

TREASURY MANAGEMENT UPDATE AND TREASURY MANAGEMENT AND AUDIT INVESTMENT STRATEGY 2026/27

Item AU 26/4 referred from Audit Committee of 26 January 2026

The report of the Head of Finance provided an overview of the Council's treasury management activities for the first eight months of the 2025/26 financial year and introduced the proposed Treasury Management and Annual Investment Strategy for 2026/27.

The Council's investments, including cash flow surpluses, core cash, property and diversified income funds, had generated interest income exceeding original budget forecasts, largely due to the Bank Rate remaining higher for longer than anticipated. The Council's approach prioritised security and liquidity, with investments diversified across highly rated UK and selected non-UK institutions. Property and diversified income funds were capped at 20% of long-term balances due to their higher risk and volatility.

The Council's returns were in line with comparator local authorities and its risk profile remained consistent with the sector average.

The Property and Multi-Asset Funds continued to generate stable income, though capital values might fluctuate. The Council had mitigated potential losses through earmarked reserves. The authority remained debt-free, with no borrowing planned unless needed to support strategic investments aligned with Council priorities.

In terms of long-term investment, particular attention was brought to the Lothbury and Hermes Property funds following concern raised by Members. The Council evaluated various options when considering the diversification of its funds. At the time, alternatives had been considered and were deemed to have carried significant risk, therefore after careful consideration, the Council had chosen to pursue property funds, which had proven to be financially beneficial overall. Members noted that it would not have been reasonable to foresee these developments at the outset. When considering the overall performance of the property portfolio, the impact of the Lothbury and Hermes Property funds accounted for approximately 5% of the portfolio's value and assurance was given that the decisions made were appropriate given the information available at the time.

In hindsight, market conditions had been turbulent, which had informed ongoing review and adjustment of investment strategies. The Council had reflected on its approach to long-term investment strategies, particularly regarding the mix of asset types within its portfolio. Members were advised that the local authority property fund had transitioned towards student accommodation and had entered into a partnership with Jupiter Asset Management, which would strengthen the Council's long-term resilience and broaden its investment resource pool.

RECOMMENDED*: That

- 1) the Treasury Management position as at 30 November 2025, be noted; and
- 2) the Treasury Management and Annual Investment Strategy for 2026/27 set out at Annex 5, be adopted.

***Recommended to Cabinet**