



Treasury Management Strategy 2026/27

1. This strategy statement has been produced in accordance with:

- the council's Treasury Management Policy Statement;
- the latest Code of Practice on Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA);
- the council's constitution which requires the annual production of a Treasury Management Strategy for the forthcoming year; and
- the Government Department guidance on local government investments which requires treasury management investments to consider security, liquidity and yield (in that order).

2. The council's Treasury Management Strategy is undertaken within the following context:

- The level of the council's investment balances is one of the highest of all district authorities and has been for some time. The council has therefore been able to take a longer-term view on investment decisions; and
- The income generated from investments is significant to the council and supports the cost of revenue services.

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1. Interest Rate Forecasts

1. In order to put a treasury management strategy into context it is necessary to note the current forecasts for interest rates.
2. The Bank of England Official Rate (base rate) is currently 3.75%. The latest central case forecast is that the base rate will begin the year at 3.75% but that it will reduce to 3.25% by the end of 2026/27.
3. The forecast for interest rates through to December 2027 is shown in Table 1:

Table 1: Forecast for Interest Rates

Date	Base Rate	5 Year Gilt
March 2026	3.75%	3.80%
June 2026	3.50%	3.70%
September 2026	3.50%	3.50%
December 2026	3.25%	3.40%
March 2027	3.25%	3.30%
June 2027	3.25%	3.30%
September 2027	3.25%	3.30%
December 2027	3.25%	3.30%

2. Overall Resources and the Treasury Management Portfolio

1. The council's Balance Sheet on 31 March 2025 shows that it had overall net assets of approximately £531.40M. This included £302.10M of investment property and £115.80M of cash resources, mostly in the form of treasury investments. The long-term assets and investments were held in the balance sheet at market fair value or at amortised value. Cash resources in a liquid or readily realisable form are held in the balance sheet at cost.
2. The council's Medium Term Financial Forecast estimates that the council will have cash resources of £107.74M at the beginning of 2026/27. The latest forecast is for these to reduce to £93.69M at the end of the year after planned capital expenditure. This is expected to result in an average balance for the year of £116.16M and this is forecast to generate £4.41M of interest income in 2026/27.
3. A breakdown of the forecast investment portfolio position on 31 March 2026 shows total investments of £107.74M (at cost) as shown in Table 2.

Table 2: Expected treasury management investments on 31 March 2026

31/3/2025 Actual £M	31/3/2025 %	Instrument:	31/3/2026 Forecast £M	31/3/2026 %	2025/26 Limit
19.50	17%	Money Market Funds	18.78	17%	£50.00M
0.00	0%	HM Treasury (DMADF)	0.00	0%	100%
0.00	0%	Treasury Bills	0.00	0%	90%
18.90	16%	Gilts	18.90	18%	90%
30.00	26%	Local Authority Loans	35.00	33%	£40.00M
21.54	19%	Supranational Bonds	10.06	9%	£50.00M
Collective Investment Schemes					
15.00	13%	Bond Funds	15.00	14%	£40.00M
10.00	9%	Property Funds	10.00	9%	£20.00M
25.00	22%	Collective Investment Schemes Total	25.00	23%	£60.00M
114.94	100%	Total Treasury Investments	107.74	100%	-

4. Table 2 illustrates that the council maintained a broadly similar investment position during 2025/26, with a small reduction in liquidity cash and a small increase in local authority loans. As interest rates fell during the year, it was beneficial to move into loans with fixed interest rates rather than to maintain money market fund balances at variable rates of interest. Supranational bonds reduced as maturity dates were reached and these provided liquidity to meet council expenditure during the year. Longer-term investments (collective investment schemes/gilts/bonds) are likely to reduce further in future years as the council's total investment balances continue to reduce.

3. Risk Management Assessment

1. Treasury management involves the management of risk as no treasury management activity is without some risk.
2. Due to the size, complexity and importance of the income generated from treasury management activities it is important that all associated risks are assessed and managed.
3. The main risks associated with treasury management are as follows:
 - **Credit and counterparty risk** (risk to capital) – the risk that a third party will fail to meet its contractual investment obligation resulting in a loss of the council's capital investment or the risk that there will be a permanent reduction in the capital value of the investment.

- **Liquidity risk** – the risk that the council will commit too much in fixed-term investments and might have to recall investments prematurely resulting in possible additional costs or losses upon disposal of tradable securities.
- **Market or interest rate risk** – the risk that fluctuating interest rates will have an adverse impact on the council's investment income or the value of its investments.
- **Other risks** – this includes inflation risks and risks associated with cash management, legal requirements and fraud.

4. These risks are managed as follows:

Credit and counterparty risk (risk to capital)

Wherever possible the council will attempt to externalise the management of credit risk through the use of pooled funds and fund managers who have the required knowledge, experience and resources needed to assess and monitor credit risk effectively.

For any remaining internally managed credit risk the council's exposure to this risk is controlled by limiting the maximum sum invested with any single counterparty and by restricting investments to only those counterparties considered to be of high credit quality, as agreed in the council's Treasury Management Practices.

The council's treasury advisors provide advice on the security of the council's investments which includes credit ratings and other factors such as sovereign guarantees, country of origin, credit default swaps, share prices and market sentiment.

The assessment of security also includes credit ratings produced by the international credit rating agencies which are used throughout the banking and investment industry. Credit ratings are continuously monitored.

The market prices of the council's tradable investments are also monitored as these give an indication of market sentiment which can include credit concerns.

If the credit rating of a counterparty or a security held by the council is downgraded with the result that it no longer meets the council's minimum acceptable credit quality or other factors give cause for serious concern, then potential opportunities to dispose of the security will be investigated.

The council requires the necessary flexibility in its treasury management investment strategy to enable it to move a proportion of the portfolio into safer investment instruments during times of general concern about credit risk.

Liquidity risk

This risk is managed by maintaining a minimum proportion of investments in the short-term for cash flow purposes and by setting a maximum amount that can be invested long term, i.e. more than 364 days.

When investing in external funds the council will have regard to each fund's access requirements (daily, monthly, quarterly etc.) and will ensure that a suitable mix of fund liquidity is available to meet

planned expenditure.

If the council uses fixed long-term investments, it will set limits on the maximum amount that can be invested in each future year to ensure that the maturity structure for its investments results in a significant amount of investments maturing each year. The maturities can be used (rather than being re-invested) if required for expenditure.

The council also has the option to borrow short-term funds to meet its expenditure commitments if necessary.

Market or interest rate risk

The Treasury Management Strategy attempts to control interest rate risk by spreading investments across different financial instruments and for different time periods.

When using external funds consideration is given to the interest rate risk characteristics of each fund as part of the selection process.

The fund manager's ongoing effectiveness in managing the risk is monitored on a regular basis with the assistance of the council's treasury advisors.

The council aims to use a mix of instruments to spread the risk and reduce the overall volatility. Limits are set on the maximum amount in each type of investment.

A proportion of investments in long-term fixed rate instruments would provide the council with stable and known amounts of income for a sustained period of time.

A proportion of investments at variable interest rates would enable the council to benefit from future increases in interest rates.

Internally managed investments that have a fluctuating market price, such as fixed income securities, are purchased with the intention that they will be held to maturity ('buy to hold'), thereby reducing the impact of market risk.

In addition, the council currently has an interest rate risk reserve which is estimated to have a balance of £1.00M on 31 March 2026.

Other risks

The council 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.

These risks are managed through the council's adoption of standard Treasury Management Practices which are reviewed annually. These cover all aspects of treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.

All treasury management procedures and transactions are subject to annual inspections by both internal and external auditors.

The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

The council will ensure that all staff and elected members tasked with treasury management responsibilities have access to appropriate training relevant to their needs and understand fully their roles and responsibilities.

4. The Treasury Investment Strategy for 2026/27

1. The Treasury Management Strategy is prepared in accordance with central government guidance on Local Government Investments and CIPFA's Treasury Management Code of Practice.
2. The Treasury Management Strategy sets out the ranges and limits within which the treasury management function can operate. It states which investment instruments the council may use for the prudent management of its treasury balances during the financial year and sets limits on the different types of investment instrument.

Investment objectives

3. The treasury management policy objectives for this council are to invest prudently having regard to all of the associated risks including the security of investments and to maintain liquidity in the investment portfolio to meet the council's spending plans.

Fund selection

4. The selection of collective investment schemes or pooled funds will be determined following a selection process that will include evaluation of certain criteria including the size, duration, and creditworthiness of the underlying investments, income distribution levels, past performance, management fees and risk and reward profiles.
5. The council will ensure that any fund managers used have their own responsible investment policies or have signed up to widely recognised policies, for example the United Nations Principles for Responsible Investment.
6. The council will give preference to funds managed by investment managers that have signed up as active members of the Net Zero Asset Managers initiative (NZAM) or the Institutional Investors Group on Climate Change (IIGCC). As part of these organisations the fund managers are committed to support investing aligned with the goal of net zero greenhouse gas emissions by 2050 or sooner whilst giving regard to level of financial returns.
7. Any selection of funds or fund managers by the council would be made with the assistance of its treasury management advisors, MUFG Corporate Markets.

Counterparty selection

8. For in-house specified investments the council has determined that the minimum allowable credit rating for unsecured investments that are not with the UK Government, or a UK local authority will be a long-term rating of: A-(Fitch); A3 (Moody's); A- (Standard & Poor's). The lowest available counterparty credit rating will be used to determine credit quality.
9. The council will seek to prioritise counterparties (excluding the UK Government and other UK Local Authorities) that have 'Responsible Investment Policies or Environmental, Social and Governance (ESG) policies' in place prior to investing.
10. In the event that the credit rating of the council's contracted provider of banking services falls below the council's minimum credit rating criteria the bank will continue to be used for business continuity and short-term liquidity requirements (overnight and weekend) and the council will ensure that balances are kept at the minimum amount practicable.
11. Currently, the council's banking services are provided by HSBC Bank Plc.
12. For investments with other UK local authorities the council will consider their financial strength by assessment of their financial statements and other external indicators where available.
13. The council will not make new loans to any other UK local authority which remains under restrictions as a result of issuing a notice under Section 114(3) of the Local Government Finance Act 1988.
14. For externally managed investments minimum credit ratings shall be determined by the fund managers as part of their own investment policy and this policy will be considered fully by the council as part of the fund selection process prior to investment in any fund.
15. The council understands that credit ratings are not perfect predictors of investment default. Full regard will therefore be given to other available information on credit quality including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the council'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.
16. All credit ratings and other factors detailed above are monitored by MUFG Corporate Markets (the council's treasury advisors) and the council is alerted to any changes.
17. The council does not expect to use counterparties outside of the United Kingdom but will consider those where the country of origin has a sovereign rating of not lower than AA+ or equivalent. The council may also have indirect exposure to non-UK investments through its use of money market funds and collective investment funds.

Investment balances / liquidity of investments

18. Based on cash flow forecasts, the council anticipates its treasury investments balance at the end of 2026/27 will be £93.69M. Of this, a minimum of £15.00M is maintained within liquidity investments, such as money market funds, to meet cash flow requirements.

19. The council is required to set Prudential Limits for Long-Term Treasury Management Investments maturity limits giving due consideration to the council's expected level of balances, the need for liquidity and its spending commitments. These can be found in Section 7.

20. Where investments are made in longer-term instruments, the council will have regard to liquidity by using funds with appropriate withdrawal policies or by spreading fixed term investments over future years ensuring that significant amounts mature each year.

Allowable investment types for 2026/27

21. In deciding which types of investment to use the council has regard to its treasury management advisors. This year's strategy has been produced following consultation with the council's advisors and with assessment of the risks and returns of the different instruments used.

22. All investments will be denominated in pounds sterling.

23. This Authority defines "high credit quality" organisations and securities as:

- UK Government
- UK Local Authorities UK registered providers of social housing
- AAA rated Supranational bonds
- AAA rated covered bonds
- AAA rated Money Market Funds
- banks and building societies with a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher

24. The investment types that this council will allow to be used for investment in 2026/27 and the applicable limits are shown in Table 3.

Table 3: Allowable investment types and limits

Type of Investment	Maturity Limit	Counterparty Limit	Maximum Limit £'s / %age of Portfolio
Government Gilts	10 years	None	90%
Treasury Bills	6 months	None	90%
H M Treasury (DMADF)	6 months	None	100%
Supranational Bonds	10 years	£20.00M	£50.00M
Local Authority Loans	2 years	£10.00M	£50.00M
Loans to Registered Providers	2 years	£5.00M	£10.00M

Type of Investment	Maturity Limit	Counterparty Limit	Maximum Limit £'s / %age of Portfolio
Money Market Funds*	Not applicable	£10.00M	£50.00M
Bond Funds*	Not applicable	£20.00M	£30.00M
Property Funds*	Not applicable	£10.00M	£20.00M
Ultra-Short-Dated Bond Funds*	Not applicable	£5.00M	£15.00M
Bank and Building Society Covered Bonds**	5 years	£5.00M	£10.00M
Bank Overnight Call Accounts**	Overnight	£5.00M	£10.00M

* Counterparty limit is per fund manager.

** Includes a £20.00M limit on each allowable foreign country.

25. The maximum limit for the DMADF account with H M Treasury is set to 100% as this option would provide the lowest possible amount of investment risk in times of extreme financial uncertainty.

26. For bank and building society investments counterparties will be chosen in conjunction with the council's treasury advisors and will be approved by the Section 151 Officer. A group of banks under the same ownership will be treated as a single organisation for counterparty limit purposes.

27. Cash balances held overnight within the council's current account for operational purposes will be kept at the minimum amount practicable but are not subject to the limits for banks included in table 3.

28. Money market funds are used primarily for liquidity purposes and provide same day access to cash. The limits for money market funds are separate to those of other collective investment schemes which are used for investments with a much longer time horizon.

29. The code requires the council to state its position regarding the use of derivative investments. The council does not intend to use standalone financial derivatives directly. However, the use of derivatives by fund managers or collective investment schemes is permitted.

30. Under the IFRS 9 accounting standard the council is required to state its business model for accounting for certain investments. The council aims to achieve value from its internally managed investments by a business model of collecting the income under a buy-to-hold strategy and does not

aim to make short-term gains from selling investments when the valuation of those investments changes.

31. The Authority has opted up to professional client status with its providers of financial services, including advisers, brokers and fund managers, 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 Section 151 Officer believes this to be the most appropriate status.

5. Treasury Management Prudential Indicators

1. The council measures and manages its exposure to treasury management risk using the following indicators. The 2026/27 indicator amounts are the forecast levels and are benchmarks for monitoring purposes during the year rather than limits to be enforced.
2. The council will control its exposure to the risk of incurring losses from early repayment or the sale of long-term investments with fixed maturity dates by setting maturity limits for these each year. After giving due consideration to the council’s expected level of balances, the need for liquidity and its spending commitments the maximum amount of long-term principal which can be committed each year will be:

Prudential Limits for Long-Term Principal Investments to Mature Each Year

Year:	Limit 2025/26	Limit 2026/27
1	£30M	£30M
2	£20M	£20M
3	£20M	£20M
4	£20M	£20M
5	£20M	£20M
6	£10M	£10M
7	£10M	£10M
8	£10M	£10M
9	£10M	£10M
10	£10M	£10M

3. Long-term investment options with no fixed maturity date include bond funds, multi-asset funds and property funds. This indicator is lower than the prior year due to the reduction in investment balances expected over the medium-term and the diminishing suitability of long-term investments.

Prudential Limits for Long-Term Treasury Management Investments	2025/26	2026/27
Total amounts invested in long-term instruments with no fixed maturity date	£60.00M	£50.00M

4. The council will measure its exposure to credit risk by monitoring the overall credit rating/score of its treasury portfolio. This is calculated by applying a score to each investment (AAA = 1, AA+ = 2, etc.) and taking the average score, weighted by the size of the investment. Unrated investments are assigned a score based on their perceived risk relative to rated investments. The 2026/27 level remains one notch above the council's minimum individual counterparty rating of A-.

Credit Risk Indicator	2025/26	2026/27
Portfolio average credit rating	A	A

5. The council will measure its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without borrowing. The measurable amount will include some long-term funds which are expected to be held for a longer period, but which could be redeemed within three months if required.

Liquidity Risk Indicator	2025/26	2026/27
Total cash available within 3 months	£50.00M	£50.00M

6. The interest rate risk indicator is set to measure the council's exposure to interest rate risk by monitoring the impact that a 1% rise or fall in interest rates would have on the council's income. As the council has no borrowing the only impact will be to investments. This indicator will be affected by the amount of investments held at variable rates of interest and the indicator for 2026/27 reflects the council's reduced forecast average balance compared to the prior year.

Interest Rate Risk Indicator	2025/26	2026/27
Revenue impact of a 1% change in rates	£0.60M pa	£0.50M pa

7. The price/market risk indicator is set to measure the council's exposure to price/market risk by monitoring the revenue impact that a 1% rise or fall in the capital value of the council's investments would have on the council's income (before the effect of the government's temporary statutory override). This indicator will be affected by the amount of investments that have a market price and the 2026/27 indicator is unchanged from the prior year.

Price/Market Risk Indicator	2025/26	2026/27
Revenue impact of a 1% change in value of investments	£0.54M pa	£0.54M pa

8. The ESG Policy Indicator measures the percentage of the council's treasury management investments that are held in accordance with the council's stated policy on environmental, social and governance (ESG) investing. Percentages are calculated as a proportion of the value of the amounts invested.

ESG Policy Indicator	2025/26	2026/27
Percentage of investments held in accordance with the council's ESG policy (excludes local authorities and UK government)	100%	100%

9. These indicators will be monitored throughout the year and will be reported quarterly to the Audit and Accounts Committee and to Council as part of the annual report.

6. Borrowing Requirement and Strategy for 2026/27

- Any borrowing (long-term or short-term) will be within the council's Authorised Borrowing Limit of £60.00M as set out in the council's Capital Investment Strategy.
- The council's chief objective when borrowing 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 council 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.
- The council might occasionally borrow on a short-term basis to cover unplanned cash flow shortages.
- The council currently has no plans or intentions to carry out any long-term external borrowing during 2026/27.
- CIPFA's Prudential Code for Capital Finance in Local Authorities includes a Prudential Indicator recommending that the Authority's total debt should not exceed its highest forecast Capital Financing Requirement (CFR) for the next three years. Table 4 shows that the council's debt does not exceed its CFR during 2026/27 and the following period and that the council expects to comply with this recommendation.

Table 4: Balance Sheet Summary and Forecast

Capital Financing Requirement (CFR)	31/03/2025 Actual £M	31/03/2026 Actual £M	31/3/2027 Estimate £M	31/3/2028 Estimate £M	31/3/2029 Estimate £M	31/3/2030 Estimate £M
CFR	0.00	2.33	2.71	3.30	3.70	13.70

Capital Financing Requirement (CFR)	31/03/2025 Actual £M	31/03/2026 Actual £M	31/03/2027 Estimate £M	31/03/2028 Estimate £M	31/03/2029 Estimate £M	31/03/2030 Estimate £M
Less: External borrowing	0.00	0.00	0.00	0.00	0.00	0.00
Internal Borrowing	0.00	2.33	2.71	3.30	3.70	13.70
(Less) Balance Sheet resources	(114.94)	(110.07)	(96.40)	(69.28)	(45.72)	(47.79)
Net Borrowing or (Investments)	(114.94)	(107.74)	(93.69)	(65.98)	(42.02)	(34.09)

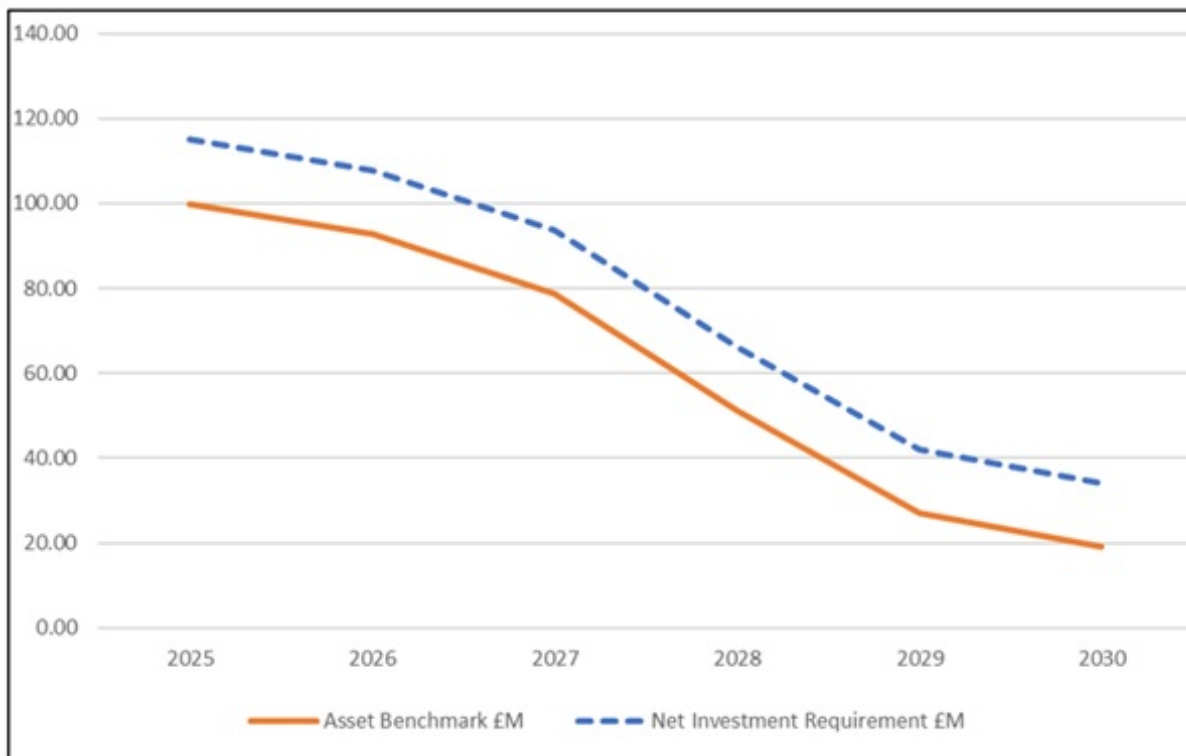
7. The Treasury Management Code requires that an authority shall calculate a liability benchmark for the forthcoming year and the following two financial years. The liability benchmark represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow. As this council is currently debt free and has no external borrowing planned this indicator is an asset benchmark rather than a liability benchmark.

Table 5: Prudential Indicator: Asset benchmark

Asset benchmark	31/03/25 Actual £M	31/03/26 Estimate £M	31/03/27 Forecast £M	31/03/28 Forecast £M	31/03/29 Forecast £M	31/03/30 Forecast £M
CFR	0.00	2.33	2.71	3.30	3.70	13.70
Less: Balance sheet resources	(114.94)	(110.07)	(96.40)	(69.28)	(45.72)	(47.79)
Net Investment	(114.94)	(107.74)	(93.69)	(65.98)	(42.02)	(34.09)
Plus: Liquidity allowance	15.00	15.00	15.00	15.00	15.00	15.00
Asset benchmark	(99.94)	(92.74)	(78.69)	50.98)	(27.02)	(19.09)

8. Chart 1 shows the council's Asset Benchmark and shows the Net Investment Requirement reducing over time as resources are used to fund the capital programme expenditure. The amount of liquidity held to facilitate the day-to-day cash operations of the council is represented by the difference between the Net Investment Requirement and the Asset Benchmark.

Chart 1: Asset benchmark



7. Treasury Management Performance Monitoring and Reporting

1. Performance of the council's treasury function will continue to be monitored monthly and will be reported quarterly to the Audit and Accounts Committee. An outturn report on treasury management activities and performance will also be prepared for Full Council.
2. The council participates in regular portfolio benchmarking provided by its treasury advisors MUFG Corporate Markets. This benchmarking includes measures of the level of risk taken and the corresponding returns. Results of the benchmarking exercise are included in the monitoring reports detailed above.

8. Training

1. The Treasury Management Code of Practice requires the Section 151 Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the function, have access to appropriate training relevant to their needs and understand fully their roles and responsibilities.
2. Treasury workshops are provided for members of the Audit and Accounts Committee and are open to all members of the council. The workshops may be delivered by a combination of external training providers, council officers and the council's treasury advisors.
3. Officers responsible for treasury management attend external workshops and seminars as part of their continuing professional development.

9. Use of Investment Consultants/Treasury Advisors

1. The council has contracted MUFG Corporate Markets Ltd. as treasury advisors. Under the contract MUFG Corporate Markets provide the following services:
 - advice on counterparty selection and creditworthiness
 - assistance in compliance with codes of practice
 - economic and interest rate forecasts
 - strategy and review meetings
 - an annual report on the council's investment strategy and portfolio
 - advice and guidance on treasury management issues
 - benchmarking and performance monitoring; and
 - seminars and training events
2. The Section 151 Officer (Chief Finance Officer) will arrange for a periodic independent assessment of the council's treasury management investment portfolio. The review will be undertaken by a third-party which has had no prior involvement with the investment decisions taken. The appointment of the assessors and the timing of each review will be decided upon by the Section 151 Officer but it will be expected to occur at least once every five years. The full findings of each review shall be reported to the Audit and Accounts Committee.