APPENDIX 1: TREASURY MANAGEMENT STRATEGY STATEMENT 2026/27, ANNUAL REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY

BACKGROUND

1.1 The Local Government Act 2003 (the Act) and the associated CIPFA Prudential Code require the Council to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act also requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy that sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 The Strategy for 2026/27 covers:

- the current treasury position
- prospects for interest rates
- borrowing requirements and strategy
- Annual Revenue Provision policy statement
- the Investment Strategy
- the extent of debt rescheduling opportunities, and
- treasury management limits and prudential indicators for the period 2025/26 to 2028/29.

1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. Section 32 of the Act requires a local authority to include the revenue costs that flow from capital financing decisions when calculating its budget requirement for each financial year. Therefore, increases in capital expenditure must be limited to a level whereby the associated increases in revenue expenditure from:

(i) increases in interest charges caused by increased borrowing to finance additional capital expenditure; and

(ii) any increases in running costs from new capital projects

are affordable within the projected income of the Council for the foreseeable future.

1.5 The Council uses MUFG Corporate Markets Treasury Limited (previously named Link Treasury Services Limited) as its external treasury management advisors. The Council recognises that the ultimate responsibility for treasury management decisions always remains with the Council and will ensure that it is not over-reliant on its external advisors.

The Council also recognises that there is value in employing external providers of treasury management services to access 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.

1.6 In December 2021, CIPFA issued revised Prudential and Treasury Management Codes, which updated the Codes of 2017. This strategy is produced in accordance with the 2021 Codes.

1.7 CIPFA released a consultation regarding potential changes to the Prudential; Code for Capital Finance in Local Authorities and Treasury Management on 7 August 2025.The consultation considers changes to the Prudential Code and Treasury Management Code to ensure they remain fit for purpose and that risks around commercial activity are reduced. The consultation is an initial consultation to seek views on areas where the Codes can be strengthened or amended. More detail on proposed changes will follow in subsequent consultations and future TMSS's will be produced in line with any changes made to the Code.

1.87 The aim of the report is to ensure that all Council Members fully understand the overall strategy, governance arrangements, protocols and procedures within which treasury management decisions are taken.

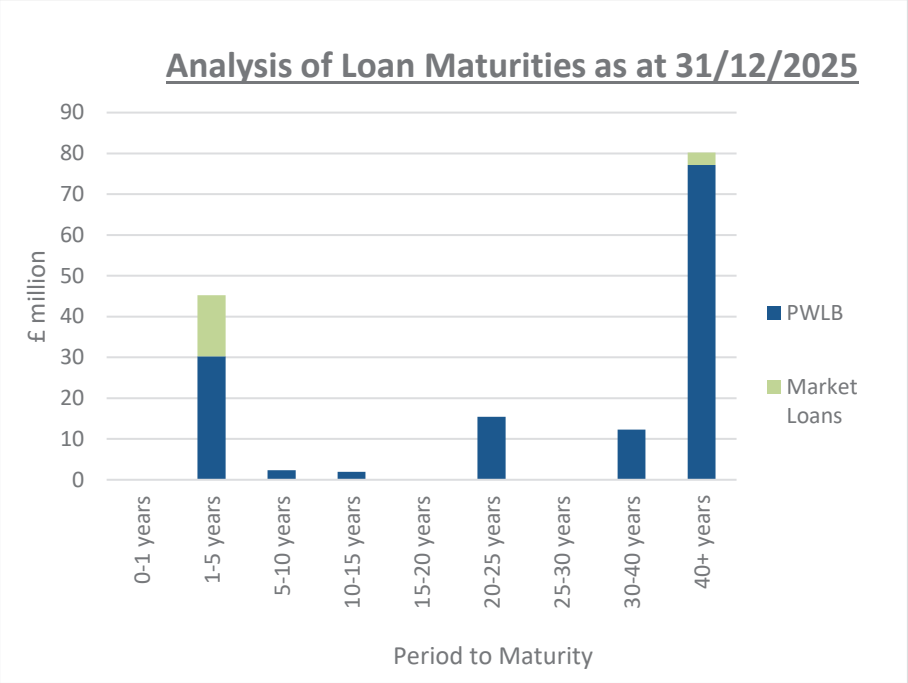
CURRENT TREASURY POSITION

Borrowing

2.1 At the time of writing this report the Council had outstanding external borrowing of £157.489m, which comprised:

Outstanding Debt at 31/12/2025	Principal (£m)	Average Rate (%)
Public Works Loan Board Debt	139.489	3.608
Market Debt	18.000	4.068
Total Debt	157.489	3.660

2.2 £15.000m of the market debt is held in the form of LOBO loans, where there are certain options on the part of both the Council, as borrower, and the lender at specified points in the loans' existence. The profile of the Council's borrowing, both market and Public Works Loan Board (PWLB), is detailed in the following chart.



2.3 In accordance with the Prudential Code, the maturity of borrowing should be determined by the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable (as is the case with a LOBO loan), then this should be treated as a right to require payment. In accordance with this guidance, the maturity dates of the Council's LOBO loans have been profiled as the next call date for each loan.

2.4 The Council's current and projected future external debt position is given in the table below. The table enables a comparison of the levels of existing external debt commitments against the underlying capital borrowing need, as measured by the Capital Financing Requirement (CFR). This demonstrates an under-borrowed position relative to underlying need.

External Debt	**2025/26 Actual £m**	**2026/27 Estimate £m**	**2027/28 Estimate £m**	**2028/29 Estimate £m**
Debt as at 1 April	132.495	157.480	251.283	269.558
Forecast Change in Debt	24.985	93.803	18.275	(30.377)
Other Long-Term Liabilities (OLTL)	32.936	31.143	29.278	27.583
Expected Change in OLTL	(1.793)	(1.865)	(1.695)	(1.422)
Projected Gross Debt as at 31 March	**188.623**	**280.561**	**297.141**	**265.342**
Capital Financing Requirement	224.370	284.587	308.037	302.680
(Under) / Over Borrowing	**(35.747)**	**(4.026)**	**(10.896)**	**(37.338)**

2.5 Within the prudential indicators there are a number of key indicators to ensure that the Council operates 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 that and the following two financial years. As shown in the table above, the Council's gross debt is currently significantly lower than its CFR, due to previous strategy decisions to use available resources to negate the need to incur additional borrowing. This is currently forecast to rise over the MTFS period, as provision has been included for the Council to borrow to reduce its under borrowed position and meet the costs of capital schemes funded through borrowing but will remain within the total of the CFR.

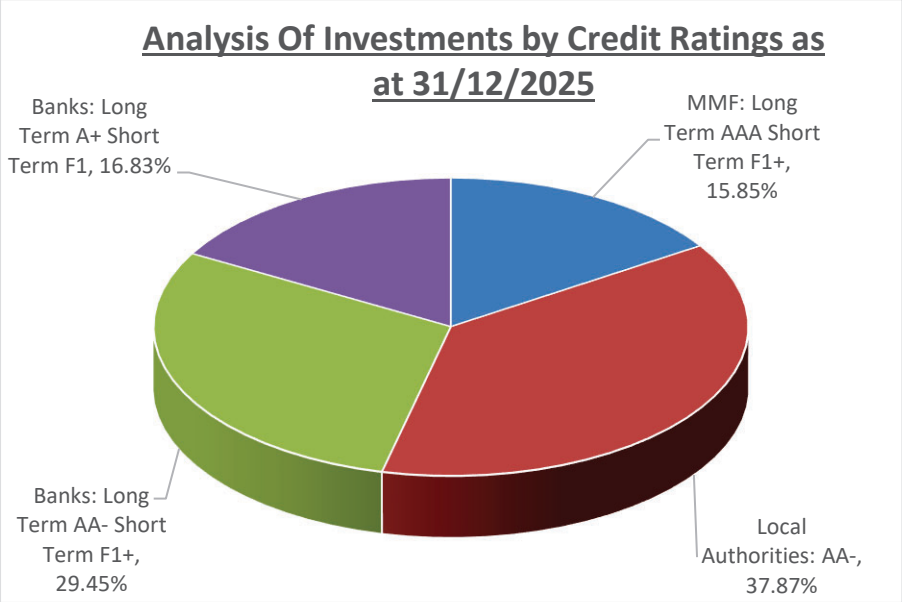
2.6 The Strategy adopted in previous years has proved to be largely successful. However, this flexibility within the Treasury Management Strategy is contingent on the availability of cash-backed reserves to facilitate this strategy. As cash-backed reserves have reduced, allowance has now been made for the Council to undertake some additional external borrowing.

2.7 A new accounting standard (International Financial Reporting Standard 16 – Leases) was introduced with effect from the 1 April 2024.albeit early adoption was permitted. The impact of this standard is that leases of a material value moved onto the balance sheet. As a consequence of this, there are implications on a number of the prudential indicators, including the Capital Financing Requirement, External Debt (Other long-term liabilities), the authorised limit and operational boundary. The Council's Prudential Indicators reflect these changes.

2.8 The acquisition of investments bought primarily for a financial return, that are not linked to core Council functions and are solely for investment returns would impact on the availability to borrow from PWLB. Any activity of this nature would mean that the Council would be unable to secure any PWLB borrowing for three years to finance <u>any</u> expenditure within its capital programme.

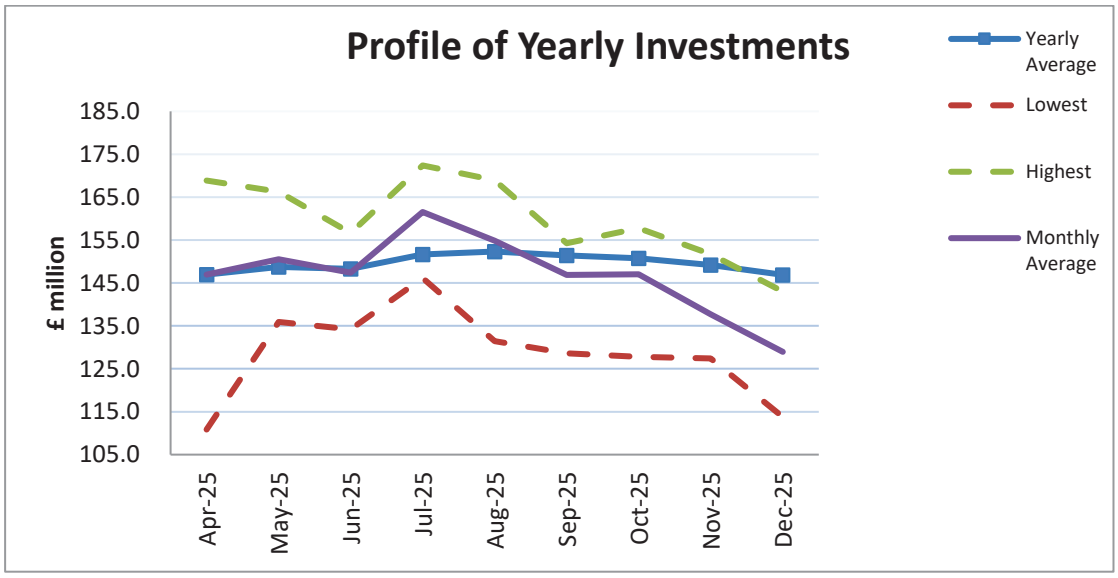
<u>Investments</u>

2.9 On 31 December 2025, the Council had investments of £118.835m The following chart shows the split of the Council's investment by type and the credit rating assigned to the different groups of Counterparties.



These investments include funds held on behalf of Schools & Merseyside Recycling and Waste Authority (circa £17m).

2.10 The average daily sum invested thus far during 2025/26 is around £146.9m and this level of investments is key to the borrowing considerations as detailed in Paragraphs 2.1 to 2.6. The profile of average investment levels thus far is as detailed in the following chart.



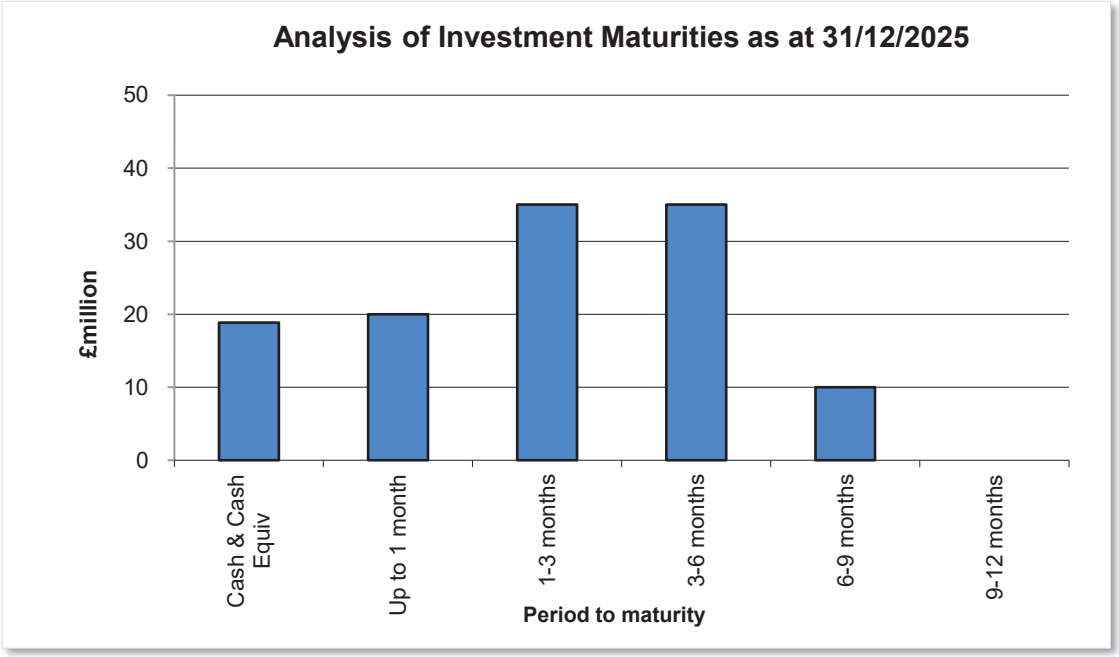
2.11 The levels of investments forecast at 31 March 2026 are expected to be circa £72.8m. It is forecast during 2026/27 that the Council will undertake borrowing of £33.6m to address an element of historic underborrowing, as well as significant borrowing against approved capital schemes within the programme; therefore, the balance of funds available for investment during 2026/27 is forecast to increase from the time that this borrowing is undertaken.

2.12 Merseyside Recycling and Waste Authority (MRWA), under a Service Level Agreement, utilise a number of St Helens Council support services. One of those is Treasury Management services. Historically MRWA have had funds

which have been invested with the Council's investments. This has been the position throughout the current financial year to date.

2.13 While interest rates have been high, the Council has sought to maximise its returns on investment by making longer-term placements wherever possible; however, cashflow liquidity considerations have necessitated some shorter-term placements in the last year.

2.14 The profile of investment maturities as at 31 December 2025 is detailed in the following chart.



PROSPECTS FOR INTEREST RATES

3.1 The Council has appointed MUFG Corporate Markets Limited (MUFG) as a treasury advisor and part of their service is to assist Officers to formulate a view on interest rates. Annex 1 provides an overview of current City forecasts for both short and longer-term interest rates. As expected, the Monetary Policy Committee (MPC) continues to demonstrate its heavy focus on bringing inflation down.

3.2 MUFG anticipates that the Bank of England will seek to gradually reduce the Bank Rate during 2026/27, with 2 further rate cuts: reaching 3.25% by the end of March 2027, with the rate remaining consistent through to March 2029. Rate cuts are expected when CPI inflation and wage/employment data unequivocally support such a move; but with heightened uncertainty in the economy, it is difficult to commit to when, or by how much, rates will fall.

3.3 At the last meeting of the MPC on 5 February 2026, the interest rate was maintained at 3.75%. However, at the same time, the Committee was optimistic that disinflation looked to be ahead of previous estimates, with inflation due to hit the 2% target a year earlier than expected. This gives scope for future rates cuts but risks remain so the speed and depth of any reductions are very much undetermined currenty.

3.4 Economic and interest rate forecasting remains difficult with so many macroeconomic and geopolitical factors weighing on the UK. The forecasts in Annex 1 will be liable to further amendment depending on how economic data and developments in financial markets transpire over the short to medium term.

3.5 The current economic outlook, structure of market interest rates and Government debt yields have some key treasury management implications:

- Investment returns are expected to gradually reduce during the course of the 2026/27 financial year.
- Borrowing rates are expected to fall from their current levels by the end of the year, contingent on the Bank of England maintaining inflation stability.

3.6 In the current economic climate interest rates remain relatively high; the Council will therefore consider carefully decisions around borrowing, particularly over the long term, where rates are higher, and may defer, where possible, any decisions on undertaking new borrowing until rates become more attractive. However, decisions may be taken to borrow over shorter time horizons to take advantage of lower rates at the shorter end of the scale and to assist cashflow.

BORROWING REQUIREMENT AND STRATEGY

4.1 The Council's 'in year' borrowing requirements for the next, and subsequent two financial years, are based on those requirements arising from the proposed capital programme as included in the Budget Report and are calculated as follows.

Description	2026/27 £000	2027/28 £000	2028/29 £000
Unsupported Borrowing	66,211	30,276	1,994
Revenue Provision	(5,994)	(6,826)	(7,351)
In-Year Capital Financing Requirement	**60,217**	**23,450**	**(5,357)**

4.2 These requirements are calculated as:

(i) that element of the proposed capital programme not financed by specific grant or contributions, capital receipts or earmarked balances, and

(ii) less the Annual Revenue Provision as calculated by reference to the Capital Finance and Accounting Regulations 2008 (and explained further in section 5).

4.3 As is evident, the in-year Capital Financing Requirement over the three-year period is positive. The Council’s current borrowing profile, whereby levels of actual borrowing are below the implied underlying need to borrow, puts the Council in a sound position.

4.4 The current position is a product of previous strategy decisions to use cash arising from its available reserves and balances to negate the need to borrow.

The Council's avoidance of new external borrowing in prior years has minimised borrowing costs in the short term and reduced exposure to interest rate and credit risk. With several significant capital schemes planned over the next two years, however, it is likely that more external borrowing will be required to finance planned and/or historic activity.

4.5 The need to borrow will be influenced by calls on capital receipts and other reserves and balances. Borrowing is to be timed when rates are considered to be at their most favourable - some flexibility is given by the availability of cash-backed reserves.

4.6 Additional borrowing will be required, in line with the Capital Strategy and the specified governance arrangements.

4.7 Caution will be adopted with the 2026/27 treasury operations. Officers will continue to monitor prevailing interest rates and market forecasts and will adopt a pragmatic approach to any changing circumstances, with reports submitted on actions taken in line with the reporting requirements of the Council's Treasury Management Practices.

ANNUAL REVENUE PROVISION STATEMENT

5.1 Under Regulation 27 of the 2003 Capital Finance Regulations, Local Authorities are required to charge their revenue account for each financial year Minimum Revenue Provision (MRP) to account for the repayment of principal in that financial year. The requirement to make this statutory provision was amended under regulation 28 in the Capital Finance and Accounting Regulations 2008. The current regulation 28 sets out a duty for a Local Authority to make an amount of minimum revenue provision, which it considers to be prudent.

5.2 Under regulation 28, Authorities are provided with several alternative approaches, which can be adopted for the purpose of calculating a 'prudent provision'. The approach by an authority should be outlined in a statement and submitted to Council for consideration. The statement below outlines the approach that the Council has adopted to the calculation of its revenue provision.

5.3 The Council has had due regard to the Capital Finance Regulations and the associated Capital finance: guidance on Minimum Revenue Provision in preparing the Annual Revenue Provision Statement. No departures from the guidance have been made.

5.4 The Council will calculate its Annual Revenue Provision (RP) by applying the Asset Life Method, unless the borrowing is for a Loan Financial Investment. Under the guidance there are two approaches which can be applied to calculating the RP charge under the Asset Life Method, those being the Equal Instalment Approach and the Annuity Approach.

5.5 For all borrowing that was previously supported through the Local Government Financial Settlement and the Council's Private Finance Initiative scheme, the Annuity Method will be applied to the calculation of an annual RP charge.

5.6 For borrowing undertaken under the Prudential System to fund schemes of a regeneration and/or infrastructure nature through the Council's main capital programme, for the element of the scheme for which there has been/is no Government support, the Council will make a provision using the Annuity Method Approach. The use of this method represents a more prudent option for the Council for schemes of this nature and has the advantage of linking the revenue charges to the flow of benefits from an asset, where the benefits are expected to increase in later years.

5.7 For borrowing undertaken under the Prudential System as part of any Tax Increment Financing (TIF), either the Annuity Method or the Equal Instalment Method will be applied. The method employed will be based on the closest match to the expected benefits of the schemes and that which ensures a prudent charge to revenue.

5.8 Where borrowing is undertaken for a non-commercial Loan Financial Investment, as described in the former Ministry of Housing, Communities and Local Government's (MHCLG) Statutory Guidance on Local Government Investments (3rd Edition) but treated as Capital Expenditure in accordance with the Local Government Act 2003, Regulation 25, the Council will not make a Revenue Provision charge.

5.9 This is predicated on the basis that the Loan will be repayable at some date in the future and, at such point, the capital receipt will be used to offset the associated debt. However, should the Council subsequently recognise a credit loss on a loan issued to a third party, the Council will then make a charge to the Revenue Provision in respect of the loan, over the lifetime of the associated capital expenditure. For loans issued from 7 May 2024, the Council shall include a charge in the current financial year equal to the value of any credit loss, less any element of the loan which has already been financed through prior year MRP charges or funded through other resources.

5.10 From 1 April 2024, the Council adopted IFRS 16 for the treatment of leases. This has removed the distinction between operational and finance leases, resulting in a number of leases being brought on balance sheet. MRP for these leases will be calculated as equal to the element of the rent that goes to write down the balance sheet liability. Where an asset leased by the Council under a finance lease is subleased to a third party under a finance lease, any capital receipts received under such an arrangement will be used to offset the associated MRP charge in respect of the asset.

5.11 For all other borrowing undertaken under the Prudential system for which there has been/is no Government support, the Council will make a provision using the Equal Instalment Approach; that is to say the MRP charge will be calculated based on the estimated life of the asset for which the borrowing is undertaken.

5.12 As set out in paragraphs 5.8 & 5.9, capital receipts from repayment of capital loans financed by borrowing and capital receipts from subleases of finance leases will be used to offset the revenue provision as set out in the amended Local Authorities (Capital Finance and Accounting) Regulations. There is no other planned use of capital receipts to reduce historic balances included in the capital financing requirement nor plans to voluntarily overpay the MRP in the current MTFS. Capital receipts may be used to fund capital expenditure in year or new capital schemes in order to reduce the level of borrowing required

and its associated impact on the revenue budget. Any changes to the proposed use of capital receipts would be considered by Cabinet as part of the regular financing monitoring reports.

5.13 In determining a prudent revenue provision, the Council has included all debt-financed capital spend with the exception of capital loans (as set out in paragraph 5.8) and capital expenditure on assets which were not yet operational as at the end of the previous financial year, as permitted under statute.

5.14 There have been no changes to the Policy for 2026/27.

ANNUAL INVESTMENT STRATEGY

6.1 The Council will have regard to the MHCLG Guidance on Local Government Investments and CIPFA's Code of Practice in conducting its investment activity and the overriding priorities are that security and liquidity of funds are of paramount importance.

6.2 In accordance with the above, and to minimise the risk to investments, the Council has a clearly stipulated minimum acceptable credit quality of Counterparties for inclusion on the Council's lending list. The creditworthiness methodology used to create the Counterparty list takes account of the ratings provided by FITCH, one of the three main ratings agencies. All investments made during 2026/27 will be in accordance with the Annual Investment Strategy, which is detailed at Annex 2.

6.3 The Council has previously (where interest rate forecasts support such a strategy) sought to lock into longer period investments where opportunities and Counterparty Criteria permits, whilst maximum strategic use of its call account facilities has been made during periods of forecast increases in investment rate and to ensure sufficient liquidity. This practice will continue during 2026/27, subject to:

(i) the outlook for medium term interest rates (i.e. to avoid locking into deals whilst investment rates are lower than forecast levels and there is a forecast pick-up in rates over the medium term),

(ii) the management of counterparty risk,

(iii) any opportunities to repay debt using available cash balances, and

(iv) the Council's liquidity requirements.

6.4 MHCLG and CIPFA have previously extended the definition of investments to include non-financial investments which are defined as non-financial assets that organisations hold primarily, or partially, to generate a profit. The strategy in relation to this kind of investment is covered within the Capital Strategy.

DEBT RESCHEDULING

7.1 Debt rescheduling has historically been undertaken in order to:

(i) generate cash savings at minimum risk
(ii) amend debt maturity profiles and/or the balance of volatility
(iii) aid fulfilment of the Council's overall borrowing strategy

7.2 Consideration will also be given to the potential for making savings by repaying debt prematurely. This is dependent upon the prevailing interest rate environment which, although was higher at the start of the year, is now reducing and is forecast to continue to do so, albeit less steeply, over the short to medium term. This may provide opportunities for the Council to achieve a discount on the repayment of part of its debt.

7.3 It should be noted that the Prudential Code allows for the funding of premium costs arising from debt rescheduling to be financed by usable capital receipts. This adds another option for consideration in that such transactions could serve to reduce the Council's liabilities arising from its borrowing activity and reduce revenue costs over the longer term.

7.4 Should rescheduling opportunities arise, prudence will be exercised at all times and any actions by Officers will be reported in accordance with the reporting requirements of the Council's Treasury Management Practices.

TREASURY LIMITS AND PRUDENTIAL INDICATORS 2025/26 to 2028/29

8.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting Regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

8.2 The Council must have regard to the Prudential Code when setting this limit. The Code also sets a series of other limits and indicators that the Council must consider.

8.3 The proposed limits and indicators required for approval for the period 2025/26 to 2028/298 are contained in Annex 3.

CIPFA CODE OF PRACTICE: TREASURY MANAGEMENT IN THE PUBLIC SERVICES (THE CODE)

9.1 Formal adoption of the Code has been reiterated by Council over a number of years, most latterly by Council in approving the 2025/26 Treasury Management Strategy.

9.2 All requirements of the Code are implemented through the governance frameworks, policies, systems, procedures and controls in place within the Council and will continue to be so. It is an historic requirement of the Code that the Council should formally adopt the Code and specifically the four Clauses contained at Annex 4 and the Treasury Management Policy Statement at Annex 5.

Annexes

1 Outlook for Interest Rates
2 Annual Investment Strategy 2026/27
3 Treasury Limits and Prudential Indicators 2025/26 to 2028/29
4 Liability Benchmark
5 Adoption of the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes
6 Treasury Management Policy Statement

ANNEX 1 - OUTLOOK FOR INTEREST RATES

The data below shows a variety of forecasts published by two institutions: MUFG Corporate Markets and Capital Economics (an independent forecasting consultancy).

The data shows rates at the time of issue of the forecasts, January 2026. The forecast within the strategy has been drawn from these diverse sources and Officers' own views.

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1 November 2012.

	Mar 2026	Jun 2026	Sep 2026	Dec 2026	Mar 2027	Jun 2027	Sep 2027	Dec 2027	Mar 2028	Jun 2028	Sep 2028	Dec 2028
Bank Rate												
MUFG Corporate Markets	3.75%	3.50.%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Capital Economics	3.50%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-	-
5-year PWLB Rate												
MUFG Corporate Markets	4.60%	4.50%	4.30%	4.20%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%
Capital Economics	4.70%	4.60%	4.60%	4.50%	4.50%	4.40%	4.40%	4.40%	-	-	-	-
10-year PWLB Rate												
MUFG Corporate Markets	5.20%	5.00%	4.90%	4.80%	4.80%	4.70%	4.70%	4.70%	4.70%	4.60%	4.60%	4.60%
Capital Economics	5.30%	5.20%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%	-	-	-	-
25-year PWLB Rate												
MUFG Corporate Markets	5.80%	5.70%	5.60%	5.50%	5.50%	5.40%	5.30%	5.30%	5.30%	5.20%	5.20%	5.20%
Capital Economics	5.90%	5.80%	5.70%	5.60%	5.60%	5.50%	5.50%	5.50%	-	-	-	-
50-year PWLB Rate												
MUFG Corporate Markets	5.60%	5.50%	5.40%	5.30%	5.30%	5.20%	5.10%	5.10%	5.10%	5.00%	5.10%	5.00%
Capital Economics	5.60%	5.50%	5.30%	5.20%	5.20%	5.20%	5.20%	5.20%	-	-	-	-

ANNEX 2 - ANNUAL INVESTMENT STRATEGY 2026/27

1.0 Purpose

1.1 This Strategy is submitted to Council for approval in adherence with the guidance issued by the then ODPM under Section 15(1)(a) of the Local Government Act 2003 and in accordance with the Statutory Guidance on Local Government Investments (3rd Edition), issued in 2018 by the then MHCLG.

1.2 It covers the financial period to 31 March 2027 and is complimentary to the Treasury Management Strategy 2026/27 and the adopted Treasury Management Practices as required by the CIPFA Code of Practice: Treasury Management in the Public Services.

1.3 The Council's investment policy has regard to the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

1.4 In doing so the Annual Investment Strategy sets out:

- which investments the Council may use for the prudent management of its surplus funds during the period, under the heads of Specified Investments and Non-Specified Investments
- the utilisation of Loan Financial Instruments and the governance arrangements that must be followed when decisions are made
- the procedures for determining the use of each asset class
- the maximum periods for which funds may be prudently committed in each class
- the upper limits to be invested in each class
- the extent to which prior professional advice need be sought from the Council's Treasury Advisors prior to the use of each class
- the minimum amount to be held in short-term investments

2.0 Investment Objectives and Principles

2.1 The general policy objective for the Council is the prudent investment of its surplus funds. The Council's investment priorities are the security of capital and liquidity of investments.

2.2 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity and having properly assessed all inherent risks, as detailed in its Treasury Management Practices.

2.3 The Council will seek to ensure that temporary borrowing will not be made whilst the Council has investment funds available, and its longer-term borrowing activity will have full regard to the content of CIPFA's Prudential

Code and the Council's own approved Treasury Strategy. In particular, the Council will not engage in treasury borrowing activity that is solely for the purposes of investment or on lending to make a return.

3.0 Specified, Loans and Non-Specified Investment Types

3.1 Financial investment instruments are broadly classified within government guidance as being Specified, Loans or Non-Specified.

3.2 An investment is a Specified Investment if:

i) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.

ii) the investment is not a long-term investment.

iii) the making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 3146 as amended)

iv) the investment is made with a body or investment scheme which has been awarded a high credit rating by a credit rating agency or is made with the United Kingdom Government, a Local Authority in England or Wales (as defined in Section 23 of the 2003 Act), a Parish or Community Council.

3.3 A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth. Local authorities can make such loans whilst continuing to have regard to the guidance if they can demonstrate in their Strategy that:

i) Total financial exposure to these types of loans is proportionate.

ii) They have used an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of the loan portfolio.

iii) They have appropriate credit control arrangements to recover overdue repayments in place.

iv) The local authority has formally agreed the total level of loans by type that it is willing to make, and their total loan book is within the self-assessed limit.

3.4 Non-specified Investments are those investments not meeting the definition of a specified investment or a loan and, inherently, are subject to greater degrees of treasury risk. They do, however, offer some potential diversification as part of an overall strategy, and as a result, a small number are identified as being potentially suitable for use, subsequent to prior consultation and advice from the Council's appointed Treasury Management advisors.

3.5 In assessing the relative characteristics of each possible instrument type, the risk attached in their use and how their use would assist in the delivery/achievement of the Council's investment objectives and principles, Annex A has been prepared to detail those instruments that it is proposed may be used as part of the investment strategy. The utilisation of Loan Financial Instruments has additional restrictions placed upon them and the detail of the decision-making process for their use is set out in Section 9.

4.0 Credit and Counterparty Policies

4.1 The Council relies on credit ratings published by FITCH, an independent rating agency, to establish the credit quality of Counterparties (issuers and issues) and investment schemes. Credit rating lists are reviewed on an ongoing basis to ensure prompt action to remove institutions whose ratings fall below the Council's threshold. The policy is fully documented in the Council's Treasury Management Practices.

4.2 Delegation has been granted to the Director of Finance in relation to the criteria by which the Council's lending list is compiled for its internally managed investments. The criteria proposed for adoption during 2026/27 is contained at Annex B.

4.3 The criteria proposed is unchanged from that applied currently.

5.0 Liquidity of Investments

5.1 The need to ensure liquidity by the continuous management and monitoring of the Council's cash transactions and resource is one of the key objectives of the Treasury function and liquidity risk management is fully considered and documented in the Council's Treasury Management Practices.

5.2 The limits included in Annex A are a reflection of the overriding importance of liquidity, and in addition to those, as a general rule, the Council will aim to ensure that it has 15% of its investments held with a maturity period of less than one week. Where cashflow expectations or specific circumstances dictate an absolute minimum of 10% if its investments will always be held with a maturity period of less than one week.

6.0 Investment Strategy - Internally Managed Investments

6.1 All investments made during the duration of this Strategy will be in full compliance thereof.

6.2 Decisions, taken within the framework, regarding the period and type of investment, will be taken having regard to future cashflow requirements and likely interest rate movements. A suitable proportion of investments will be held "at call" for contingent purposes to allow for any significant investment opportunities for longer periods that may come available.

6.3 The Council has previously (where interest rate forecasts support such a strategy) sought to lock into longer period fixed rate deals where opportunities and Counterparty criteria permits. This practice will continue during 2026/27, subject to:

i) the outlook for medium term interest rates (i.e., to avoid locking into deals whilst investment rates are at lower than forecast levels and there is a forecast pick-up in rates over the medium term)

ii) the management of Counterparty risk

iii) any opportunities to repay debt using available cash balances.

iv) the Council's liquidity requirements

6.4 Maximum strategic use will be made of the Council's call account facilities and the AAA rated money market funds to which the Council has access during the period where prevailing rates are competitive.

7.0 Investment Strategy - Externally Managed Funds

7.1 The Council currently does not engage any Fund Managers to invest monies on its behalf following a previous review of Fund Manager activity and the decision to repatriate funds held by its then Fund Manager.

7.2 Arrangements for the re-engagement of Fund Managers at some point in the future may be considered in consultation with the Council's appointed Treasury Management advisors. If it is considered that the engagement of a Fund Manager is warranted, then a full tender exercise will be conducted in accordance with Contract Procedure Rules.

8.0 Reporting Arrangements

8.1 Cabinet will receive reports on Treasury Management activity and risks as part of the Financial Monitoring Report, which shall also be considered by the Overview and Scrutiny Commission.

8.2 Council will receive, via Cabinet, an end of year report in relation to the activity undertaken in the preceding year and a review of performance relative to the approved Strategy. This report will also be considered by the Audit and Governance Committee.

8.3 As a minimum, a mid-year Strategy review will also be undertaken, and the Audit and Governance Committee will consider this, as well as the Treasury Management Strategy Statement.

9.0 Capacity, Skills and Culture

9.1 The Council has a responsibility to ensure that the Members and Officers undertaking decisions in relation to Investments have the necessary amount of training and information to enable them to make informed decisions as to whether to enter into a specific investment and to ensure that governance processes around decision making are robust and appropriate.

9.2 To enable the Members and Senior Officers involved in the investments decision making process to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the

overall risk exposure of the local authority, formal training is provided in conjunction with the Council's appointed advisors, MUFG Corporate Markets.

9.3 Due to the complex nature of potential strategic investments, external advice and assessment will be commissioned, where necessary, to ensure that an independent evaluation is undertaken; this may also include support in negotiating commercial deals. In these circumstances, the organisation commissioned to undertake this role will be made aware of the regulatory regime within which the Council operates and of the core principles of the prudential framework.

Annex A

LOCAL GOVERNMENT INVESTMENTS (ENGLAND)
SPECIFIED VERSUS NON-SPECIFIED INVESTMENTS

Previous Guidance has defined Local Government investments as being either 'Specified' or 'Non-Specified'. The Guidance was, however, non-prescriptive in classifying the various investment instruments available into either of these categories. Indeed, in a continually changing market where new innovative 'products' are frequently being introduced it would be extremely problematical, if not impossible, to do so.

Much focus and emphasis is therefore placed on that element of the Guidance which states that Specified investments should require 'minimal procedural formalities'. The Council's appointed Treasury Management advisors have discussed this issue with the then-DCLG (now MHCLG), who have expressed their desire to see Local Authorities apply the spirit of the Guidance rather than focus on a legalistic approach to the meaning of words in the Guidance. The spirit of the Guidance is that investment products, which take on greater risk and therefore should be subject to greater scrutiny should be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy and so should fall into the Non-Specified category.

The latest Statutory Guidance on Local Government Investments by MHCLG, issued on 2 February 2018, introduced a new category of Financial Investment – Loans; this additional category has been included in the guidance to reflect up to date working practices of Local Authorities and is reflected in the tables below.

The following tables have been prepared on that basis.

LOCAL GOVERNMENT INVESTMENTS (England)
SPECIFIED INVESTMENTS

All "Specified Investments" listed below must be sterling-denominated with maturities of up to 1 year

Investment	Repayable/ Redeemable within 12 Months?	Security/ Minimum Credit Rating	Use for Managing Internal Investments?	Maximum Period
Debt Management Agency Deposit Facility (DMADF)	Yes	Govt-backed	Yes	6 months
Term deposits with the UK Government or with UK Local Authorities (i.e., Local Authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year.	Yes	High security although LAs not credit rated	Yes	1 year
Term deposits with credit-rated deposit takers (Banks and Building Societies), with maturities up to 1 year.	Yes	See*	Yes	1 year
Money Market Funds and Ultra Short Duration Bonds CNAV/LVNAV/VNAV (i.e., a collective investment scheme as defined in SI 2004 No. 534) *As open ended investment vehicles, access to funds will vary from same day to trade plus 3 working days.*	Yes	**Money Market Funds** CNAV/LVNAV/VNAV AAAmmf **Ultra Short Duration Bond Funds** VNAV - AAAf	Yes	*The period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements.*
Forward deals with credit rated Banks and Building Societies < 1 year (i.e., negotiated deal period plus period of deposit)	Yes	See*	Yes	1 year in aggregate
Callable deposits with credit rated Banks and Building Societies, with maturities not exceeding 1 year.	Yes	See*	Yes	1 year
Notice Account Facilities with credit rated deposit takers (Banks and Building Societies) (Maximum notice period 180 days)	Yes	See*	Yes	N/A
Call Account Facilities with credit rated deposit takers (Banks and Building Societies)	Yes	See*	Yes	N/A

* Subject to approved credit rating criteria as determined within the Annual Investment Strategy or as a result of delegation exercised by the Council's Section 151 Officer in accordance with approved Treasury Management Practices

LOCAL GOVERNMENT INVESTMENT (England)
LOAN INVESTMENTS

Investment	**Repayable/ Redeemable within 12 months?**	**Loan Book Limit** (excluding accrued interest)	**Maximum Maturity of Investments**
Loans with joint ventures	No	£15,000,000	15 years

LOCAL GOVERNMENT INVESTMENT (England)
NON-SPECIFIED INVESTMENTS

Investment	Repayable/ Redeemable within 12 months?	Security/ Minimum Credit Rating	Use for Managing Internal Investments?	Maximum Maturity of Investments
Term deposits with credit rated deposit takers (Banks and Building Societies) with maturities greater than 1 year	No	See*	Yes	2 years
Term deposits with the UK Government or with UK Local Authorities with maturities greater than 1 year	No	High Security although LAs not credit rated	Yes	2 years
Banking facility for Merseyside Recycling and Waste Authority	Potentially	High Security although LAs not credit rated	Yes	N/A
Certificates of Deposit with credit rated deposit takers (Banks and Building Societies) *Custodial arrangement required prior to purchase*	Potentially	See*	Yes – after consultation with Treasury Advisors	2 years
Callable deposits with credit rated deposit takers (Banks and Building Societies) with maturities greater than 1 year	Potentially	See*	Yes	2 years
Forward deposits with credit rated Banks and Building Societies for periods > 1 year (i.e., negotiated deal period plus period of deposit)	No	See*	Yes – after consultation/advic e from Treasury Advisors	2 years in aggregate
Structured Deposits where investment returns are determinant on how specified interest rate structures move over a determined period	Potentially	N/A	Potentially – after consultation with Treasury Advisors	2 years

* Subject to approved credit rating criteria as determined within the Annual Investment Strategy or as a result of delegation exercised by the Council's Section 151 Officer in accordance with approved Treasury Management Practices.

Annex B

COUNTERPARTY CRITERIA 2025/26

	Counterparty Category	Credit Ratings				Maximum Investment (1)	Maximum Period
(i)	Money Market Funds (MMF) and Ultra Short Dated Bond Funds (USDBF)	AAA Rated **(2)**				£20m per MMF/USDBF (£40m total)	On call
(ii)	Other Local Authorities and Public Bodies **(3)**	AA Rated				£100m total	
						£15m per LA	12 months
						£5m per LA	2 years
	FITCH Ratings	**Long Term**	**Short Term**	**Viability**	**Sovereign**		
(iii)	Authorised institutions (under the Banking Act 1987) which hold a suitable credit rating) **(4)**	A+ and above	F1 and above	aa- and above	AA- and above	£25m	2 years
		A and above	F1 and above	a- and above	AA- and above	£15m	12 months
(iv)	Call accounts held with authorised institutions (under the Banking Act 1987) which hold a suitable credit rating **(4)**	A+ and above	F1 and above	aa- and above	AA- and above	£20m	On call
		A and above	F1 and above	a- and above	AA- and above	£15m	On call
(v)	Building Societies which hold a suitable credit rating	A- and above	F1 and above	a- and above	AA- and above	£10m (£40m total)	12 months

Notes to Counterparty Criteria

1. For each institution meeting the criteria identified above and subject to the limits for maximum investments, no single investment transaction should be undertaken for more than £15m (excluding MRWA).

2. Each individual Money Market Fund used must be separately approved by the Council's Section 151 Officer by way of an Operational Decision.

3. The Banking Facilities provided to MRWA are excluded from the Maximum Investment levels and Maximum Period.

4. The legal arrangements of some banks are such that transactions may be available with a subsidiary company that does not have its own viability rating; where this is the case, the viability rating of the parent company will be used to assess the creditworthiness, or otherwise, of the financial institution, against the criteria above. This includes institutions where a viability is not available due to the institutions close links to the presiding Government of the country where the institution is based.

ANNEX 3 - TREASURY LIMITS AND PRUDENTIAL INDICATORS 2025/26 to 2028/29

TREASURY LIMITS AND PRUDENTIAL INDICATORS 2025/26 to 2028/29			2025/26 Revised	2026/27 Estimates	2027/28 Estimates	2028/29 Estimates
1(i)	Proposed capital expenditure that the Council plans to commit to during the forthcoming and subsequent two financial years.	**Capital Expenditure (£m)**	73.325	155.014	51.526	17.609
1(ii)	Additional in-year borrowing requirement for capital expenditure.	**In Year Capital Financing Requirement (CFR) (£m)**	3.603	60.217	23.450	(5.357)
2	The CFR is an aggregation of historic and cumulative capital expenditure, which has not yet been paid for by either revenue or capital resources.	**Capital Financing Requirement as at 31 March (£m)**	224.370	284.587	308.037	302.680
3	The "net borrowing" position represents the net of the Council's gross external borrowing and investments sums held.	**Net Borrowing Requirement:** External Borrowing (£m) Investments Held (£m) Net Requirement (£m)	157.480 (72.590) 84.890	251.283 (100.182) 151.101	269.558 (103.051) 166.507	239.181 (107.790) 131.391
4	Identifies the impact and trend of the revenue costs of capital financing decisions will have on the General Fund Budget over time.	**Ratio of financing cost to net revenue stream**	4.81%	4.86%	5.98%	6.69%
5	The Council's Budget Strategy, as a general principle is that no unsupported borrowing should be undertaken as a means of financing capital expenditure plans.	**Incremental impact of capital investment decisions (increase in Council Tax Band D equivalent**)	Nil	Nil	Nil	Nil

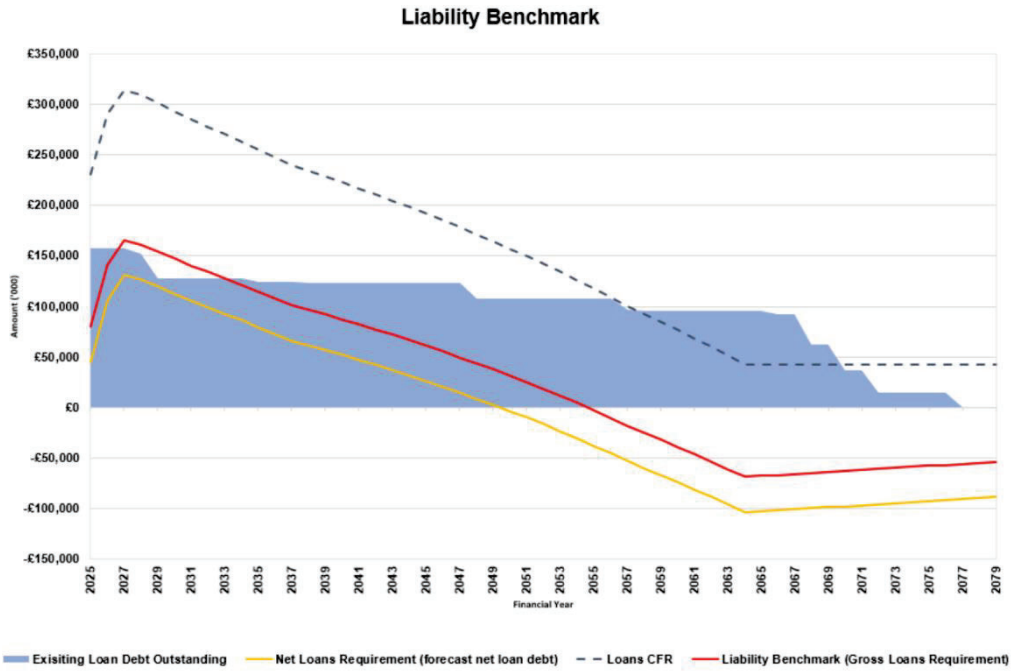
TREASURY LIMITS AND PRUDENTIAL INDICATORS 2025/26 to 2028/29			2025/26 Revised	2026/27 Estimates	2027/28 Estimates	202/29 Estimates
6	This represents an absolute limit of borrowing at any one point in time. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.	**Authorised Limit for External Debt (£m)**	220.673	299.292	319.663	301.312
7	This is the limit beyond which external debt is not normally expected to exceed.	**Operational Limit for External Debt (£m)**	203.951	290.966	310.044	285.438
8	These limits seek to ensure that the Council does not expose itself to an inappropriate level of interest rate risk and has a suitable proportion of debt.	**Upper Limit for Fixed Interest Rate Exposure**	100%	100%	100%	100%
		Upper Limit for Variable Interest Rate Exposure	50%	50%	50%	50%
9	This limit seeks to ensure liquidity and reduce the likelihood of any inherent or associated risk.	**Upper Limit for Sums Invested over 365 Days**	60%	60%	60%	60%
10	This indicator is used to highlight where an authority may be borrowing in advance of need.	**Gross Debt and the CFR (£m)**	35.747	4.026	10.896	37.338

ANNEX 4 – LIABILITY BENCHMARK

The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the Liability Benchmark:

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **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. Due to only approved prudential borrowing being included in the calculation a peak will appear after four years as no further borrowing will be approved at this point.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast. This becomes a negative due to the position the Authority is in as a result of the balance of treasury investments, which are in excess of borrowing; this allows the Authority flexibility in regard to the timing of taking out future borrowing and therefore allows it to make sound treasury management decisions.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



ANNEX 5 - ADOPTION OF THE CIPFA TREASURY MANAGEMENT IN THE PUBLIC SERVICES CODE OF PRACTICE AND CROSS-SECTORAL GUIDANCE NOTES

The CIPFA Code recommends that all public service bodies formally adopt four specific clauses as contained in the Code. All requirements of the Code are implemented through the governance frameworks, policies, systems, procedures and controls in place within the Council and will continue to be so. For completeness it is recommended that Council formally approve the following:

1. The Council will create and maintain, as the cornerstones for the effective Treasury Management:

    - A treasury management policy statement, stating the policies, objectives and approaches to risk management of its treasury management activities.

    - Suitable treasury management practices (TMPs), setting out the way the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

2. The Council will receive reports on its treasury management policies, practices, and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

3. The Council delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to the Cabinet, and for the execution and administration of Treasury Management decisions in accordance with its Constitutional provisions to the Director of Finance, who will act in accordance with the Council's approved Policy Statement and TMP's and the CIPFA Standard of Professional Practice on Treasury Management.

4. The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

ANNEX 6 - TREASURY MANAGEMENT POLICY STATEMENT

The policies and objectives of the Treasury Management function are defined as follows:

1. Treasury Management is "the management of the Authority's investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. The successful identification, monitoring and control of risks are the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation.

3. It is acknowledged that effective Treasury Management will provide support towards the achievement of its business and service objectives and the Council is committed to the principles of value for money in Treasury Management, and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.