Meeting:	Executive
Meeting date:	27 January 2026
Report of:	Debbie Mitchell Director of Finance
Portfolio of:	Councillor Katie Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Decision Report: Treasury Management Strategy Statement and Prudential Indicators for 2026/27 to 2029/30

Subject of Report

1. The purpose of this report is to is to seek the recommendation of Executive to Full Council for the approval of the Treasury Management Strategy and Prudential Indicators for the 2026/27 financial year.

Benefits and Challenges

2. Treasury Management is the effective management of the Council's cash flow. Doing this effectively protects the Council from risks and ensures the ability to meet spending commitments as they fall due.

Policy Basis for Decision

3. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that full Council be updated with, review and approve, as a minimum three reports annually. These reports are the Treasury Management Strategy Statement setting out policy for the forthcoming year, a mid-year review report, and an annual report detailing the treasury activities and performance for the previous year. Quarterly reports are also required to provide an update on treasury management activities and can be assigned to a designated committee or member as deemed appropriate.

4. This report is the Treasury Management Strategy Statement setting out policy and the Prudential Indicators for the forthcoming year 2025/26. The Council is required through legislation to have these policies and Prudential Indicators approved by members; therefore, this report ensures this Council is implementing best practice in accordance with the Code.

Financial Strategy Implications

5. The Treasury Management function is responsible for the effective management of the Council's investments, cash flows, banking, and money market transactions. It also considers the effective control of the risks associated with those activities and ensures optimum performance within those risk parameters.

Recommendation and Reasons

6. Executive are asked to recommend that Council, in accordance with the Local Government Act 2003 (revised), approve:
    - The proposed Treasury Management Strategy for 2026/27 including the Annual Investment Strategy and the Minimum Revenue Provision policy statement.
    - The prudential indicators for 2026/27to 2029/30 in the main body of the report.
    - The specified and non-specified investments schedule (Annex B).
    - The scheme of delegation and the role of the Section 151 officer (Annex D).

Reason: To ensure the continued effective operation and performance of the Council's Treasury Management function and ensure that all Council treasury activity is prudent, affordable and sustainable and complies with policies set.

Background

7. This Treasury Management Strategy Statement has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and Prudential Code.

8. CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Council, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and

Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

9. As part of the updated code the Council is required to ensure that it has appropriate risk, investment, governance and reporting processes in place:
   - A new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement (CFR) is introduced and is included in this report (Prudential Indictor 3).
   - There is a renewed emphasis that increases in CFR and borrowing should only be undertaken where related to the functions of the Council; any returns related to the financial viability of an asset or scheme should be incidental to the primary purpose.
   - Capital and investments plans should be affordable and proportionate with all borrowing and other long-term liabilities within prudent and sustainable levels.
   - All Treasury Management decisions should be made in accordance with good professional practice and the Council should have access to the appropriate level of expertise across all areas of investments and capital expenditure in order to make properly informed decisions.

10. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.

11. The second main function of the treasury management service is funding of the Council’s capital programme. The capital programme provides 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 any debt previously drawn may be restructured to meet Council risk or cost objectives.

12. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

13. 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.

14. CIPFA (Chartered Institute of Public Finance and Accountancy) defines treasury management as:

> *“The management of the local 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.”*

Capital Strategy Reporting Requirements

15. The CIPFA revised 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.

16. The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

17. The Capital Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:
    - The corporate governance arrangements for these types of activities.
    - Any service objectives relating to the investments.
    - The debt related to the activity and the associated interest costs.
    - The payback period (MRP policy).
    - The risks associated with each activity.

18. Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements will be disclosed, including the ability to sell the asset and realise the investment cash.

19. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance and CIPFA Prudential Code have not been adhered to.

20. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

Treasury Management Reporting Requirements

21. The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a number of treasury reports. The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. The three reports are:
    - **Treasury Management Strategy Statement and Prudential and Treasury Indicators report** (this report) – this covers the capital plans including Prudential Indicators, the Minimum Revenue Provision (MRP) policy, the Treasury Management Strategy and the Annual Investment Strategy.
    - **Treasury Management Mid-year report** – this is primarily a progress report to update on the capital position and ~~the~~ treasury activities whether any policies require revision, and to amend the Prudential Indicators as necessary.
    - **Treasury Management Annual report** – this covers treasury activity and operations for the year and compares actual Prudential Indicators with estimates from the strategy.

22. These reports are required to be scrutinised before being recommended to the Council. This scrutiny role is undertaken by Audit & Governance Committee.

23. In addition to the three major reports detailed above, from 2023/24 quarterly reporting is also required as part of the Council’s general revenue and capital monitoring and will comprise updated Treasury and Prudential Indicators. While it is not a requirement for these quarterly reports to be reported to full Council they will be reported to the Audit and Governance Committee to ensure adequate scrutiny.

Treasury Management Strategy for 2026/27

24. The Treasury Management Strategy for 2026/27 covers two main areas:

Capital issues:
- The Capital Programme and associated Prudential Indicators.
- Minimum Revenue Provision (MRP) policy.

Treasury management issues:
- The current treasury position.
- Prudential Indicators which will limit the treasury management risk and activities of the Council.
- Prospects for interest rates.
- The borrowing strategy.
- Policy on borrowing in advance of need.
- Debt rescheduling.
- Investment strategy.
- Creditworthiness policy.
- Policy on use of external service providers.
- Scheme of delegation and the role of the S151 officer.

25. These elements cover the statutory and regulatory requirements of the Local Government Act 2003 and statutory guidance on local government investments, the CIPFA Prudential Code and the CIPFA Treasury Management Code, and the Ministry of Housing, Communities and Local Government (MHCLG) Minimum Revenue Provision (MRP) guidance.

26. 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 subjected to regular review.

Training

27. 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 training needs of Treasury Management members and officers is periodically reviewed to ensure the relevant knowledge and skills are kept up to date.

Treasury Management Consultants

28. The Council uses MUFG Corporate Markets as its external treasury management advisors.

29. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

The Capital Prudential Indicators 2026/27– 2029/30

30. The Council's capital expenditure plans are the key driver of treasury management activity and are the subject of a separate report on this agenda. The output of the capital programme is reflected in the Capital Prudential Indicators, which are designed to assist member's overview of the Council's capital programme to ensure that the capital expenditure plans are affordable, sustainable and prudent.

31. The treasury management function involves both the forecasting of the cash flow and where capital plans require, the organisation of appropriate borrowing facilities. This Treasury Management Strategy Statement covers the Prudential and Treasury Indicators, the current and projected debt positions, and the Annual Investment Strategy.

32. The Capital Prudential Indicators along with the Treasury Management Prudential Indicators are included throughout the report:
    - PI 1: Capital Expenditure.
    - PI 2: Capital Financing Requirement (CFR).
    - PI 3: Liability Benchmark.
    - PI 4: Ratio of Financing Costs to Net Revenue Stream.
    - PI 5: External Debt.
    - PI 6a: Authorised Limit for External Debt.
    - PI 6b: Operational Boundary for External Debt.
    - PI 7: Maturity Structure of Debt.
    - PI 8: Upper limit for principal sums invested for longer than 365 days

33. **Prudential Indicator 1 - Capital Expenditure**. This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Detailed information on the individual schemes is provided in the latest Capital Programme report. Members are asked to approve the capital expenditure forecasts as part of the Treasury Management Strategy Statement.

Capital Expenditure	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
General Fund (Non HRA)	99.0	93.2	61.9	54.2	70.4
Housing Revenue Account (HRA)	40.1	28.1	30.7	30.0	14.5
Sub Total	**139.1**	**121.3**	**92.6**	**84.2**	**84.9**
Other Long-Term Liabilities	0.5	0.5	0.5	0.5	0.5
Total	**139.6**	**121.8**	**93.1**	**84.7**	**85.4**

Table 1: Capital Expenditure

34. Table 1 details the capital expenditure of the Council, based on the latest Capital Programme report, including other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments. There are no new PFI schemes forecast to be entered into in 2026/27. The adoption of the IFRS 16 Leases accounting standard occurred on 1st April 2024 and forms part of the 2024/25 Code, meaning existing lessee leases which were previously off-balance sheet, were brought onto and included on the balance sheet from 1st April 2024. The Prudential Indicators for capital expenditure, the Capital Financing Requirement (CFR) and external debt make an estimate within other long-term liabilities for this, as do the Authorised Limit and Operational Boundary.

35. Further details on this capital expenditure, and how it is funded, is included within the latest Capital Programme report.

36. Prudential indicator 2 - the Capital Financing Requirement (CFR) (Council's borrowing need). This Prudential Indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

37. The CFR does not increase indefinitely, because the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.

38. The CFR includes any other long-term liabilities which includes PFI schemes and leases on balance sheet from 1st April 2024 under IFRS 16. Whilst these increase the CFR, and therefore the Council's overall borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. As set out in paragraph 63 table 5 the projected level of debt is below the estimated CFR over the forecast period.

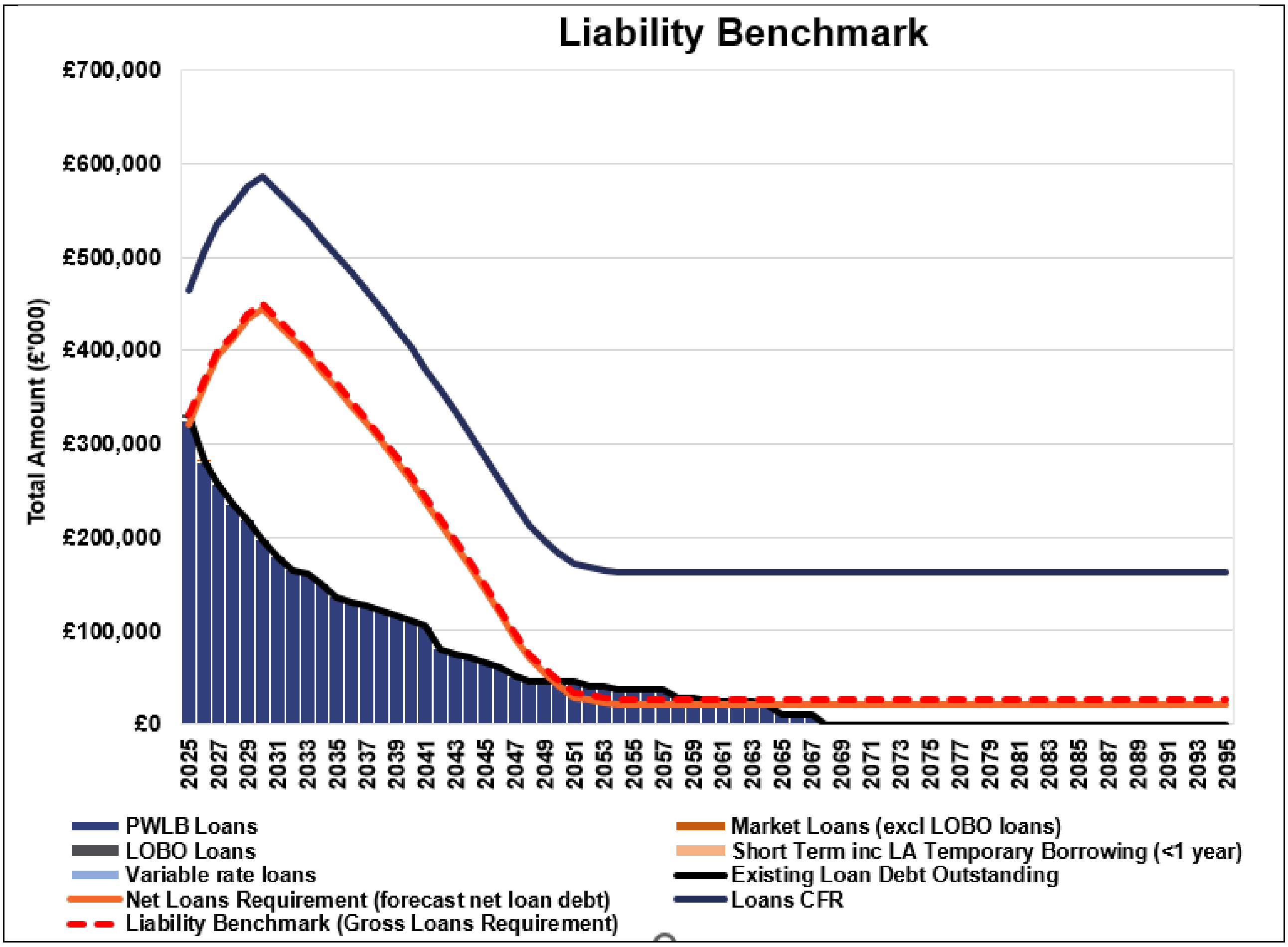
39. Table 2 below, shows the CFR, including other long-term liabilities which includes PFI and leasing. Members are asked to approve the CFR forecasts as part of Treasury Management Strategy Statement.

Capital Financing Requirement	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
General Fund (Non HRA)	371.1	405.9	420.4	431.7	441.5
Housing Revenue Account (HRA)	133.5	130.2	133.2	144.2	145.1
Other Long-term Liabilities	45.4	44.1	42.8	41.6	40.2
Total CFR	**550.0**	**580.2**	**596.4**	**617.5**	**626.8**

Table 2: Capital financing requirement (CFR)

40. **Prudential indicator 3 - Liability Benchmark.** The Liability Benchmark, based on current capital plans and cash flow assumptions, gives the Council an indication of how much it needs to borrow, when it is likely to need to borrow, and where to match maturities to its planned borrowing needs. The liability benchmark makes no assumption about the level of future prudential borrowing in unknown capital budgets. There are four components that make up the Liability Benchmark:
    - **Existing loan debt outstanding**: the Councils existing loans that are still outstanding in future years.
    - **CFR**: as per Prudential Indicator 2, 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.
    - **Net loans requirement**: this will show the Council'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.
    - **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

41. The purpose of this Prudential Indicator is to compare the authority's existing loans outstanding against its future need for loan debt; the liability benchmark (the red dotted line). If the loans outstanding are below the liability benchmark (the red dotted line), the existing debt outstanding is less than the loan debt required, and the authority will need to borrow in the future to meet the shortfall. If the loans outstanding are above the liability benchmark (the red dotted line), the authority will have more debt than it needs based on current plans and the excess will have to be invested.



Graph 1: Liability Benchmark

42. As can be seen from the Council's liability benchmark graph, the loans outstanding, CFR, liability benchmark and net loans requirement broadly follow the same trend lines. Based on the CFR position and loans outstanding at 31st March 2025 we see the Council's current under borrowed position. In the next few years the CFR increases in line with prudential borrowing expectations (seen by the peak of the CFR line) to fund increases to the capital programme before gradually starting to decrease. The liability benchmark and net loans requirement also increase to indicate the additional borrowing need before gradually starting to decrease. The liability benchmark makes no assumptions past the 5-year prudential borrowing forecasts. Existing loans start to decrease as maturities occur and loans are paid back.

43. Taking into account the current under borrowed position and with no assumptions on future borrowing requirements beyond the current capital programme forecasts, the gap between the CFR and loans outstanding remain broadly similar over the term indicted on the liability benchmark graph. When taking into account the liability benchmark and net loans requirement this gives an indication of how much future loan debt may need be taken and on what maturity term to assist with long term planning and reduce risk.

44. Actual future debt taken may not exactly follow the liability benchmark as this is only a guide at a specific point in time, and one of several considerations when drawing down long term debt, to be determined by the S.151 Officer.

Minimum Revenue Provision (MRP) Policy Statement

45. In accordance with Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 the Council is required to pay off an element of the accumulated General Fund capital expenditure each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP).

46. The Council is required to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued in April 2024 (the 5th edition) amended with full effect from April 2025. The overriding requirement of the MRP Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The 5th edition update notes that in determining a prudent provision MRP should not exclude any amount of CFR, and that capital receipts cannot be used to replace MRP.

47. The Council is also allowed to undertake additional voluntary payments (Voluntary Revenue Provision - VRP) should the Council wish to do so.

48. MHCLG regulations require full Council to approve an MRP statement in advance of each year. The policy may be revised during the year by full Council, or the appropriate body of Members where required.

49. The regulations allow the Council to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.

50. Full Council is recommended to approve the following MRP statement for the 2026/27 financial year as part of Treasury Management Strategy statement:

1. For supported borrowing MRP will be calculated using an asset life annuity basis on the remaining average life of the overall asset base.

2. For all unsupported borrowing MRP will be calculated using an asset life annuity basis. Estimated asset life periods will be determined under delegated powers.

3. MRP in respect of PFI contracts will be calculated by the amount that writes down the balance sheet liability unless the asset life is considerably longer than the PFI contract, where MRP will be calculated on an asset life basis.

4. MRP in respect of leases where a right of use asset is on the balance sheet will equal the repayment amount in year that writes down the balance sheet liability.

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

6. MRP Guidance allows any charges made in excess of the statutory MRP, i.e. Voluntary Revenue Provision (VRP) or overpayments, to 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.
    - To date, cumulative VRP overpayments are £0m.
    - In 2025/26 so far, no VRP has been made, and none is expected to be made.
    - No VRP is planned for 2026/27.

   VRP will be kept under review, and should it be deemed prudent to make any VRP at any point this will be the decision of the S.151 Officer and reported to Executive and Audit & Governance Committee at the next available opportunity.

7. MRP will generally commence in the financial year following the one in which the expenditure was incurred. However, for long life assets, the authority will postpone the commencement of MRP until the financial year following the one in which the asset becomes operational.

8. The Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

9. In terms of application of capital receipts, these cannot be used to replace an in year MRP charge (unless under the exceptions provided for by regulation 28(5)), however the Council reserves the right to apply

a capital receipt in year, alongside the calculated MRP charge, to reduce its CFR leaving the residual CFR as the basis for the future MRP calculation.

10. In respect of any capital loans, MRP will be decided with reference to the type of capital loan, commercial or non-commercial, and the current MRP regulations and guidance in place. Where required, MRP will be provided for using an asset life annuity basis with reference to the asset life the expenditure will ultimately finance (as per the Capitalised Expenditure regulations), or, based on an amount equal to impairment or the expected credit loss in the year of occurrence. Where an MRP charge has been made in respect of an expected credit loss that is reversed in a future financial year, the MRP charge can be treated as an overpayment in the same way a VRP and be used to reduce future MRP charges.

11. Where the Council incurs expenditure financed by borrowing that can be capitalised under section 16(2)(b) of the 2003 Act or Regulation 25(1) of the 2003 regulations, MRP will be calculated in accordance with Option 3 of the MRP guidance.

51. The Councils MRP policy is considered to be prudent as it complies with current regulations, making use of Option 3 Asset Life Method for supported and unsupported borrowing, and following guidance for all other capital expenditure making up the CFR.

Affordability Prudential Indicators

52. The prudential indicators mentioned so far in the report cover the overall capital programme and the control of borrowing through the Capital Financing Requirement (CFR), but within this framework Prudential Indicators are required to assess the affordability of capital investment plans. These provide an indication of the impact of the Capital Programme investment plans on the Council’s overall finances.

53. **Prudential Indicator 4 - Ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (including debt and other long-term liabilities such as PFI and Leases) and compares it to the Council’s net revenue stream.

54.

Financing Costs	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %
General Fund (Non HRA)	13.80	17.94	19.05	19.85	20.17
Housing Revenue Account (HRA)	12.31	11.74	11.46	11.18	10.91
Total	13.51	16.67	17.52	18.14	18.38

Table 3: Ratio of financing costs to net revenue stream.

55. The estimates of financing costs include current commitments, and the proposals are included in the latest capital budget report.

56. The Capital Prudential Indicators set out above ensure that the Council's capital expenditure plans are affordable, sustainable and prudent. The treasury management function ensures that cash is available to meet the Council's requirements in accordance with the Local Government Act 2003 and relevant professional codes.

Current Treasury Portfolio Position

57. The Council's treasury investment and debt portfolio position at 31st December 2025 is detailed below in table 4:

	31st December 2025		
Institution Type	**No. of Loans**	**Principal £m**	**Average Rate %**
Public Works Loan Board PWLB – Money borrowed from the Debt Management Office (HM Treasury)	57	330.1	3.44
West Yorkshire Combined Authority WYCA – Zero interest loans the purpose of which are to help to fund York Central infrastructure projects.	4	2.4	0.00
Total Borrowing (GF & HRA)	**61**	**332.5**	**3.42**
Total Investments		**11.9**	**4.15%**
Net Treasury Position		**320.6**	

Table 4: Treasury position at 31st December 2025

58. Of the Council's £332.45m of fixed interest rate debt as at 31st December 2025, £140.86m was HRA and £191.59m was General Fund. The cash balance available for investment was £11.86.

59. The level of cash balances available is largely dependent on the timing of the Council's cash flow as a result of precept payments, receipt of grants, receipt of developers contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Programme. Cash balances are therefore only available on a temporary basis depending on cash flow movement.

60. During the 2025/26 financial year up to 31st December 2025, £20m of new borrowing has been taken to replace cash balances and support the capital programme. This borrowing was required due to continued capital expenditure, the increasing CFR, and the decrease in cash balances because of internal borrowing.

61. The Council is currently maintaining an under-borrowed position in relation to the Capital Financing Requirement, which has an effect on the level of cash available for investment, and the policy of using cash balances to delay long-term borrowing will be kept under review during the remainder of 2025/26 and into 2026/27. It is expected that as the Capital Programme progresses during 2026/27 the Council will again internally borrow and use cash balances to fund the programme, maintaining an under-borrowed position where cash balances allow (see paragraphs 76-82).

62. The Council's forward projections for borrowing, based on capital expenditure to be financed by borrowing, are summarised below. The table shows the actual external gross debt (including other long-term liabilities) against the CFR, highlighting any over or under borrowing.

63. **Prudential indicator 5 – External debt**. Table 5 shows that the estimated gross debt position, (the total borrowing, PFI and leasing), of the Council does not exceed the underlying capital borrowing need. The Director of Finance (S.151 Officer) confirms that the Council complies with this prudential indicator and does not envisage difficulties for the future.

	2025/26 Estimate £m	**2026/27 Estimate £m**	**2027/28 Estimate £m**	**2028/29 Estimate £m**	**2029/30 Estimate £m**
Gross Projected Debt	435.1	477.9	505.7	540.4	564.0
Total CFR	550.0	580.2	596.4	617.5	626.8
Under/(over) borrowed	Under	Under	Under	Under	Under

Table 5: External Debt

64. Table 5 shows a gap between actual and estimated borrowing and the CFR (driven by the use of internal funds to finance capital expenditure). The decision as to whether to continue to do this will take into account current assumptions on borrowing rates and levels of internal reserves and balances held by the Council. The figures above show a decrease in the gap between CFR and external debt as borrowing is taken to support capital expenditure, however this will be determined by the Section 151 officer and the figure above is a current broad assumption. Actual borrowing will be determined by the circumstances that prevail at the time, spend progress on the capital programme, borrowing rates and levels of cash balances.

65. Within the Prudential Indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. One of these is that the Council needs to ensure that its total gross debt does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows the flexibility to borrow in advance of need but ensures that borrowing is not undertaken for revenue purposes.

66. The Section 151 officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

Treasury Prudential Indicators: Limits to Borrowing Activity

67. **Prudential Indicator 6A – Authorised Borrowing Limit** - It is a statutory duty under Section 3 (1) of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. This amount is termed the “Authorised Borrowing Limit” and is a key Prudential Indicator representing a control on the maximum level of debt. This is a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

68. Members are asked to approve the following Authorised Limit for the 2026/27 financial year as part of Treasury Management Strategy statement.

Authorised Limit	2025/26 £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt	435.1	477.9	505.7	540.4	564.0
Total CFR	550.0	580.2	596.4	617.5	626.8
Operational Boundary	580.5 (£580.5m set at 2025/26 Strategy)	590.2 (Estimate based on current CFR projection)	606.4 (Estimate based on current CFR projection)	627.5 (Estimate based on current CFR projection)	636.8 (Estimate based on current CFR projection)
Other Long-term liabilities	30.0	30.0	30.0	30.0	30.0
Total	**610.5** (£610.5m set at TMSS 2025/26)	**620.2** (Estimate based on current CFR projection)	**636.4** (Estimate based on current CFR projection)	**657.5** (Estimate based on current CFR projection)	**666.8** (Estimate based on current CFR projection)

Table 6: Authorised Borrowing Limit

69. **Prudential Indicator 6B – Operational Boundary.** In addition to the "Authorised Borrowing Limit", the Operational Boundary is the maximum level of debt allowed for on an ongoing operational purpose and a limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary	2025/26 £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt	435.1	477.9	505.7	540.4	564.0
Total CFR	550.0	580.2	596.4	617.5	626.8
Short term liquidity	30.5	10.0	10.0	10.0	10.0
Total	**580.5** (£580.5m set at 2025/26 Strategy)	590.2 (Estimate based on current CFR projection)	606.4 (Estimate based on current CFR projection)	627.5 (Estimate based on current CFR projection)	636.8 (Estimate based on current CFR projection)

Table 7: Operational Boundary

Prospects for Interest Rates

70. On 18th December 2025 the Bank of England's Monetary Policy Committee (MPC) announced it voted 5-4 to reduce Bank Base Rate to 3.75%, following the previous 2 meetings where it had been held at 4.00%. Since August 2024 the MPC has reduced rates six times by 1.50% in total. The MPC's 18th December 2025 report minutes noted that CPI inflation was falling, it was 3.2% in October 2025 and is expected to fall back towards it's 2% target in 2026. Monetary policy needed to balance the risks of achieving the 2% inflation target in the medium term and this was consistent with evidence of subdued economic growth, a looser labour market, and the easing of pay growth and services inflation. Further decisions on rates would be made on the basis of evidence and data with it likely that a gradual downward path would continue.

71. Current interest rates and the future direction of both long term and short-term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions. To facilitate treasury management officers in making informed investment and borrowing decisions, the Council has appointed MUFG Corporate Markets as its treasury adviser. Part of their service is to assist the Council in formulating a view on interest rates and Table 8 below gives MUFG Corporate Markets central view forecast as at 22nd December 2025. These are forecasts for bank rate and PWLB certainty rates, gilt yields plus 80 bps. (See also Annex A):

	Bank rate %	PWLB borrowing rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar 2026	3.75	4.60	5.20	5.80	5.60
Jun 2026	3.50	4.50	5.00	5.70	5.50
Sep 2026	3.50	4.30	4.90	5.60	5.40
Dec 2026	3.25	4.20	4.80	5.50	5.30
Mar 2027	3.25	4.10	4.80	5.50	5.30
Jun 2027	3.25	4.10	4.70	5.40	5.20
Sep 2027	3.25	4.10	4.70	5.30	5.10
Dec 2027	3.25	4.10	4.70	5.30	5.10
Mar 2028	3.25	4.10	4.70	5.30	5.10
Jun 2028	3.25	4.10	4.60	5.20	5.00
Sep 2028	3.25	4.10	4.60	5.20	5.10
Dec 2028	3.25	4.10	4.60	5.20	5.00
Mar 2029	3.25	4.10	4.70	5.20	5.00

Table 8 – MUFG Corporate Markets Interest Rate Forecast 22nd December 2025

72. MUFG Corporate Markets view is that bank rate will be reduced to 3.5% in quarter 2 of 2026, which is likely to follow an expected fall in CPI inflation to around the 2% target level, before a further rate cut to 3.25% in quarter 4 of 2026. However, UK inflation outlook, economic and political factors may affect the outcome of actual decisions.

Investment Rates

73. Investment returns have continued to decrease during 2025/26 as the Bank of England have gradually reduced Bank Base Rate in line with Market expectations. With interest rates expected to continue to decrease, although perhaps at a slower pace in 2026/27 as the Market considers Bank Base Rate to be close to its “neutral” rate (the lowest point in the current cycle), it is likely that longer dated fixed term investments, particularly short and medium fixed term deals up to one year, if entered into prior to rate cuts would help to keep investment earnings higher in 2026/27.

74. While a degree of liquidity is required to cover cash flow needs, opportunities to place fixed term investments will be monitored and considered in light of the Council continuing to run a lower average cash balance position to utilise cash balances to temporarily fund the capital programme and delay long term borrowing. This is because pursuing a policy of placing longer term fixed investments, is dependent on the level of cash held for investment purposes, cash backed reserves and cash flow requirements (see paragraphs 59 - 61).

75. It is anticipated that the Council will continue to hold liquid or short-term investments in 2026/27 foregoing any higher interest rates that may be obtained from longer term investments. The reason for this is that the Council is currently maintaining and running an under-borrowed position in relation to the Capital Financing Requirement and the policy of using cash balances to delay long-term borrowing to fund the capital programme has served well over the last few years while interest rates for borrowing have remained elevated. Where this policy continues, should cash balances allow, cash kept in more liquid short-term investments will mean overall average returns are not as high as market averages.

Borrowing Rates

76. MUFG Corporate Markets long-term (beyond 10 years) forecast for Bank Rate is 3.50%. Currently all PWLB Certainty rates are significantly above this level and better value can be obtained with shorter dated borrowing. Temporary borrowing rates are generally expected to fall in line with Bank Rate. The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of the MUFG Corporate Markets forecasts (see Table

8), but the risks to those forecasts are generally to the upsides. Target borrowing rates are set two years forward on the expectation rates continue to reduce and the current PWLB Certainty rates are set out below:

PWLB Borrowing Period	Current PWLB Borrowing Rate (As at 22.12.25 pm)	MUFG Target PWLB Borrowing Rate (end of Q4 2027)
	%	%
5 years	4.81	4.10
10 years	5.39	4.70
25 years	6.01	5.30
50 years	5.78	5.10

Table 9 – MUFG Corporate Markets Target Borrowing Rates Forecast 22nd December 2025

77. Where borrowing is required and should greater value be obtained in borrowing for shorter maturity periods, the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

78. Where the Council will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing Strategy

79. The borrowing strategy takes into account the borrowing requirement, the current economic and market environments and is also influenced by the interest rate forecasts. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This can be seen on the Liability Benchmark graph as shown by the gap between the loans outstanding and CFR (see paragraphs 40-44 and graph 1 Liability Benchmark). The CFR and external debt forecasts are also shown at Prudential Indicators 2 and 5. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by restrictive near-term monetary policy. Bank Rate is expected to remain elevated in 2026 even where further rate cuts arise.

80. Against this background and the risks within the economic forecast, caution will be adopted with the treasury operations. The S.151 officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
    - If it was felt that there was a significant risk of a sharp fall in long- and short-term borrowing rates, then long term borrowing will be postponed, and potential short term borrowing considered in the interim period.
    - If it was felt that there was a significant risk of a much sharper rise in long-term and short-term borrowing rates than that currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn down whilst interest rates are lower than they are projected to be in the next few years.

81. The HRA strategy for borrowing will be the same as the borrowing strategy described above for the whole Council. The HRA Business Plan will guide and influence the overall HRA borrowing strategy.

82. All decisions will be reported to the Executive and Audit & Governance Committee at the earliest meeting following its action.

Prudential Indicator 6 – Maturity of Borrowing

83. Officers will monitor the balance between variable and fixed interest rates for borrowing and investments to ensure the Council is not exposed to adverse fluctuations in fixed or variable interest rate movements. This is likely to reflect higher fixed interest rate borrowing if the borrowing need is high or fixed interest rates are likely to increase, or a higher variable rate exposure if fixed interest rates are expected to fall. Conversely if shorter term interest rates are likely to fall, investments may be fixed earlier or kept shorter if short term investment rates are expected to rise.

84. The balance between variable rate debt and variable rate investments will be monitored as part of the overall treasury function in the context of the overall financial instruments structure and any under or over borrowing positions. The Council does not currently have any variable rate debt.

85. The upper and lower limits for the maturity structure of fixed rate borrowing are set out below (with actual split for the current financial year included for comparison). This gross limit is set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing in a confined number of years.

Maturity structure of borrowing				
	Lower Limit	**Upper Limit**	**2025/26 Debt**	**2025/26 Debt**
Under 12 months	0%	30%	19%	£62.3m
12 months to 2 years	0%	30%	6%	£21.0m
2 years to 5 years	0%	40%	16%	£52.3m
5 years to 10 years	0%	40%	20%	£66.1m
10 years and above	30%	90%	39%	£130.8m
Total Borrowing			**100%**	**£332.5m**

Table 10: Maturity structure of borrowing at 31st December 2025

Policy on Borrowing in Advance of Need

86. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

87. Borrowing in advance will be made within the constraints of the CIPFA Prudential Code that:
    - It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three-year planning period; and
    - The authority would not look to borrow more than 36 months in advance of need.

    Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

88. Debt rescheduling opportunities will be monitored and rescheduling of current borrowing in the Council’s debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate. In a high interest rate environment premature repayment of debt is likely to incur a lower premium or discount whereas when in a low interest rate environment, the cost of prematurely repaying debt would likely come with a higher premium cost to exit any loans.

89. If rescheduling was undertaken, it will be reported to the Executive and Audit & Governance Committee at the earliest meeting following its action.

PWLB and Other Borrowing Sources

90. In March 2020, the Government started a consultation process for reviewing PWLB borrowing terms for different types of local authority capital expenditure. Revised guidance was published in November 2020 and updated in May 2022 and June 2023. Capital spending committed to from 26th November 2020 has to comply with the revised borrowing terms which provides permissible categories of capital spending in line with the prudential system and denies access to borrowing from the PWLB for any local authority which has the purchase of investment assets for yield in its three-year capital programme.

91. Currently the PWLB Certainty rate is set at gilts + 80 basis points. To access the Certainty Rate, Councils are required to submit and update as required information on their capital plans and borrowing projections annually. From 15th June 2023 a rate of gilts + 40 basis points was introduced for HRA borrowing. The Autumn Budget 2024 confirmed that the availability of this rate would continue to March 2026. An announcement is expected in January 2026 as to whether or not this rate will be continued beyond March 2026.

92. Consideration may still need to be given to sourcing funding from other sources, where for example this may offer better value, achieve a certain objective such as forward dated borrowing to avoid a "cost of carry", or for refinancing certainty. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Annual Investment Strategy

Investment Policy – Management of Risk

93. The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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

95. The Council’s investment priorities will be security 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. Environmental, Social & Governance (ESG) criteria will be considered as a fourth criteria, once the three investment priorities of security, liquidity and yield have been satisfied.

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

i. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

ii. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

iii. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

iv. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Annex B under the categories of ‘specified’ and ‘non-specified’ investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year 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.

- **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.

v. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix tables in Annex B.

vi. **Transaction limits** are set for each type of investment (see Annex B).

vii. This Council will set a limit for its investments which are invested for longer than 365 days (see Prudential Indicator 8),

viii. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see Annex C).

ix. This authority has engaged **external consultants**, (see paragraphs 28 to 29), 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.

x. All investments will be denominated in **sterling**.

xi. As a result of the change in accounting standards under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

- In November 2018, the Ministry of Housing, Communities and Local Government, (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 31st March 2023. Subsequently, a further extension to the over-ride to 31st March 2029 was agreed by Government but only for those pooled investments made before 1st April 2024.

97. However, this Council 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 110). Regular monitoring of investment performance will be carried out during the year, and this will be reported in the appropriate mid-year, outturn and quarterly reports.

98. In line with the Council's current treasury policy of delaying long-term borrowing and using cash balances to temporary cover capital programme spending, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs, which may result in lower investment returns due to lower rates being offered for short term investments.

Creditworthiness Policy

99. This Council applies the creditworthiness service provided by MUFG Corporate Markets. This service employs a sophisticated modelling approach with credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:
    - “Watches” and “Outlooks” from credit rating agencies.
    - CDS spreads to give early warning of likely changes in credit ratings.
    - Sovereign ratings to select counterparties from only the most creditworthy countries.

100. This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS (Credit Default Swap) spreads for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:
    - Yellow 5 years*
    - Dark pink 5 years (for Ultra-Short Dated Bond Funds with a credit score of 1.25)
    - Light pink 5 years (for Ultra-Short Dated Bond Funds with a credit score of 1.5)
    - Purple 2 years
    - Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
    - Orange 1 year
    - Red 6 months
    - Green 100 days
    - No Colour Not to be used

    **The yellow category is for UK Government debt or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.*

101. The MUFG Corporate Markets creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue weighting to just one agency’s ratings.

102. Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and long-term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

103. All credit ratings are monitored daily as part of the treasury management reconciliations. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis by MUFG Corporate Markets. Extreme market movements may result in the downgrade of an institution or removal from the Councils lending list.

104. Although sole reliance is not placed on the use of this external service, as the Council uses market data and market information, as well as information on any external support for banks to help its decision-making process, the suitability of each counterparty is based heavily on advice from MUFG Corporate Markets.

105. Whilst the Council has determined that it will not limit investments to UK banks, due care will be taken to consider the country, group and sector exposure of the Council's investments. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AA- (excluding the UK) from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex C – note that the list provided is based on the lowest rating from Fitch, Moody's and S&P. This list will be added to or deducted from by officers should ratings change during the year in accordance with this policy.

Investment Strategy

106. Investments will be made with reference to the core balance and cashflow 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. 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.

107. If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in

higher rates where available and obtainable, for longer periods. Any investment decisions will take account of the cashflow requirements in accordance with the creditworthiness policy set out in this strategy.

108. For its cashflow generated balances for 2026/27, it is expected the Council will seek to use a combination of business reserve instant access and notice accounts (call accounts), short dated fixed term deposits and Money Market Funds. In addition, the Council will look for investment opportunities in longer dated fixed term deals with specific counterparties that offer enhanced rates for Local Authority investment. Any investment will be undertaken in accordance with the creditworthiness policy set out in this strategy (see Annex B for type of investments, lending and transaction limits).

109. **Prudential Indicator 8 – Upper limit for principal sums invested longer than 365 days.** These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end. A maximum principal sum to be invested for greater than 365 days is £15m. Members are asked to approve the following Treasury Prudential Indicator and limit as part of Treasury Management Strategy statement:

	2025/26	2026/27	2027/28	2028/29	2029/30
Maximum limit for investments over 365 days	£15.0m	£15.0m	£15.0m	£15.0m	£15.0m
Current investments as at 31/12/25 invested over 365 days maturing in each year	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m

Table 11: Upper limit for principal sums invested longer than 365 Days

110. The Council will use an investment benchmark to assess the performance of its investment portfolio, this will be the average SONIA (Sterling Overnight Index Average) rate. The benchmark is a simple guide with the purpose to allow officers to monitor the current and trend position and amend the operational strategy of investments, cashflow permitting, while maintaining compliance with the investment priorities set out in paragraphs 94 - 97.

111. At the end of the financial year, the Council will report on its investment activity as part of its annual treasury outturn report. Investments will also be reported in the mid-year and quarterly reports. It should be noted that the Investment Policy, Creditworthiness Policy and Investment Strategy are applicable to the Council's overall surplus funds and are also applicable to the HRA.

Consultation Analysis

112. At a strategic level, there are a number of treasury management options available that depend on the Council's stance on interest rate movements. The treasury management function of any business is a highly technical area, where decisions are often taken at very short notice in reaction to the financial markets. Therefore, to enable effective treasury management, all operational decisions are delegated by the Council to the Director of Finance and Section 151 Officer (see Appendix D), who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices. In order to inform sound treasury management operations, the Council works with its treasury management advisers, MUFG Corporate Markets. MUFG Corporate Markets offers the Council a comprehensive information and advisory service that facilitates the Council in maximising its investment returns and minimising the costs of its debts.

Options Analysis and Evidential Basis

113. Treasury Management Strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians.

114. The Treasury Management Strategy Statement and Prudential Indicators are aimed at ensuring the Council maximises its return on investments and minimises the cost of its debts whilst operating in a financial environment that safeguards the Councils funds. This will allow more resources to be freed up to invest in the Council's priorities as set out in the Council Plan.

Organisational Impact and Implications

115. The Treasury Management function aims to achieve the optimum return on investments commensurate with the proper levels of security, and to minimise the interest payable by the Council on its debt structure. It thereby contributes to all Council Plan priorities.

- ***Financial*** - The financial implications of the Treasury Management Strategy are in contained in the body of the report and set out in the Financial Strategy and Capital Strategy reports also on this agenda.

- ***Human Resources (HR)*** - n/a

- ***Legal*** – Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

- ***Procurement*** - n/a

- ***Health and Wellbeing*** - n/a

- ***Environment and Climate action*** - n/a

- ***Affordability*** - The financial implications of the Treasury Management Strategy are contained in the body of the report and set out in the Financial Strategy and Capital Strategy reports also on this agenda.

- ***Equalities and Human Rights*** - n/a

- ***Data Protection and Privacy*** - n/a

- ***Communications*** - n/a

- ***Economy*** - n/a.

- ***Specialist Implications Officers*** - n/a

Risks and Mitigations

116. The Treasury Management function is a high-risk area because of the volume and level of large money transactions. As a result, there are procedures set out for day-to-day treasury management operations that aim to reduce the risk associated with high volume high value transactions, as set out within the Treasury Management Strategy Statement at the start of each financial year. As a result of this the Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Wards Impacted

All

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Background papers

- None

Annexes

- Annex A – Interest Rate Forecast.
- Annex B – Specified and Non-Specified Investment Categories Schedule.
- Annex C – Approved Countries for Investments.
- Annex D – Scheme of Delegation and the role of the Section 151 Officer.

Glossary of Abbreviations used in the report

CIPFA	Chartered Institute of Public Finance & Accountancy
CFR	Capital Financing Requirement
CPI	Consumer Prices Index
CYC	City of York Council
GDP	Gross Domestic Product
GF	General Fund
HRA	Housing Revenue Account
MHCLG	Ministry of Housing, Communities and Local Government
MPC	Monetary Policy Committee
MRP	Minimum Revenue Provision
PWLB	Public Works Loan Board
SONIA	Sterling Overnight Index Average
TMSS	Treasury Management Strategy Statement