appropriate for the council's circumstances at present take as their starting point figures from the 2024/25 draft statement of accounts and project these forward for this financial year and the five following years.
- 1.6 The MHCLG do not specify any indices for the HRA – they are given in the tables that follow where appropriate to do so using locally derived indicators.

#### Key Financial Indicators Balance Sheet position - strong

- 1.7 The balance sheet provides a "snapshot" of the council's financial position at a specific point in time showing what it owns and owes. The council currently has a strong balance sheet position. The balance sheet in the draft 2024-2025 statement of accounts shows total long-term assets valued at £1,223,000,000, most of which are land and property assets including the council's HRA housing. The Councils usable Reserves totals £178,000,000.
- 1.8 As at 31 March 2025, the council had external borrowing of £205,000,000 (£151,000,000 long-term, £54,000,000 short-term) which is 17% of the value of the council's assets. In addition, the council had borrowed £105,000,000 internally from its own cash holdings to temporarily fund capital expenditure and investments. The total long-term indebtedness of the council at the end of

last financial year was therefore £310,000,000 (this figure is known as the capital financing requirement (CFR)).

- 1.9 Long term investments (equity shares) as at the 31 March 2025 include a £2,800,000 shareholding in Lion Homes (Norwich) Ltd (LHL) and £370,000 shareholding in Norwich City Services Ltd (NCSL).
- 1.10 In 2024-2025 long term debtors, the amounts lent to third parties on commercial terms comprise of two loans to NCSL totalling £1,680,000, (two working capital loans), and a £43,000 loan to Norwich Preservation Trust. The council also makes “soft” loans (on non-commercial terms) to others, for example home improvement loans to residents. Only the lending undertaken on commercial terms needs to be considered as part of the requirements arising from the revised Investment Code.

### **Forecast Balance Sheet position**

- 1.11 The council’s budget proposals contained within this budget report will result in a growing balance sheet both in terms of the long-term assets that will be held by the council (in particular social housing and long-term debtors) as well as its long-term liabilities (its capital financing requirement or underlying need to borrow).

### **Core Funds and Expected Investment Balances**

- 1.12 The application of resources (reserves, capital receipts etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). A table detailing estimated year-end balances for each resource and anticipated day-to-day cash flow balances are included in the main Treasury Management Strategy document.

## **2. Capital Prudential and Treasury Indicators**

- 2.1 Capital Expenditure - The Authority’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans. The Capital expenditure plans are shown in the Treasury Management Strategy document.
- 2.2 Affordability Prudential Indicators - The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority’s overall finances.
- 2.3 The Council’s Capital expenditure plans should be considered alongside the cost of past borrowing, maintenance requirements and planned disposals. The authority’s Minimum Revenue Provision (MRP) policy will also have a critical impact on the overall affordability of new borrowing. The MRP charges changed during 2024-2025, due to the implementation of IFRS16, meaning

that leased assets are now included on the balance sheet as a 'Right Of Use' assets and liability, and the MRP charges increased to reflect the revenue repayment due each year. This indicator identifies the trend in the Capital Financing costs are shown as a % net revenue stream (taxation and non-specific grant income excluding capital grants, contributions and donated assets).

	2024-2025 Actual	2025-2026 Estimate	2026-2027 Estimate	2027-2028 Estimate	2028-2029 Estimate	2029-2030 Estimate	2030-2031 Estimate
	£000	£000	£000	£000	£000	£000	£000
<b>Capital Financing costs as a% of Net Revenue Stream</b>							
Non-HRA	11%	11%	5%	7%	4%	4%	4%
HRA	8%	8%	5%	9%	10%	10%	10%

2.4 This indicator shows the HRA debt per dwelling and shows a consistent estimated debt of £15,000 per dwelling, with a small increase in the forecast cost per dwelling to reflect additional borrowing requirements flagged in the HRA capital programme for 2030-2031.

	2024-2025 Actual	2025-2026 Estimate	2026-2027 Estimate	2027-2028 Estimate	2028-2029 Estimate	2029-2030 Estimate	2030-2031 Estimate
	£000	£000	£000	£000	£000	£000	£000
<b>HRA Debt per Dwelling</b>							
HRA debt £m (CFR)	208,532	208,478	208,478	208,478	208,478	208,478	208,478
Number of HRA dwellings	14,211	14,130	13,944	13,844	13,877	13,829	13,779
Debt per dwelling £	14,674	14,754	14,951	15,059	15,023	15,075	15,130

## Maturity Structure of Borrowing

2.5 Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The maturity structure of borrowing is shown in the main Treasury Management Strategy.

## Control of Interest Rate Exposure

2.6 The measures to manage the Control of interest rate exposure (including Interest rate forecasts, Prospect for Interest Rates, Borrowing Strategy and Annual Investment Strategy) are shown in the main Treasury Management Strategy.

## 3. The Council's non-financial (commercial) investments to net Revenue Stream

3.1 This ratio shows the general fund's dependence on commercial income to deliver core general fund services. The ratio is shown as a % against net revenue stream (taxation and non-specific grant income excluding capital

grants, contributions and donated assets). The expenditure data includes a notional interest cost of £1.755m for associated borrowing costs for investment properties that were purchased between 2017-2020.

**Net commercial income to Net Revenue Stream**

	2024/25 Actual £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £000
Commercial Property Income	-6,154	-5,969	-5,969	-5,969	-5,969	-5,969	-5,969
Commercial Property Expenditure	4,250	4,267	4,280	4,292	4,305	4,305	4,305
MRP	850	871	894	916	939	963	988
<b>Net Commercial Property Income</b>	<b>(1,054)</b>	<b>(831)</b>	<b>(795)</b>	<b>(761)</b>	<b>(725)</b>	<b>(701)</b>	<b>(676)</b>
Lending interest income	(321)	(318)	(316)	(316)	(316)	(316)	(316)
Assumed lending cost	156	156	156	156	156	156	156
<b>Net 3rd Party Lending Income</b>	<b>(165)</b>	<b>(162)</b>	<b>(160)</b>	<b>(160)</b>	<b>(160)</b>	<b>(160)</b>	<b>(160)</b>
<b>Net Commercial Income</b>	<b>(1,219)</b>	<b>(993)</b>	<b>(955)</b>	<b>(921)</b>	<b>(884)</b>	<b>(861)</b>	<b>(836)</b>
<b>Net Revenue Stream</b>	<b>-29,032</b>	<b>-26,173</b>	<b>-26,355</b>	<b>-27,025</b>	<b>-27,719</b>	<b>-28,441</b>	<b>-29,189</b>
<b>Net Commercial Income as a % of Net Revenue Stream</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>

3.2 For 2025-2026 onwards the net and gross income from Commercial property are based on the proposed budget assumptions. Income from the council's car parks is not included in this analysis as the primary reason for owning and managing them is not solely for-profit making purposes.

## Appendix C ECONOMIC BACKGROUND

### Arlingclose Economic & Interest Rate Forecast – November 2025

#### **Underlying assumptions:**

- The economic data, monetary and fiscal commentary have heightened the downside risks to our Bank Rate forecast, making rate cuts beyond 3.75% increasingly likely. As noted in the September forecast, however, we expect the Budget on 26th November 2025 to be the deciding factor for the path for interest rates. We will therefore review our interest rate forecast after this event.
- The MPC maintained Bank Rate at 4.0% in a dovish 5-4 vote, but a cut to 3.75% looks increasingly likely as the Governor teeters precariously on the divide between the hold and cut camps. While denying the Budget was an influence on his decision, it surely played into his desire to have more information before easing policy.
- Inflation surprised by holding at 3.8% in September and is forecast to fall to 3.5% by year end. However, household inflation expectations have picked up, likely largely the result of the noticeable rise in food prices, feeding caution among some policymakers.
- While services inflation remains somewhat elevated, spare capacity has opened up in the labour market and wage growth is moderating, which should place further downward pressure on inflation. Continuation of the rapid growth in administered prices is also unlikely to occur to the same extent.
- Underlying GDP growth remains subdued. While H1 2025 has been relatively strong, Q3 GDP growth has slowed, with July/August's figures suggesting a lack of momentum. Business investment is lacklustre and private sector output constrained by weaker domestic demand and spending. Ongoing uncertainty over the global outlook is still discouraging capital investment, particularly in the manufacturing sector. Downside risks persist, most notably the high probability of a tighter fiscal environment after the Budget, which may place downward pressure on consumption and growth.
- A more hawkish fiscal stance and easing inflation expectations have delivered lower gilt yields for the government. Given the outlook for growth and inflation, the key risk for yields appears to be Labour getting its own party on side with broad-based tax rises. Failure to do so could once again undermine credibility and lift gilt yields. Other factors continue to influence yields and boost term premia, the persistence of which is difficult to estimate.

#### **Forecast:**

- Bank Rate was retained at 4.0% in November. We continue to forecast a 0.25% rate cut in December to 3.75%.
- The UK Budget is an inflection point that may materially change the interest rate outlook. We will further review our interest rate forecast after this event; if in line with our expectations, our central forecast for Bank Rate will likely decrease below 3.75%.

- Short yields have declined to reflect a lower path for Bank Rate.
- Medium and long-term gilt yields have also declined but remain elevated for various reasons, both domestic and international. These issues may not be resolved quickly, but the UK Budget will be a key market driver.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.80	3.75	3.80	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.94	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>10yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.47	4.45	4.45	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>20yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	5.10	5.10	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95
<b>50yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.70	4.75	4.65	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

## Appendix D

### TREASURY MANAGEMENT SCHEME OF DELEGATION

**(i) Cabinet and Full council – Responsible Body**

- receiving and reviewing reports on treasury management policies, practices and activities.
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.
- approving the selection of external service providers and agreeing terms of appointment.

**(ii) Treasury Management Committee - Body with responsibility for scrutiny**

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

## Appendix E

### **THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER The S151 (responsible) officer**

- 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.

The above list of specific responsibilities of the S151 officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both Codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management).

- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe (ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money)
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
  - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.