

TREASURY MANAGEMENT STRATEGY

Tonbridge and Malling Borough Council

2026 - 2027

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1. INTRODUCTION

1.1 The Treasury Management Strategy Statement (TMSS) for 2026/27 covers two main areas:

- Capital Issues
 - a. The capital expenditure plans and the associated prudential indicators
 - b. The minimum revenue provision (MRP) strategy
- Treasury Management Issues
 - a. The current portfolio position
 - b. Treasury Indicators which limit the treasury risk and activities of the council
 - c. The prospects for interest rates
 - d. The borrowing strategy
 - e. Policy on borrowing in advance of need
 - f. The annual investment strategy 2026/27
 - g. Credit worthiness policy
 - h. Policy on use of external service providers

1.2 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code, and the CIPFA Treasury Management Code.

2. TRAINING

- 2.1 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.
- 2.2 Furthermore, the Code states 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 decisions making
- 2.3 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 council members.
 - Require treasury management officers and 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 communications with officers and council members encouraging them to highlight training needs on an ongoing basis.
- 2.4 The following Member training has been provided by the Council's treasury management consultant, MUFG and further training will be arranged as required:
- Understanding Local Authority Financial Reporting
 - Introduction to Treasury Management
 - Risk Management Training
- 2.5 The training needs of treasury management officers are periodically reviewed.
- 2.6 A formal record of the training received by officers, central to the Treasury function, will be maintained by the Accountancy Department. The department will also maintain a formal record of the treasury management/capital finance training received by members.

3. TREASURY MANAGEMENT CONSULTANTS

- 3.1 The Council currently uses MUFG Corporate Markets Treasury Limited (formerly Link Group, Link Treasury Services Limited) as its external treasury management advisors.
- 3.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external services providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.
- 3.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 3.4 MUFG have provided a summary on the economic background. This can be found in Appendix A.

4. THE CAPITAL PRUDENTIAL INDICATORS 2026/27 TO 2028/29

- 4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.
- 4.2 **Capital Expenditure.** This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.
- 4.3 The prudential indicators relating to capital expenditure cannot be set until the capital programme is finally determined and will as a consequence be reported as part of the Setting the Budget for 2026/27 report that is to be submitted to Cabinet on 10 February 2026.

- 4.4 **The Council's Borrowing Need (the Capital Financing Requirement).** The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through revenue or capital resources will increase the CFR.
- 4.5 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 asset's life, and so charges the economic consumption of capital assets as they are used.
- 4.6 The Council remains debt-free, and borrowing will not be necessary (based on the current capital plan). All capital expenditure prior to 2029/30 is expected to be funded from the Revenue Reserve for Capital Schemes, Grants, Developer Contributions and any Capital Receipts arising from the sale of assets. ***This does not, however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives and achieves value for money. Each such opportunity to be considered on a case-by-case basis as appropriate.***
- 4.7 **Liability Benchmark** – The Council is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.
- 4.8 There are four components to the Liability Benchmark:-
- Existing loan debt outstanding: the Council's existing loans that are still outstanding in future years.
 - Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
 - Net loans requirement: this will show the Council's gross loan debt less treasury management investments at the last financial year end, projected into the future and based on its approved prudential borrowing, planned MRP and other major cash flows forecast.
 - Liability benchmark: this equals net loans requirement plus short-term liquidity allowance.

The Council is debt free and therefore there is no debt maturity profile to report. The forecast net investment requirement for the next three years (excluding the liquidity allowance) is: 2026/27 £28.9m, 2027/28 £15.2m and 2028/29 £10.9m.

5. MINIMUM REVENUE PROVISION POLICY FOR 2026/27

- 5.1 Authorities are required by statute to comply with the Regulations for MRP set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 no. 3146 (as amended). The new Statutory Instrument 2024 no 478 published in April 2024 amends the 2003 regulations and will take effect from 1 April 2025. At the same time detailed revised MRP Guidance was issued which authorities are required under statute to have regard to:

- 5.2 Supported borrowing - For capital expenditure incurred before 1 April 2008 and capital expenditure incurred on or after that date which the Council is satisfied forms part of its Supported Capital Expenditure, the Council will apply the Asset Life Method using an annuity calculation and will apply Adjustment A (as calculated under the original regulation 28), which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2004. This methodology writes down the debt liability over a much shorter period than the previous regulatory method and is therefore deemed more prudent.
- 5.3 Unsupported borrowing will be subject to MRP using the Asset Life method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- 5.4 The interest rate applied to the annuity calculations will reflect the market conditions at the time and will for the current financial year be based on PWLB annuity rates.
- 5.5 MRP on all capital expenditure will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for assets under construction where the MRP will be deferred until the year after the asset becomes operational.
- 5.6 The Guidance requires that MRP in relation to the acquisition of share capital should be provided over a maximum of 20 years. MRP will commence in the year following the capital expenditure in accordance with the regulations.
- 5.7 MRP Overpayments – Under the MRP Guidance, MRP made in excess of the statutory prudent amount 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.

6. BORROWING AND TREASURY INDICATORS LIMITS TO BORROWING ACTIVITY

- 6.1 The capital expenditure plans provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council'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.
- 6.2 **Prudential Indicators** - Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council 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 purposes.
- 6.3 The Head of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties in the future. This view takes account of current commitments, existing plans and the proposals in the Budget Setting Reports for 2026/27.
- 6.4 **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.

Operational Boundary	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Total	4,000	4,000	4,000	4,000

- 6.5 **The Authorised Limit for external debt** – This is a key prudential indicator representing a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this 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.
- 6.6 Members are asked to note that the Authorised Limit has been set prudently, reflecting the fact that there is currently no requirement for external borrowing. Should such a requirement arise in the future, it is expected that the Authorised Limit could be increased without difficulty.
- 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 councils' plans, or those of a specific council, although this power has not yet been exercised.
 - The Audit Committee is asked to recommend to Council the following Authorised Limit:

Authorised limit	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Total	7,000	13,000	13,000	13,000

7. THE BORROWING STRATEGY

- 7.1 To date the Council has remained debt free and has been able to fund the capital programme through reserves. This means that there is no capital borrowing need (the Capital Financing Requirement) at this time. However, if borrowing is required, careful consideration will be given to secure the most appropriate source of borrowing.
- 7.2 The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
 - if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 7.3 Any decisions will be reported to the Audit Committee as part of the next Treasury update.

8. POLICY ON BORROWING IN ADVANCE OF NEED

- 8.1 The Council will not borrow more than, or in advance of its need, purely in order to profit from the investments of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 8.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

9. EXTERNAL BORROWING SOURCES

- 9.1 To date the Council has remained debt free and has been able to fund the capital programme through reserves. However, if borrowing is required, careful consideration will be given to secure the most appropriate source of borrowing. The Council will consider (but not limited to) the following sources for external borrowing.
- PWLB
 - Municipal Bonds Agency
 - Local authorities
 - Banks
 - Pension Funds
 - Insurance Companies
 - UK Infrastructure Bank
 - Market (long-term, short-term, LOBO)

10. AFFORDABILITY PRUDENTIAL INDICATORS

- 10.1 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 Council's overall finances. Audit Committee are asked to recommend the following indicators to Full Council for approval:
- 10.2 **Ratio of financing costs to net revenue stream** - 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 (including Council Tax, NNDR and rental income and fees and charges).

%	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Upper limit for fixed interest rate exposure < 1 year at year end	33,141 61.5%	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	12,851 23.8%	It is anticipated that exposure will range between 40% to 100%			
Upper limit for total principal invested (365 days) at year end	7,973 14.7%	60% of funds			

11. PROSPECTS FOR INTEREST RATES

- 11.1 MUFG are the Council's current treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG provided the following forecasts on 22 December 2025.

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

- 11.2 MUFG updated their forecast for interest rates on 22 December which took into account the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) in December. This resulted in a near term adjustment with the longer term view remaining unchanged.

12. ANNUAL INVESTMENT STRATEGY

- 12.1 Investment Policy – Management of Risk - The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments are covered in the Capital Strategy.
- 12.2 The Council's investment policy has regard to the following:-
- 12.3 MHCLG's Guidance on Local Government Investments ("the Guidance")
- 12.4 CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- 12.5 CIPFA Treasury Management Guidance Notes 2021
- 12.6 The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.
- 12.7 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.
- 12.8 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-
1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial

sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. The Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix B under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than one year left to run to maturity, if they were classified as being non-specified solely due to the maturing period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, maybe for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 60% of the total investment portfolio. (see Appendix B).
6. **Lending limits**, (amounts and maturity), for each counterparty is set at £7m.
7. **Transaction limits** for groups, counterparties and money market funds are set at £8m.
8. This authority will set a limit for the duration of investments which are invested for **longer than 365 days**, (see paragraph 14.1).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 14.1).
10. This authority has engaged **external consultants**, (see paragraph 3.1), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23, under International Financial Reporting Standards (IFRS) 9, the Council will consider the implications of investment instruments which could result in adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In January 2023,

DLUHC confirmed that the temporary statutory override allowing English local authorities time to adjust their portfolio prior to implementing IFRS 9 had been extended for a further two years to 31 March 2025. Following further consultation, the statutory override for existing pooled fund investments held as of 1 April 2024, has been extended to 1 April 2029.

- 12.9 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks.
- 12.10 Regular monitoring of investment performance will be carried out during the year.
- 12.11 Whilst the Treasury Management Code outlines the principles for investments as Security Liquidity and Yield as core, it acknowledges that environmental, social and governance (ESG) issues are increasingly significant for investors. The Council's Treasury Management activities will continue to be guided by these primary principles and in addition, consideration will be given to the incorporation of ethical investment criteria within the investment decision-making process

13. CREDITWORTHINESS POLICY

- 13.1 This Council applies the creditworthiness service provided by the MUFG Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

- 13.2 This modelling approach combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands.

Colour/ long term rating	Maximum Period of investment
Yellow	5 Years
Purple	2 Years
Orange	1 Year
Blue	1 Year (nationalised or semi nationalised UK Banks)
Red	6 Months
Green	100 days
No Colour	Not to be used

- 13.3 The MUFG creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.
- 13.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will

be given to the whole range of ratings available, or other topical market information, to support their use.

- 13.5 All credit ratings will be monitored on a daily basis by officers within the Finance Department. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG creditworthiness service.
- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - in addition to the use of credit ratings the Council will be advised of information in movements in the Credit Default Swap market against the iTraxx European Senior Financials benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 13.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to support its decision making process.
- 13.7 Creditworthiness – Significant levels of downgrades to Short and Long-Term ratings have not materialised since the crisis in March 2020. In the main where they did change, any alterations were limited to Outlooks. When setting minimum sovereign debt ratings, this Council has set a minimum sovereign rating for the **UK** of **AA-**.
- 13.8 CDS prices – Although bank CDS prices, spiked upwards in autumn 2022, they have returned to more average levels since then. However, sentiment can easily shift so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG monitor CDS prices as part of the creditworthiness service to local authorities and the Authority has access to this information via its MUFG-provided Passport portal.

14. OTHER LIMITS

- 14.1 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, group and sectors.
- **Non-Specified Investment Limit** – The Council has determined that it will limit the maximum total exposure to non-specified investments as being 60% of the total investment portfolio.
 - **Country Limits** – As in previous years the Council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AAA, as determined by at least two of the three rating agencies (Fitch, Moody's or Standard and Poor's). The list of countries that currently qualify using the credit criteria as at the date of this report are shown in Appendix C. Officers will amend this list during the year should ratings change in accordance with this policy.
 - **Other Limits** - In addition:
 - a. no more than £16m will be placed with any one sovereign, at any time (excluding UK);
 - b. limits in place above will apply to a group of companies;
 - c. sector limits will be monitored regularly for appropriateness.

15. INVESTMENT STRATEGY

- 15.1 In-house Funds - Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates. The economy only grew 0.1% in Q3 2025, but the CPI measure of inflation, 3.2% in November 2025, remains markedly above the 2% target rate set by the Bank of England's Monetary Policy Committee two to three years forward.
- 15.2 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.
- 15.3 Investment returns expectations – The current forecast showing in paragraph 11.1, includes a forecast for Bank Rate to fall to a low of 3.25%.
- 15.4 For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.
- 15.5 Investment treasury indicator and limit – total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, as are based on the availability of funds after each year end.

Maximum principal sums invested > 365 days			
	2026/27	2027/28	2028/29
	£000	£000	£000
Principal sums invested > 365 days	7,000	7,000	7,000

- 15.6 Whilst the Council holds investments with three Multi Asset Funds, and one active Property Funds with a view to holding the funds for a longer term, due to the funds liquidity they are not taken into account for the purposes of the above indicator. The indicator applies to funds invested for a fixed period only.
- 15.7 Investment Risk Benchmark - The Council will use an investment benchmark to assess the investment portfolio of 30 day backward SONIA (Sterling Overnight Index Average).

16. END OF YEAR INVESTMENT REPORT

- 16.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

17. SCHEME OF DELEGATION

- 17.1 The Treasury Management Scheme for Delegation is outlined in Appendix D.

18. ROLE OF THE SECTION 151 OFFICER

- 18.1 The council's Section 151 Head of Finance and their role is outlined in Appendix E.

APPENDIX A**Summary of MUFG Economic Background as at 13 November 2025**

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September. CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
- CPI inflation remained at 3.8% in September, whilst core inflation fell to 3.5%, and services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- Bank of England forecasts have shown CPI inflation remaining elevated above its 2% target for much of the near term, reflecting persistent price pressures in services. While inflation is expected to gradually fall back toward target over the course of the year, this moderation is contingent on sustained disinflationary trends, including easing cost pressure in consumer-facing sectors. Should global energy and goods prices rebound, the downward path of inflation could stall, delaying future rate cuts.
- Unemployment stands at 4.6% (September), and the loosening of the labour market is driving softer wage pressures. The three month average earnings growth, excluding bonuses, fell from 5.5% in April to 4.6% in September (year on year). The Bank would ideally like to see further wage moderation to support a continued, gradual easing of monetary policy. Markets are currently pricing in rate cuts in February and June to 3.25%, although heightened volatility could prompt a repricing given the data dependent nature of the outlook.

Appendix B

Specified and Non Specified Investments

Investments that councils can make are of two types and these are identified in the subsequent paragraphs and table.

Specified Investments offer high security and high liquidity, must be in sterling and have a maturity of no more than a year. Such investments made with the UK government, UK local authorities and town/parish councils automatically count as specified investments.

Non Specified Investments are those investments not meeting the definition of specified investments, which are therefore of greater potential risk. Any investments with a maturity exceeding one year are automatically classed as non specified investments. The criteria for selecting counterparties for longer term investments is the same as that for short term investments i.e. MUFG Durational Colour bands.

All specified and non-specified Investments will be:

- Subject to the sovereign, group and counterparty exposure limits identified in the Annual Investment Strategy
- Subject to the duration limit recommended by MUFG Solutions at the time each investment is placed
- Subject to a maximum of 60% of funds being held in non- specified investments at any one time.
- Sterling denominated.

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to maximum of 365 days

Investment	Minimum Credit Criteria	Maximum maturity period
UK Debt Management Agency Deposit Facility	UK Sovereign A-	As per MUFG's rating
Term deposits - UK local authorities	UK Sovereign A-	As per MUFG's rating
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS	As per MUFG's rating
Term deposits – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 or Green excluding CDS	As per MUFG's rating
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding	As per MUFG's rating

	CDS	
Certificates of deposit – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1, or Green excluding CDS	As per MUFG's rating
UK Treasury Bills	UK Sovereign A-	As per MUFG's rating
UK Government Gilts	UK Sovereign A-	As per MUFG's rating
Bonds issued by multi-lateral development banks	AAA	As per MUFG's rating
Sovereign bond issues (other than the UK Gov't)	AAA	As per MUFG's rating
Money market funds (CNAV, LVNAV or VNAV)	AAA	As per MUFG's rating
Enhanced cash / Government liquidity / Ultra-short dated bond funds	AA	As per MUFG's rating

NON-SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities in excess of 1 year and not included above:

Investment	Minimum Credit Criteria	Maximum maturity period
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign A-	3 years
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Term deposits - banks, building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Term deposits – housing associations	UK Sovereign A- Counterparty A-	

		2 years
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Certificates of deposit - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised banks)	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Commercial paper - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	2 years
Bonds issued by multilateral development banks	AAA	2 years
Sovereign bonds (other than the UK Government)	AAA	2 years
UK Government Gilts	UK Sovereign A-	UK Sovereign A-
Property funds	N/A	N/A
Diversified income <i>and or short dated bond</i> funds	N/A	N/A

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

APPENDIX C**Approved countries for investments (Position as at 31/12/25)**

Each financial institution must meet the minimum credit criteria specified in the Annual Investment Strategy. For non-UK regulated institutions the institutions sovereign must be rated AA- or higher by each of the three rating agencies - Fitch, Moody's and Standard and Poor's.

The list will be reviewed and amended on a weekly basis by the Head of Finance.

As of 31 December 2025 sovereigns meeting the above requirement were:

- **AAA**
Australia
Denmark
Germany
Netherlands
Norway
Singapore
Sweden
Switzerland
- **AA+**
Canada
Finland
USA
- **AA**
Abu Dhabi (UAE)
Qatar
- **AA-**
Belgium
France
UK

APPENDIX D**Treasury Management Scheme for Treasury Delegation****(i) Full Council**

- budget approval
- approval of treasury management policy
- approval of the annual treasury management and investment strategy
- approval of amendments to the Council's adopted clauses, treasury management policy and annual treasury management and investment strategy
- approval of the treasury management outturn and mid-year reports

(ii) Cabinet

- budget consideration
- approval of the division of responsibilities
- approval of the selection of external service providers and agreeing terms of appointment
- acting on recommendations in connection with monitoring reports

(iii) Audit Committee

- review the annual treasury management and investment strategy and making recommendations to Cabinet and Council
- receive reports on treasury activity at regular intervals during the year and making recommendations to Cabinet
- review treasury management policy, practices and procedures and making recommendations to Cabinet and Council

APPENDIX E**The treasury management role of the Section 151 officer****The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

APPENDIX F**GLOSSARY**

Authorised Limit	This represents a level of borrowing which, though not desired, could be afforded but may not be sustainable.
Asset Life (Equal Instalment Method)	Where MRP is an equal annual charge every year and is calculated by dividing the original amount of borrowing by the useful life of that asset.
Capital Financing Requirement	A measurement of the council's underlying need to borrow for a capital purpose.
Certificate of Deposit	An investment product offered by banks and other financial institutions which is issued for a specific period of time and at a certain interest rate, but which can be traded on the secondary market, providing a greater level of flexibility.
CIPFA Treasury Management Code Of Practice	The professional code governing treasury management, which the council has formally adopted.
Debt Management Agency Deposit Facility	This deposit facility allows short-term or long term deposits to be lodged with the government. This offers the highest security for a Principal sum on short-term placements.
Money Market Funds	A money market fund is a "pool" of different types of investments, managed by a fund manager. The pool of investments will typically include bank deposits, certificates of deposit (CDs) amongst other investments. A number of organisations will invest in a particular fund. The interest rate yield on an MMF deposit is not known at the time of the deal. In return for this uncertainty, money can be accessed whenever necessary.
Minimum Revenue Provision (MRP)	The minimum amount which a council must charge to its revenue budget each year.
Multi-Asset Fund	An investment product with a higher level of diversification (in areas such as equities, bonds, property, etc) and which therefore offers a certain level of protection in times when markets are volatile.

Municipal Bond Agency	An agency established by the Local Government Association intended to offer councils an alternative and less costly option for borrowing of long-term funds than the PWLB through the introduction of competition and diversity to the marketplace.
Net Revenue Stream (NRS)	The NRS for the general fund is the “amount to be met from government grant and local taxpayers”, as shown in the consolidated revenue account. This represents the budget requirement for the council.
Operational Boundary	This indicator is based on the probable external debt during the course of the year; it is not a limit. Actual external debt could vary around this boundary for short times during the year. It should act as a monitoring indicator to ensure that authorised limit is not breached.
Prudential Indicators	These demonstrate a council's ability to meet the key principles of the Prudential Code by reflecting the level to which its capital programme is affordable, prudent and sustainable and they help to explain this effectively to those charged with governance.
Public Works Loan Board (PWLB)	Part of the government's debt management office, making long-term funds available to local authorities on prescribed terms and conditions. The PWLB is normally the cheapest source of long-term borrowing for a local authority.