



Please ask for: Matt Berry
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11 February 2026

Dear Councillor,

Cabinet

6:00pm on Thursday 19 February 2026

Meeting to be held in the Esperance Room, Civic Centre, Cannock

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

Yours sincerely,

T. Clegg
Chief Executive

To:

Councillors:

Thornley, S.	Leader of the Council
Samuels, G.	Deputy Leader of the Council and Parks, Culture and Heritage Portfolio Leader
Williams, D.	Community Wellbeing Portfolio Leader
Preece, J.	Environment and Climate Change Portfolio Leader
Thornley, S.J.	Housing and Corporate Assets Portfolio Leader
Freeman, M.	Regeneration and High Streets Portfolio Leader
Prestwood, J.	Resources and Transformation Portfolio Leader

Agenda

Part 1

1. Apologies

2. Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

To declare any interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

3. Minutes

To approve the Minutes of the meeting held on 29 January 2026 (enclosed).

4. Local Council Tax Reduction Scheme 2026/27

Report of the Deputy Chief Executive-Resources & S151 Officer (Item 4.1 - 4.11).

5. Treasury Management Strategy, Minimum Revenue Provision Policy, and Annual Investment Strategy 2026/27

Report of the Deputy Chief Executive-Resources & S151 Officer (Item 5.1 - 5.30).

Cannock Chase Council
Minutes of the Meeting of the
Cabinet

Held on Thursday 29 January 2026 at 6:00 p.m.

In the Esperance Room, Civic Centre, Cannock

Part 1

Present:

Councillors:

Thornley, S.	Leader of the Council
Samuels, G.	Deputy Leader of the Council and Parks, Culture and Heritage Portfolio Leader
Williams, D.	Community Wellbeing Portfolio Leader
Thornley, S.J.	Housing and Corporate Assets Portfolio Leader
Prestwood, J.	Resources and Transformation Portfolio Leader

76. Apologies

Apologies for absence had been received from Councillor M. Freeman, Regeneration and High Streets Portfolio Leader.

77. Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

None received.

78. Minutes

Resolved:

That the Minutes of the meeting held on 4 December 2025 be approved.

79. Updates from Portfolio Leaders

(i) Resources and Transformation

The Portfolio Leader updated in respect of the following:

- **Festival Court Flood Defence Work**

“I was invited to attend the unveiling of a plaque at Festival Court where the flood defence work undertaken by Staffordshire County Council was completed in December 2025. The Council, shops and residents have been requesting this for many years. The work will be of great benefit to the area and businesses.” It also looks like other such work was going on in the District which is also good news.”

- **Visit to Cannock Community Fire Station**

“All Councillors were invited to attend Cannock Fire Station to gain a greater understanding of the valuable work they do, meet the staff and ask questions. It was a very informative event, and I commend the Fire Service for the excellent work they do. Their work is very valuable, and I’d like to thank them for it.”

- **Holocaust Memorial Day**

“To honour Holocaust Memorial Day, I, along with other Councillors, attended a service at St. Luke’s Church in Cannock. It was a very moving and thought-provoking service that I was honoured to attend.”

(ii) **Housing and Corporate Assets**

The Portfolio Leader updated in respect of the following:

- **Aelfgar Development**

“It was hoped that some homes would be handed over this month. Unfortunately, that was now not happening as some of the equipment to be put into the lofts for the heat source pumps were not compatible with the lofts. As such, it was now hoped the properties would be handed over next month.”

- **Housing Waiting List**

“The waiting list had come down from 1,100 people to 993 in January. This usually happened after the Christmas period owing to breakdowns in relationships. The number could increase again next month.”

- **Housing Letter from MHCLG**

“A good-news letter had been received from the Ministry of Housing, Communities and Local Government today regarding the Government’s £39billion housing programme. It was also pleasing to see in the letter an instruction to leave floor coverings in place in void properties if they were considered to be in reasonable condition, and it was hoped the Council would conform to that.”

(iii) **Parks, Culture and Heritage**

The Portfolio Leader updated in respect of the following:

- **Parks and Open Spaces**

“I met with the team last month. Our discussions included an update on capital projects. I am meeting with the team again tomorrow so will have a stronger idea about the funding for a park that may have had funding issues.”

- **Cannock Chase National Landscape Partnership**

“I attended a meeting with representatives including those from Beaudesert Park Farm, Staffordshire County Council, Lichfield District Council, Inspiring Healthy Lifestyles, Forestry England, and Natural England.

We discussed matters including highways improvements and management across the Chase, the impact of local government reorganisation, and a draft strategy to understand, care for, and celebrate the Chase’s historic environment.”

- **Cannock Chase Can Action**

“Last month, about 30 partners met to information sharer and discuss wide-ranging issues including District health data, health and wellbeing, and the Food Partnership (an environmentally sustainable food network).”

- **Allotments**

“I had an insightful briefing about our allotments and some of the challenges of fully-letting them. From Friday, I’ll be visiting our allotments seeing if, and how, they are best addressing and serving our communities’ needs.”

(iv) **Community Wellbeing**

The Portfolio Leader updated in respect of the following:

- **General Update**

“I met with my heads of service this week and I want to start 2026 off on a positive note, and I can definitely feel confident for the future of our communities.

If I was to give a strapline to the portfolio from my meetings yesterday, I think its improving health and wellbeing and safety together in Cannock Chase. I think that is precisely what we are delivering and there is much to look forward to.

The good thing is the wellbeing team from IHL is now coming in-house for the first time, so I’m really pleased about that.

- **Leisure Contract**

“Moving on to leisure centres, the mobilisation of the new contract is progressing very well, and we are seeing a smooth handover from the current provider. We are confident that the new contract will be operational as planned from 1st April.

- **Community Safety**

“On community safety, if your mind goes back to the ‘Clear, Hold, Build’ operation that was happening in Cannock, I am particularly encouraged by progress on the Safer Communities, Stronger Future’ project in central Chads Moor, we have now moved the enforcement focus from the ‘clear’ phase into the ‘hold’ phase, which maintains partner visibility whilst building community rapport.

The results speak for themselves. Our repeat community safety survey shows that 79% of residents believe that partners work well together to tackle crime, with a 14% increase in those feeling safe during the day, and more importantly, 23% at night, and crucially, a 15% decrease in fear of becoming a crime victim. This is really good and also helps with the perception in Cannock about the area being unsafe. We are also supporting licensed premises, conducting crime prevention visits, and launching a crime-stoppers campaign on 9 February. The ‘build’ phase will begin in March, focusing on creating improvements and enhancing community pride.

Finally, our Public Spaces Protection Orders (PSPOs) continue to be effective. We’ve had our first successful prosecution this week, demonstrating our commitment to tackling issues that affect our communities. Since renewing and expanding PSPOs last February, we’ve issued 152 warning letters, with an 89% success rate in stopping problematic behaviour and we’ve also issued 17 Fixed Penalty Notices (FPNs). This robust approach sends a clear message-we will tackle behaviours that undermine community safety and wellbeing.”

(v) **Leader of the Council**

The Leader updated in respect of the following:

- **Local Government Reorganisation**

“Work on this is gathering pace and absorbing a lot of time, which is concerning. It is about managing this process to ensure that local government reorganisation takes place as we’re instructed by central government and ensuring that our services continue. I will be keeping a very close watch on that and I’m sure the Chief Executive will too. It is going to be perhaps challenging time for the next few months as that momentum gathers.”

- **Statement following 21 January 2026 Full Council Meeting**

“Finally, I would make a statement regarding the vote that took place in the council chamber at the last full Council. When I became Leader of this Council, there was a very ambitious plan in place already and I was honoured to take on the role of the Leader with that plan in place. And suddenly it’s now my top priority.

I’m firmly committed to making this happen, providing the prosperity that our residents, businesses and organisations desperately need now and for the future generations. We provided a blueprint to attract potential new investment, new business, new opportunities, new people and breathe new life into our town centre.

The vote by the option councillors has now placed all that in serious jeopardy. I’m very disappointed with those in the opposition who chose to try and frustrate this important project by putting political opportunism and scoring brownie points at the expense of our town’s future.

But I will make it very, very clear-I, the whole community, we as a Cabinet are now more determined than ever to save the regeneration ambitions that they chose to oppose and they tried to scupper. I will work damn hard to ensure that that town centre regeneration is concluded to the benefit of our town’s community.”

80. Forward Plan

Resolved:

That the Forward Plan of Decisions for the period January to March 2026 (Item 5.1 - 5.3) be noted.

81. General Fund Revenue Budget and Capital Programme 2025-2029

Consideration was given to the report of the Deputy Chief Executive-Resources & S151 Officer (Item 6.1 - 6.63).

Resolved:

That the following be recommended to the full Council meeting to be held on 11 February 2026:

- (A) The Budget Requirement for the General Fund Revenue Budget for 2026-2027 be set at £18.055 million.
- (B) The indicative General Fund Revenue Budgets be set at £18.088 million for 2027-2028 and £17.564 million for 2028-2029.
- (C) The General Fund working balance be set at a minimum of £1.0 million.
- (D) The detailed capital programme as set out in report appendix 2 be approved.
- (E) The Council Tax for 2026-2027 be increased by 2.99% to £258.81 for a standard Band D equivalent property.
- (F) The Council’s Tax Base be set at 29,862.96 (as determined by the Deputy Chief Executive-Resources & S151 Officer).
- (G) Note that the inflation parameter for fees and charges for 2026-2027 was generally set at 4%.

- (H) Delegated authority be given to the Deputy Chief Executive-Resources & S151 Officer in consultation with the Resources and Transformation Portfolio Leader to add items to the budget funded from reserves in line with the purpose of the reserve.
- (I) The Deputy Chief Executive-Resources & S151 Officer be authorised to adjust reserve contributions to reflect any grant and local taxation changes announced in the final 2026/2027 Local Government Finance Settlement.

Reason for Decisions

As part of the Council's annual budget setting process, it was required to determine its budget requirement and seek approval from Council to approve it. The above recommendations allowed the Council to set the budget it needed to carry out its functions.

82. Rent Setting 2026/27

Consideration was given to the report of the Head of Housing and Corporate Assets (Item 7.1 - 7.10).

Resolved:

- (A) That the Housing Rent Setting Policy as set out in report appendix 1, be agreed and implemented with effect from 6 April 2026.
- (B) That the Head of Housing and Corporate Assets, after consultation with the relevant Portfolio Leader, be given delegated authority to make updates and changes to the Policy, including any increase in rent, as lawfully allowed by, and arising from the Government's planned rent convergence announcement in January 2026.

Reasons for Decisions:

The proposed Policy would support the Council in maintaining compliance with both current and emerging legislation, including the Rent Standard, Social Housing Regulation Act, and revised Consumer Standards, and would enable the continued delivery of statutory landlord services. This was particularly vital in a climate of increasing demand, financial pressure, and regulatory reform, where the Council must demonstrate resilience, transparency, and a commitment to safe, high-quality housing.

83. Housing Revenue Account - Final Accounts 2024/25

Consideration was given to the joint report of the Head of Housing & Corporate Assets and the Deputy Chief Executive-Resources & S151 Officer (Item 8.1 - 8.6).

Resolved:

- (A) That the final accounts position of the Housing Revenue Account for the year ending 31 March 2025 be noted.
- (B) That the financing of the capital programme as outlined in the report be approved.

Reasons for Decisions:

The final accounts position needed to be reported to Members and the financing of the capital programme was required to be approved.

84. Housing Revenue Account Budgets 2025/26 to 2028/29

Consideration was given to the joint report of the Deputy Chief Executive-Resources & S151 Officer and the Head of Housing & Corporate Assets (Item 9.1 - 9.8).

Resolved:

- (A) That the revised position with regard to estimated income and expenditure for the 2025-2026 Housing Revenue Account and budgets for the period 2026-2027 to 2028-2029, as summarised in report appendix 1, be noted.
- (B) That Council, at its meeting to be held on 11 February 2026 be recommended to:
 - (i) Determine a minimum level of working balances of £2.620 million for 31 March 2027 and indicative working balances of £2.802 million and £3.015 million for 31 March 2028 and 2029, respectively.
 - (ii) Approve the Housing Revenue Accounts Revenue Budgets for 2026-2027, 2027-2028 and 2028-2029 (and note the forecast outturn for 2025-2026) as summarised in report appendix 1.

Reason for Decisions:

Cabinet was required to propose a budget in relation to the Housing Revenue Account for submission to Council on 11 February 2026.

85. Housing Revenue Account Capital Programmes 2025/26 to 2028/29

Consideration was given to the joint report of the Deputy Chief Executive-Resources & S151 Officer and the Head of Housing & Corporate Assets (Item 10.1 - 10.5).

Resolved:

- (A) That the estimated availability of Housing Revenue Account capital resources for the period 2025-2026 to 2028-2029, as set out in report appendix 1, be noted.
- (B) That Council, at its meeting to be held on 11 February 2026, be recommended to approve the Housing Revenue Account Capital Programmes for the period 2025-2026 to 2028-2029, as set out in report appendix 2.

Reasons for Decisions:

Cabinet was required to propose a budget in relation to the Housing Revenue Account for submission to Council on 11 February 2026.

86. Recording and Broadcasting of Public Meetings

Consideration was given to the report of the Head of Law and Governance (Item 11.1 - 11.5).

Resolved:

That Council be recommended not to implement the recording or broadcasting of public meetings at this time.

Reasons for Decision:

The costs of procuring equipment suitable for the audio and video recording of public meetings, and the resource implications of managing recordings, would not be proportionate given the decision to look at relocating the Civic Centre and the uncertainty surrounding the impact of Local Government Reorganisation.

87. Proposed Revocation of Air Quality Management Area 2

Consideration was given to the report of the Head of Regulatory Services (Item 12.1 - 12.91).

Resolved:

That the proposed revocation of Air Quality Management Area 2 be approved.

Reasons for Decision:

To allow the Council to comply with statutory guidance issued under the Environment Act 1995 and to enact the recommendations of the 2025 air quality annual status report.

The meeting closed at 6:49pm.

Leader

Local Council Tax Reduction Scheme 2026-27

Committee:	Cabinet
Date of Meeting:	19 February 2026
Report of:	Deputy Chief Executive (Resources)
Portfolio:	Resources and Transformation

1 Purpose of Report

- 1.1 To approve the proposed changes to the Council's Local Council Tax Reduction scheme with effect from 1 April 2026.
- 1.2 To recommend that Council formally adopts those changes at its meeting on 25 February 2026.

2 Recommendations

- 2.1 That the report be noted.
- 2.2 That at its meeting on 25 February 2026, Council be asked to adopt the changes to the scheme, explained in this, regarding:
 - Increases in Income Band Thresholds, in line with changes to Universal Credit to increase the standard allowance by more than inflation and to remove the 2-child limit.
 - Protection for disabled Universal Credit claimants, who receive other incomes in addition to Universal Credit.
 - Closing a potential loophole in respect of, usually self-employed, claimants who earn less than the minimum wage.
 - Disregarding certain payment types relating to LGBT compensation scheme for armed forces, in line with national benefits.
 - Extending the period of time for which a claimant can receive LCTR whilst temporarily away from home, in 'war-torn' areas.

Reasons for Recommendations

- 2.3 The Council's LCTR scheme for working aged claimants has been a banded income discount scheme since 2020. In order to maintain the levels of support afforded to claimants of Universal Credit, it is important that the income thresholds contained in our scheme are increased each year in line with increases to Universal Credit payments. The methodology for annual uprating to Universal Credit payments is changing from 2026 and the 2-child cap is being removed. Our scheme will be similarly changed, to maintain LCTR awards at their current level for affected claimants.
- 2.4 Recent caselaw has determined that some of the circumstances in which Councils use their discretionary powers to protect disabled UC claimants is not appropriate and the protections must be written into the main, Council approved scheme.

3 Key Issues

- 3.1 The changes referred to above are operational changes to the detail of our scheme. Our scheme works well and provides support for almost 8,000 households of which 5,000 are of working age.
- 3.2 Since the changes that were made in 2024 to passport claims for non-working UC cases, we are able to process 90% of the electronic notifications of UC entitlement and changes that we receive from DWP automatically, without manual intervention. Significant savings of resource are achieved, and customers receive notifications of entitlement much quicker than would otherwise be the case. It is important that as well as keeping in line with developing law, we keep our scheme aligned with UC process in order to maintain the degree of automation.
- 3.3 The recommendations will maintain the current levels of LCTR for those Universal Credit claimants who will receive an increased amount from 2026 onwards.
- 3.4 Whilst there are no budgetary implications to the changes proposed, as changes to the wording of our scheme are required a Consultation process is required. This was undertaken and an analysis of the results of that process is attached at Appendix 1 to this report.

4 Relationship to Corporate Priorities

- 4.1 **Priority 2 - Health & Wellbeing** is positively impacted by providing additional financial support to some of the poorest residents in the Cannock Chase district.

5 Report Detail

- 5.1 Prior to April 2013 the Council Tax Benefit scheme was a national, statutory scheme, which afforded a reduction of 100% to the Council Tax bills of those residents on the lowest incomes. This scheme was abolished from 1 April 2013 when local authorities were required to implement local schemes.
- 5.2 This Council, in common with most others, introduced a scheme which stated that most working aged claimants could be granted LCTR of a maximum of 80% of their bill, meaning that they had to pay at least 20%. Exceptions to this rule were included for parents of children aged under 5 years, and disabled people in receipt of certain disability-based benefits, who could still qualify for up to 100%.
- 5.3 From 1 April 2020, this Council made changes to its scheme for working aged claimants by introducing a banded income discount scheme. This simplified the calculation of entitlement for working aged claimants and increased the number of claimants that could receive up to 100% reduction. The 80% cap remained a feature of the scheme and still affects most working aged claimants.
- 5.4 In 2024 the Council amended its scheme to simplify the processing of LCTR claims and changes relating to claimants of UC. Significant resource savings and improved processing times resulted. Continued alignment to UC processing rules is needed to continue to maintain these efficiencies.

- 5.5 Until now, UC payments have been increased each April in line with Consumer Price Index (CPI) rates at the preceding September (3.8% in September 2025). Our schemes therefore also increase the income banding thresholds by September CPI so as to have a neutral impact on awards and scheme costs. In April 2026 UC will change by more than inflation.

In April 2026 UC will rise by 6.2% for claimants aged over 25 (6.9% for under 25's) and the standard methodology will be repealed in favour of an individual decision each year. Therefore, in order to maintain alignment with UC, our scheme wording needs to change to remove reference to September CPI and instead include annual increases in line with UC awards. If we do not do this, some working UC claimants will have to pay more Council Tax, thereby negating the effect of the extra income that the government will be giving to them.

- 5.6 A 2-child cap currently exists in Universal Credit whereby claimants with more than 2 children do not receive additional benefit for the 3rd child or subsequent children. This will be removed and parents of 3 and more children will receive more Universal Credit. Our scheme will be amended to preserve the current rate of LCTR for those parents.

- 5.7 There will potentially be a very small incidental cost as people who are not on Universal Credit (typically on disability benefits or in low paid employment) may get pay rises less than the Universal Credit increases and therefore potentially qualify for more LCTR.

Assuming that these (estimated 63 according to the current caseload) claimants, get no pay increase at all next year, and the threshold increase moves them into the next LCTR bracket our scheme costs would rise by less than £20,000 which is affordable under current budgets. This hypothetical scenario is unlikely to materialise, and so actual cost increase will be lower. Our annual expenditure on LCTR is a little under £9M.

- 5.8 Furthermore, the slight increases for some disabled people and working, low income, families helps to support the scheme's objectives.

- 5.9 The manner in which Universal Credit entitlement is affected when disabled claimants receive other incomes alongside their UC can cause anomalies within Councils' LCTR schemes resulting in lower entitlement to LCTR. Councils traditionally address such anomalies by use of their discretionary powers to increase awards of LCTR.

Recent caselaw has stated that reliance on discretionary powers alone, which a local authority may withdraw, is not sufficient. The equitable treatment of the disabled claimants must be a feature of the main approved LCTR scheme, rather than being corrected by use of discretion outside of the scheme.

- 5.10 The changes made to our scheme in 2024, to 'passport' all non-working UC claims for LCTR prevents the anomaly from occurring in all but a very specific and atypical set of circumstances. We would currently use a discretionary payment in these circumstances but now must re-word our scheme to make the protection and entitlement within the main scheme.

- 5.11 A potential weakness exists in our scheme whereby a self-employed claimant could claim to be working full time hours (thereby enjoying enhancements with the scheme) but receiving little or no income. There are no instances of this having taken place. National benefits have been changed to assume that in these cases the claimant is earning the minimum wage for the hours they claim to work, up to 35 hours, for the purpose of calculating entitlement. This is known as a Minimum Income Floor (MIF).
- 5.12 In these circumstances we would similarly set our MIF at 35 hours at the National Minimum Wage rate one year after the claimant began to trade. Discretion will be retained to reduce the number of hours included where special circumstances apply. For example, if the claimant cannot work full time due to caring responsibilities.
- 5.13 No such cases currently exist in our area, but following the lead of DWP based benefits is accepted best practice.
- 5.14 Treatment of LGBT armed forces compensation payments and temporary absence in 'war-torn' region

6 Implications

6.1 Financial

The cost of the LCTR scheme is accounted for within the Council's Council Tax Base calculation. The changes recommended in this report do not significantly change the Tax Base and do not include significant cost.

6.2 Legal

The scheme and process for amendment are prescribed in Section 13A of Local Government Finance act 1992 and subsequent regulations.

6.3 Human Resources

None

6.4 Risk Management

None

6.5 Equalities and Diversity

The changes within this report have a positive impact upon the support for disabled claimants, families, and those in low paid employment, by maintaining their current levels of LCTR.

6.6 Health

None

6.7 Climate Change

None

7 Appendices

None.

8 Previous Consideration

The current LCTR scheme was approved by Council on 6 March 2024.

9 Background Papers

None.

Contact Officer: Rob Wolfe - Local Taxation and Benefits Manager

Telephone Number: 01543 46 4397

Ward Interest: No

Report Track: Cabinet: 19/02/26

Council: 25/02/26

Key Decision: No

Cannock Chase District Council - Council Tax Reduction Scheme 2026/27 Consultation

1. Background to the Consultation

1. I have read the background information about the Council Tax Reduction Scheme: This question must be answered before you can continue.				
Answer Choices			Response Percent	Response Total
1	Yes		100.00%	6
2	No		0.00%	0
			answered	6
			skipped	0

2. Option 1 - To enhance the scheme to allow for additional dependants (currently limited to two) in line with the changes to Universal Credit

2. Do you agree with this change to the scheme?				
Answer Choices			Response Percent	Response Total
1	Yes		25.00%	1
2	No		0.00%	0
3	Don't Know		75.00%	3
			answered	4
			skipped	2

3. If you disagree what alternative would you propose?				
Answer Choices			Response Percent	Response Total
1	Open-Ended Question		0.00%	0
No answers found.				
			answered	0
			skipped	6

Item No. 4.7

3. Option 2 - To allow the Council to increase the income levels for each discount band by an appropriate amount to account for changes in benefit levels

4. Do you agree with this change to the scheme?				
Answer Choices			Response Percent	Response Total
1	Yes		33.33%	1
2	No		33.33%	1
3	Don't Know		33.33%	1
			answered	3
			skipped	3

5. If you disagree what alternative would you propose?				
Answer Choices			Response Percent	Response Total
1	Open-Ended Question		100.00%	1
			answered	1
			skipped	5

4. Option 3 – To disregard all elements in Universal Credit which relate to disability or caring.

6. Do you agree with this change to the scheme?				
Answer Choices			Response Percent	Response Total
1	Yes		33.33%	1
2	No		33.33%	1
3	Don't Know		33.33%	1
			answered	3
			skipped	3

7. If you disagree what alternative would you propose?				
Answer Choices			Response Percent	Response Total
1	Open-Ended Question		100.00%	1
			answered	1
			skipped	5

Item No. 4.8

5. Option 4 - To introduce a Minimum Income Floor (MIF) for self-employed and directors of Ltd companies.

8. Do you agree with this change to the scheme?				
Answer Choices			Response Percent	Response Total
1	Yes		50.00%	1
2	No		50.00%	1
3	Don't Know		0.00%	0
			answered	2
			skipped	4

9. If you disagree what alternative would you propose?				
Answer Choices			Response Percent	Response Total
1	Open-Ended Question		0.00%	0
No answers found.				
			answered	0
			skipped	6

6. Option 5 - To disregard payments made under the LGBT Compensation scheme and the Miscarriage of Justice Compensation Scheme when assessing any support.

10. Do you agree with this change to the scheme?				
Answer Choices			Response Percent	Response Total
1	Yes		50.00%	1
2	No		0.00%	0
3	Don't Know		50.00%	1
			answered	2
			skipped	4

11. If you disagree what alternative would you propose?				
Answer Choices			Response Percent	Response Total
1	Open-Ended Question		0.00%	0
No answers found.				
			answered	0
			skipped	6

7. Alternatives to changing the Council Tax Reduction Scheme.

12. Please use this space to make any other comments on the proposed scheme.			
Answer Choices		Response Percent	Response Total
1	Open-Ended Question	0.00%	0
No answers found.			
		answered	0
		skipped	6

13. Please use the space below if you would like the Council to consider any other options (please state).			
Answer Choices		Response Percent	Response Total
1	Open-Ended Question	0.00%	0
No answers found.			
		answered	0
		skipped	6

8. About You

14. Are you, or someone in your household, getting a Council Tax Reduction at this time?			
Answer Choices		Response Percent	Response Total
1	Yes	100.00%	1
2	No	0.00%	0
3	Don't Know	0.00%	0
		answered	1
		skipped	5

15. What is your sex?			
Answer Choices		Response Percent	Response Total
1	Male	0.00%	0
2	Female	0.00%	0
3	Prefer not to say	100.00%	1
		answered	1
		skipped	5

16. Age

Answer Choices		Response Percent	Response Total
1	18-24	0.00%	0
2	25-34	100.00%	1
3	35-44	0.00%	0
4	45-54	0.00%	0
5	55-64	0.00%	0
6	65-74	0.00%	0
7	75-84	0.00%	0
8	85+	0.00%	0
9	Prefer not to say	0.00%	0
		answered	1
		skipped	5

17. Disability: Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

Answer Choices		Response Percent	Response Total
1	Yes	0.00%	0
2	No	100.00%	1
3	Don't know	0.00%	0
4	Prefer not to say	0.00%	0
		answered	1
		skipped	5

18. Ethnic Origin: What is your ethnic group? Select each that apply.

Answer Choices		Response Percent	Response Total
1	Prefer not to say	0.00%	0
2	White British	100.00%	1
3	White Irish	0.00%	0
4	White Gypsy or Irish Traveller	0.00%	0
5	Any other White background	0.00%	0
6	Mixed/Multiple ethnic groups - White & Black African	0.00%	0
7	Mixed/Multiple ethnic groups - White & Black Caribbean	0.00%	0
8	Mixed/Multiple ethnic groups - White & Asian	0.00%	0
9	Any other multi mixed background	0.00%	0
10	Asian or Asian British Pakistani	0.00%	0
11	Asian or Asian British Indian	0.00%	0
12	Asian or Asian British Bangladeshi	0.00%	0
13	Asian or Asian British Chinese	0.00%	0
14	Any other Asian background	0.00%	0
15	Black African	0.00%	0
16	British Caribbean	0.00%	0
17	Black British	0.00%	0
18	Any other Black background	0.00%	0
		answered	1
		skipped	5

19. Other Ethnic Group

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	0.00%	0
No answers found.			
		answered	0
		skipped	6

Treasury Management Strategy, Minimum Revenue Provision Policy, and Annual Investment Strategy 2026/27

Committee: Cabinet

Date of Meeting: 19 February 2026

Report of: Deputy Chief Executive-Resources & S151 Officer

Portfolio: Resources and Transformation

1 Purpose of Report

1.1 This report is presented to obtain the Council's approval to:

- Prudential and Treasury Indicators - To set indicators to ensure that the capital investment plans of the Authority are affordable, prudent and sustainable;
- The Annual Minimum Revenue Provision (MRP) Policy for 2026/27.
- Treasury Management and Investment Strategy for 2026/27 - To set treasury limits for 2026/27 to 2028/29 and to provide a background to the latest economic forecasts of interest rates, and to set out the strategy of investment of surplus funds.

2 Recommendations

2.1 That the following be approved:

- The Prudential and Treasury Indicators;
- The Annual Minimum Revenue Provision (MRP) Statement for 2026/27;
- The Treasury Management Policy and Annual Investment Strategy for 2026/27.

Reasons for Recommendations

2.2 To note that indicators may change in accordance with the final recommendations from Cabinet to Council in relation to both the General Fund Revenue Budget and the Capital Programme.

3 Key Issues

3.1 The Treasury Management Function essentially consists of:

- In the short-term ensuring that the cash flow of a Balanced Revenue Budget is adequately planned with surplus monies invested in accordance with the risk appetite of the Authority.
- In the long-term funding the capital plans of the authority and in particular managing the debt of the Authority and any new borrowing requirement.

- 3.2 The Governance arrangements are detailed in the various policies and strategies as detailed in the report together with the setting of Indicators in accordance with the Capital Financing Prudential Code. The Authority is required to approve its treasury management, investment, and capital strategies to ensure that cash flow is adequately planned and that surplus monies are invested appropriately.

4 Relationship to Corporate Priorities

- 4.1 Treasury management and investment activities are interwoven with all of the Authority's priorities and their spending plans.

5 Report Detail

Introduction

- 5.1 The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Accordingly, a significant function of Treasury Management is ensuring that cash flows are adequately planned and controlled to meet this objective. Any surplus monies are invested with low-risk counterparties and managed appropriately so that sufficient levels of liquid cash are available to meet any payment obligations as well as offer headroom for unexpected circumstances. Such considerations underpin the day-to-day operations of Treasury Management when determining investment-related outcomes rather than the sole factor of yield that aims to generate higher return on investments with little or no regards to financial risks.
- 5.2 The second main function of the Treasury Management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority 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 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.
- 5.4 CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, including 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 Authority has not engaged in any commercial investments and has no non-treasury investments.

Reporting Requirements

Capital Strategy

- 5.7 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
- 5.8 The aim of this 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.
- 5.9 The Capital Strategy is in the process of being updated and will then come to a Cabinet and Council meeting for adoption.

Treasury Management reporting

- 5.10 The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates, and actuals.
- 5.11 **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:
- the capital plans (including Prudential Indicators);
 - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - the Treasury Management and Investment Strategy (how the investments and borrowings are to be organised and investments are to be managed) including treasury indicators.
- 5.12 **A mid-year treasury management report** - This is primarily a progress report and will update members on the capital position, amending Prudential Indicators as necessary, and whether any policies require revision.
- 5.13 **An annual treasury report** - This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 5.14 **Scrutiny** - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by Cabinet and the Audit and Governance Committee.
- 5.15 The Authority has adopted the following reporting arrangements in accordance with the requirements of the CIPFA Code of Practice:

Area of Responsibility	Council/Committee	Frequency
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Full Council	Annually in January / February each year
Treasury Management Strategy / Annual Investment Strategy / MRP policy / Monitoring of Prudential Indicators	Full Council	Mid-year
Treasury Management Strategy / Annual Investment Strategy / MRP policy - updates or revisions at other times	Full Council	As required
Annual Treasury Outturn Report	Audit & Governance Committee and Council	Annually by 30 September after the end of the year
Scrutiny of treasury management strategy	Cabinet	Annually in January / February before the start of the year

Training

- 5.16 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.
- 5.17 Furthermore, pages 47 and 48 of the Code state that they expect “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.
- 5.18 The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/Council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 5.19 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
- Record attendance at training and ensure action is taken where poor attendance is identified.
 - Prepare tailored learning plans for treasury management officers and board/Council members.
 - Require treasury management officers and board/Council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
 - Have regular communication with officers and board/Council members, encouraging them to highlight training needs on an ongoing basis.”

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

Treasury Management Consultants

- 5.22 The Authority uses Arlingclose as its external treasury management advisors.
- 5.23 The Authority 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.
- 5.24 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 Authority 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.

External Context

- 5.25 **Economic background:** The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.
- 5.26 The Bank of England's (BoE's) Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 5.27 Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) 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. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- 5.28 CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect

inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.

- 5.29 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.
- 5.30 The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 5.31 The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, 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.
- 5.32 **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 during October and November, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 5.33 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.
- 5.34 **Interest rate forecast (22nd December 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the BoE's MPC will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the Committee's meeting held on 18th December.
- 5.35 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.

- 5.36 A more detailed economic and interest rate forecast provided by Arlingclose is in **Appendix 1**.
- 5.37 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 2.87%, and the Authority has no new borrowing requirement for 2026/27, so the average rate of borrowing is assumed to be 0%. However, the average borrowing of the existing loans portfolio is 3.96% as at the end of 2024/25.

Local Context

The Capital Prudential Indicators 2026/27 - 2028/29

- 5.38 The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in Prudential Indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

- 5.39 This Prudential Indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts, which include a review of current schemes together with the continuation of the applicable rolling programme schemes, but to note these may change as part of the scrutiny process and finalisation of the Budget.
- 5.40 Any change to the forecast and any new growth bids will be separately identified in future Budget Reports and reflected in this indicator as reported to Full Council.

Capital expenditure	2024/25	2025/26	2026/27	2027/28	2028/29	Earmarked
	Actual	Estimate	Estimate	Estimate	Estimate	
	£'000	£'000	£'000	£'000	£'000	
Resources & Transformation	195	-	40	-	-	-
Environment & Climate Change	97	1,112	208	80	80	-
Community Wellbeing	1,347	1,446	5,991	1,146	1,146	154
Housing	3					
Parks, Culture & Heritage	1,034	990	1,447	-	-	299
Regeneration & High Streets	5,201	4,178	10,328	-	-	7,119
Non-HRA	7,877	7,726	18,014	1,226	1,226	7,572
HRA	8,688	12,039	17,434	13,918	14,107	4,675
Total	16,565	19,765	35,448	15,144	15,333	12,247

- 5.41 In addition to the above Capital Programme, the expenditure and borrowing of the Authority may increase as a result of changes such as match funding requirements for bids in relation to such initiatives. Such capital schemes and business cases will be subject to reports to Cabinet and Council and their respective approvals. If a borrowing requirement emerges, the Authority shall consider the use of the Public Works Loan Board (PWLB) discount rate as well other sources of funding as prescribed below. An appraisal will be undertaken to determine and ensure that, amongst other things, any new borrowings are affordable and work within the Prudential Indicators limits before entering into such borrowing facilities.
- 5.42 **Other long-term liabilities** - The financing need excludes other long-term liabilities, such as leasing arrangements which already include borrowing instruments.
- 5.43 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2024/25	2025/26	2026/27	2027/28	2028/29	Unallocated
	Actual	Estimate	Estimate	Estimate	Estimate	
	£'000	£'000	£'000	£'000	£'000	
Total Spend	16,565	19,765	35,448	15,144	15,333	12,247
Financed by:						
Capital Receipts	1,703	3,348	2,147	801	1,649	10,544
Capital grants / contributions	6,488	7,525	12,634	1,146	1,146	372
Major Repairs	7,053	8,027	4,607	4,767	4,930	0
Revenue	1,321	865	16,060	8,430	7,608	1,331
Total Financing	16,565	19,765	35,448	15,144	15,333	12,247
Net financing need for the year	0	0	0	0	0	0

- 5.44 The capital financing of the programme will similarly be reviewed as part of the Budget process and any change will be separately identified in future Budget Reports and reflected in this indicator.

The Authority's borrowing need (the Capital Financing Requirement)

- 5.45 Another Prudential Indicator is the Authority'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 Authority's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
- 5.46 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the lease provider and so the Authority is not required to separately borrow for these schemes. As at the end of 2024/25, the Authority currently has a balance of £3.201m for finance leases within the CFR. However, it is anticipated that this figure will rise during 2026/27 in respect of the new IFRS16 leasing requirements. Further work will be undertaken to ensure that this is reflected in the calculations when appropriate.

- 5.47 The Council is asked to approve the following CFR projections, subject to any changes arising from the budget process:

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement:					
CFR – non housing	10,777	10,037	11,469	10,879	10,264
CFR - housing	82,475	82,475	82,475	82,475	82,475
Total CFR	93,252	92,512	93,944	93,354	92,739
Movement in CFR	2,944	(740)	1,432	(590)	(615)
Movement in CFR represented by:					
Net financing need for the year	0	0	0	0	0
Less MRP and other financing movements	2,944	(740)	1,432	(590)	(615)
Movement in CFR	2,944	(740)	1,432	(590)	(615)

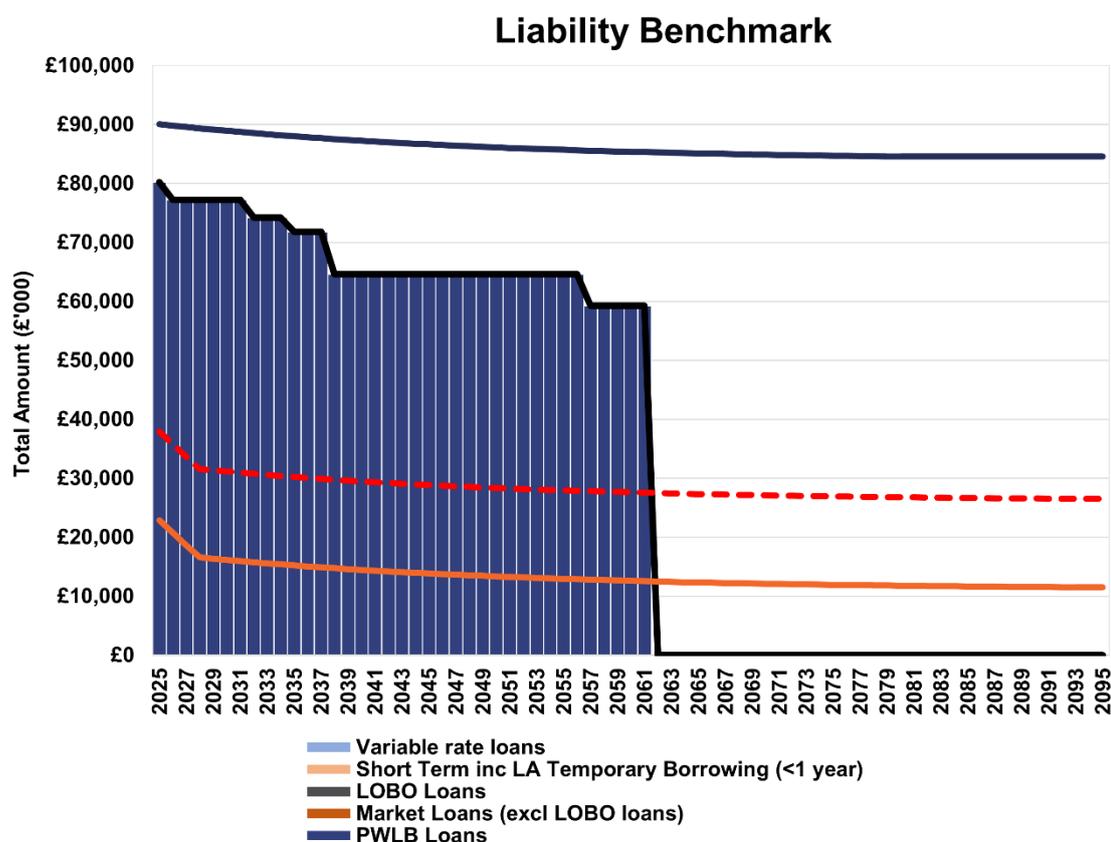
Liability Benchmark

- 5.48 To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as paragraph 5.43, but that cash and investment balances are kept to a minimum level of £15m at each year-end to strike a balance between sufficient liquidity, maintaining the Authority's professional client status under Markets in Financial Instruments Directive II (MiFiD II) regulations whilst mitigating counterparty credit risk.
- 5.49 The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
CFR	93,252	92,512	93,944	93,354	92,739
Less: Other debt liabilities*	(3,201)	(2,707)	(4,376)	(4,013)	(3,616)
Loans CFR	90,051	89,805	89,568	89,341	89,123
Less: Balance sheet resources	(67,196)	(66,940)	(40,320)	(35,687)	(30,618)
Net loans requirement	22,855	22,865	49,248	53,654	58,505
Plus: Liquidity allowance	15,000	15,000	15,000	15,000	15,000
Liability/(Investment) benchmark	37,855	37,865	64,248	68,654	73,505

* leases and PFI liabilities that form part of the Authority's total debt

5.50 Following on from the medium-term forecasts in paragraph 5.43, the long-term liability benchmark assumes capital expenditure funded by borrowing in line with the current forecast capital programme, minimum revenue provision and income, expenditure, and reserves all in line with the 2026/27 budget and forecast. This is shown in the graph below together with the maturity profile of the Authority's existing borrowing.



5.51 This graph above allows a comparison of current borrowing against the need to borrow, looking at both the amount (on the y axis) and the term (on the x axis). CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where

external loans are less than the Liability Benchmark, then this indicates a borrowing requirement; thus, identifying where the Authority should take long-term borrowing or sell investments. Conversely, where external loans exceed the Liability Benchmark, this will highlight an overborrowed position. This will result in excess cash requiring investment and will accordingly expose the Authority to credit and reinvestment risks as well as a potential cost of carry for servicing the larger loan portfolio held unless it is economically viable in utilising the surplus cash in repaying existing loans prematurely.

Core funds and expected investment balances

5.52 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.

Year End Resources	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Earmarked Fund Balances / Reserves:					
General Fund	22,385	21,913	16,366	16,186	15,166
General Fund working balance	2,410	2,936	2,473	1,635	1,216
Housing Revenue Account (HRA)	16,322	17,772	10,599	6,284	2,841
HRA working balance	2,671	2,576	2,620	2,802	3,015
Sub Total	43,788	45,197	32,058	26,907	22,238
Capital receipts:					
GF	6,498	6,733	6,626	6,546	6,466
HRA	5,997	4,774	4,053	4,651	4,331
Sub Total	12,495	11,507	10,679	11,197	10,797
Provisions	1,501	1,397	232	232	232
Major Repairs Reserve	3,523	0	0	0	0
Capital Grants unapplied GF	7,759	12,428	940	940	940
Other - Grants Receipts in Advance	2,144	1,411	1,411	1,411	1,411
Total core funds	71,210	71,940	45,320	40,687	35,618
Working Cashflow requirement*	4,014	5,000	5,000	5,000	5,000
Under/over borrowing	9,846	12,600	12,363	12,136	11,918
Expected investments	57,350	54,340	27,957	23,551	18,700

*Working cashflow requirement shown are estimated year-end; these may be higher mid-year.

- 5.53 The cash balances shown are exclusive of the unallocated capital spend as set out in paragraph 5.43 (with the exception of reserves which are assumed to be used in 2028/29). These are fully funded schemes.

Minimum revenue provision (MRP) Policy Statement

- 5.54 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 (the Minimum Revenue Provision - MRP).
- 5.55 The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the Guidance as far as these are relevant. The MRP Policy Statement requires Full Council approval in advance of each financial year.
- 5.56 The Council is recommended to approve the following MRP Statement:
- 5.57 Under powers delegated to the Section 151 Officer, the Authority's Annual MRP provision for expenditure incurred after 1 April 2008 which forms part of supported capital expenditure will be based on either the uniform rate of 4% of the Capital Financing Requirement (CFR) or as the principal repayment on an annuity basis with an appropriate annual interest rate, starting in the year after the asset becomes operational
- 5.58 The Authority's Annual MRP provision for all unsupported capital expenditure incurred on or after 1 April 2008 will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments or as the principal repayment on an annuity with an appropriate annual interest rate, starting in the year after the asset becomes operational.
- 5.59 Capital expenditure incurred during 2026/27 will not be subject to an MRP charge until 2027/28, or in the year after the asset becomes operational.
- 5.60 The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.
- 5.61 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge on depreciation to be made.
- 5.62 In the case of leases where a right-of-use asset is on the balance sheet, the prudent charge to revenue can be regarded being equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year plus

retrospective writing down of the balance sheet liability that arises from the restatement.

- 5.63 The Authority are satisfied that the policy for calculating MRP set out in this Policy Statement will result in the Authority continuing to make prudent provision for the repayment of debt, over a period that is on average reasonably commensurate with that over which the expenditure provides benefit.
- 5.64 The Section 151 Officer will, where it is prudent to do so, use discretion to review the overall financing of the Capital Programme and the opportunities afforded by the regulations, to maximise the benefit to the Authority whilst ensuring the Authority meets its duty to charge a prudent provision.
- 5.65 **Capital Loans:** Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan.

A commercial loan is defined in regulation 27(5) as a loan from the authority to another entity for a purpose which, if the authority were to undertake itself, would be primarily for financial return; or, where the loan is itself, capital expenditure undertaken primarily for financial return.

Local authorities must make MRP with respect to any debt used to finance a commercial capital loan.

A local authority may choose not to charge MRP in respect of the financing by debt of a loan issued by an authority to any person or body, where —

- a) the loan is treated as capital expenditure in accordance with regulation 25(1)(b); that is to say, loans and grants towards capital expenditure by third parties.
- b) the loan is not a commercial loan, and
- c) the local authority has not recognised, in accordance with proper practices, any expected or actual credit loss in respect of that loan.

This Authority has not issued capital loans that are categorised as commercial and, accordingly, is not required to make MRP on this basis.

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

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

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

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

The Authority has previously not made any VRP overpayments.

Affordability Prudential Indicators

- 5.68 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. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

- 5.69 This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream. The figures below show a negative ratio due to the investment income being received by the Authority on its treasury investments.

%	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Non HRA	-13.83%	-9.84%	-4.73%	-4.52%	-4.49%
HRA	11.46%	11.95%	11.43%	11.03%	10.75%

HRA ratios

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
HRA debt £'000	80,205	77,205	77,205	77,205	77,205
HRA revenues £'000	23,809	23,922	25,034	25,951	26,626
Ratio of debt to revenues	3.4	3.2	3.1	3.0	2.9
Number of HRA dwellings (estimate closing)	5,015	4,987	4,997	4,978	4,960
Debt per dwelling £	15.99	15.48	15.45	15.51	15.57

Borrowing

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

Current portfolio position

- 5.71 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.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Debt					
PWLB debt at 1 April	81,605	80,205	77,205	77,205	77,205
Expected change in Debt	(1,400)	(3,000)	0	0	0
Other long-term liabilities (OLTL)	0	3,201	2,707	4,376	4,013
Expected in-year change in OLTL	3,201	(494)	1,669	(363)	(397)
Actual gross debt at 31 March	83,406	79,912	81,581	81,218	80,821
The Capital Financing Requirement	93,252	92,512	93,944	93,354	92,739
Under / (Over) borrowing	9,846	12,600	12,363	12,136	11,918

5.72 Within the range of Prudential Indicators there are several key indicators to ensure that the Authority operates its activities within well-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 2026/27 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.

5.73 The Deputy Chief Executive Resources reports that the Authority 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 Indicators: limits to borrowing activity

5.74 **The Operational Boundary.** This is the 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.

	2024/25	2025/26	2026/27	2027/28	2028/29
Operational boundary	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Debt	93,251	95,366	91,568	91,341	91,123
Other long-term liabilities	3,201	2,707	4,376	4,013	3,616
Total	96,452	98,073	95,944	95,354	94,739

5.75 **The Authorised Limit for External Debt.** This is a key Prudential Indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by 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.

- 1) This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authority's plans, or those of a specific Authority, although this power has not yet been exercised.
- 2) The Council is asked to approve the following authorised limits.

Authorised limit	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Debt	104,751	106,866	103,068	102,841	102,623
Other long-term liabilities	3,201	2,707	4,376	4,013	3,616
Total	107,952	109,573	107,444	106,854	106,239

Borrowing Strategy

- 5.76 The Authority held £80.205m of external loans as the end of 2024/25. The balance sheet forecast in 5.43 shows that the Authority does not expect to need to borrow in 2026/27. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £107.444m.
- 5.77 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 5.78 **Strategy:** The Authority 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 Authority's reserves, balances and cash flow has been used as a temporary measure. Given the uncertainty and reductions in local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year, and are expected to fall a little further, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.
- 5.79 By adopting this approach, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk should a future borrowing occur. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 5.80 Traditionally speaking, authorities usually raise majority or all of their long-term borrowing needs from the PWLB. In addition to convention borrowing source, this Authority will consider long-term loans from other lenders. This includes banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Cod. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 5.81 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 5.82 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
- 5.83 Any decisions will be reported to Members appropriately at the next available opportunity.
- 5.84 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd) - where the project meets its investment principles (namely, economic regeneration and tackling climate change), the Infrastructure Bank offers loans at the relevant Gilts rate + 60 basis points (20 basis points lower than the PWLB Certainty rate) and can match the length of the loan and repayment profile to needs of the project.
 - any institution approved for investments (see below)
 - any bank, building society or insurance company authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Staffordshire County Authority's Local Government Pension Scheme - Staffordshire Pension Fund)
 - capital market bond investors
 - special purpose companies created to enable local authority bond issues.
- 5.85 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - similar asset-based finance

- 5.86 **Policy on borrowing in advance of need:** The Authority 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 Authority can ensure the security of such funds.
- 5.87 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.
- 5.88 **Debt Rescheduling:** Debt rescheduling of external borrowing can help with mitigating against exposure to the risk of interest rate movements, lower the cost of servicing debt and alter the maturity profile to avoid refinancing risk.

Rescheduling of the Authority's current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates. If rescheduling is to be undertaken, it will be reported to the Authority, at the earliest meeting following its action.

Treasury Investment Strategy 2026-27

- 5.89 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £55.0m and £79.2m, and similar levels are expected to be maintained in the forthcoming year.
- 5.90 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Consistent with the spirit of the Code's treasury management practices (namely, TMP1 on credit and counterparty risk management), the Authority aims to be a responsible investor. It shall be mindful of environmental, social and governance (ESG) considerations in its decision-making outcomes. To that end, the Authority will not knowingly invest directly with financial participants whose activities and practices pose a risk of serious damage or whose activities are inconsistent with the Authority's mission and values.
- 5.91 **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 5.92 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.93 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table below, subject to the limits shown. This table should be read in conjunction with the notes provided.

	Counterparty limit	Time Limit (Maximum)***
The UK Government	100%	50 years
Local authorities & other government entities	£5 million	25 years
Secured investments – government collateral	£5 million	25 years
Secured investments – other collateral **	£3 million	10 years
Banks (unsecured) **	£6 million	13 months
Building societies (unsecured) **	£6 million	13 months
Registered providers (unsecured) **	£3 million	5 years
Money market funds **	£9 million	n/a
Strategic pooled funds	£3 million	n/a
Real estate investment trusts	£3 million	n/a
Other investments **	£5 million	5 years

* DMO – is the Debt Management Office of HM Treasury

5.94 **Minimum credit rating:** Treasury investments in the sectors marked with a double-asterisk (**) will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £1m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.95 **Time limits (***):** These start on the earlier of date that the Authority is committed to make the investment and the date that cash is transferred to the counterparty. This is the maximum duration that will be held with the relevant financial participant.

5.96 **UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility where the maximum deposit term is 6 months, treasury bills, and gilt. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

5.97 **Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities, and multilateral development bank. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

- 5.98 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other government collateral.
- 5.99 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 5.100 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 5.101 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.102 **Strategic pooled funds:** Bond, equity, and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 5.103 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 5.104 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

5.105 **Operational bank accounts:** The Authority's operational account provider is Barclays Bank. It may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m, subject to unexpected material receipts. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.106 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that counterparty until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.107 **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.108 **Reputational aspects:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK

Government or other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

- 5.109 **Additional Investment limits:** A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers and investments in brokers' nominee accounts as below.

	Cash limit
Any group of pooled funds under the same management	£6m per manager
Investments held in a broker's nominee account	£6m per broker

- 5.110 **Liquidity management:** The Authority uses purpose-built cash flow forecasting models to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

- 5.111 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 5.112 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A

- 5.113 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 1 month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 1 month	£15m

- 5.114 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
One-year revenue impact of a 1% rise in interest rates.	(£0.549m)
One-year revenue impact of a 1% fall in interest rate.	£0.549m

- 5.115 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.
- 5.116 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

- 5.117 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 5.118 **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2026/27	2027/28	2028/29	No fixed date
Limit on principal invested beyond year end	£5m	£5m	£5m	£10m

- 5.119 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts as these are considered short-term.

Related Matters

- 5.120 The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 5.121 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 5.122 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not

be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 5.123 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 5.124 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 5.125 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, and brokers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Deputy Chief Executive Resources believes this to be the most appropriate status.

Financial Implications

- 5.126 The budget for investment income in 2026/27 is £1.579 million, based on an average investment portfolio of £54.943 million at an interest rate of 2.87%. As the Authority does not anticipate any borrowing, the budget for debt interest paid in 2026/27 is nil. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasted, performance against budget will be correspondingly different.

Other Options Considered

- 5.127 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Deputy Chief Executive Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain

Alternative	Impact on income and expenditure	Impact on risk management
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

6 Implications

6.1 Financial

Included in this Report.

6.2 Legal

None.

6.3 Human Resources

None.

6.4 Risk Management

The Authority regards security of the sums it invests to be the key objective of its Treasury Management activity. Close management of counterparty risk is therefore a key element of day-to-day management of treasury activity. The practices designed to ensure that risks are managed effectively are set out in the Treasury Management Practices available on the Authority's website.

6.5 Equalities and Diversity

The Authority considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:

Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

6.6 Health

None.

6.7 Climate Change

None.

7 Appendices

Appendix 1: Economic Update and Interest Rate Forecast (provided by Arlingclose as of 22nd December 2025)

Appendix 2: Treasury Management Scheme of Delegation

Appendix 3: The Treasury Management Role of The Section 151 Officer

8 Previous Consideration

None.

9 Background Papers

Available in Financial Services.

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Report Track:	Audit & Governance Committee: 18/02/26 Cabinet: 19/02/26 Council: 25/02/26
Key Decision:	Yes

**Economic Update and Interest Rate Forecast
(Provided by Arlingclose as of 22nd December 2025)**

Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty, and significant issuance. These issues may not be resolved quickly, and we expect yields to remain higher

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	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

The current PWLB rates are set as margins over gilt yields as follows: -

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate (GF) is gilt plus 80 basis points (G+80bps)
- PWLB Local Infrastructure Rate is gilt plus 60 basis points (G+60bps)
- PWLB Certainty Rate (HRA) is gilt plus 40bps (G+40bps)

The National Wealth Fund (formerly the UK Infrastructure Bank) will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

Treasury Management Scheme of Delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

Committees/Council

- 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.

Body/person(s) with responsibility for scrutiny

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

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;
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments, and treasury management, with a long-term timeframe.