Treasury Management and Investment Sub-Committee Agenda

Chelmsford City Council

12 January 2026 at 7pm

Crompton Room, Civic Centre, Duke Street, Chelmsford, CM1 1JE

Membership

Councillor K. Franks (Chair)

and Councillors

S. Hall, M. Sismey, A. Sosin, N. Walsh and R. Whitehead

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Treasury Management and Investment Sub-Committee

12 January 2026

AGENDA

1. Apologies for Absence and substitutions

2. Minutes

To consider the minutes of the meeting held on 13 October 2025.

3. Declaration of Interests

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

4. Public Question Time

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 20 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to committees@chelmsford.gov.uk 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting.

5. Treasury Management & Investment Strategies 2026/27

Part II (Exempt Items)

6. Cashflow Forecasting 2026/27

Category: Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Public interest statement: It is not in the public interest to release details of this report at present, on the grounds that the report contains information that is commercially sensitive and to place the information in the public realm will be detrimental to the negotiations to be undertaken by the Council.

7. Urgent Business

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

MINUTES OF THE

TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE

held on 13th October 2025

Present:

Councillor K. Franks (Chair)

Councillors S. Hall, M. Sismey, A. Sosin, N. Walsh and R. Whitehead

Also in attendance:

Councillors P. Clark, C. Davidson

1. Apologies for Absence and Substitutions

No apologies were received.

2. Minutes

The minutes of the meeting held on 16 June 2025, were agreed as a correct record.

3. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

4. Public Question Time

No public questions or statements were received for the meeting.

5. Treasury Management Mid-Year Review 2025/26

The Sub-Committee received the Mid-Year Review report on Treasury Management activities for 2025/26 as required by the CIPFA Code of Practice for Treasury Management.

In accordance with the CIPFA Code of Practice, the mid-year review of the Council's treasury management function and activities in 2025/26 was presented to the Sub-Committee. The review examined the position with the Council's investments on 31 August 2025 and compared treasury activity to the approved Treasury Management Strategy. The Sub-Committee was asked to consider whether any amendments to the Strategy were necessary and, if so, to recommend them to Cabinet and then Full Council.

The Sub-Committee was advised that all Investment and borrowing undertaken was within rules set in the Treasury Management strategy approved by February Council.

Officers advised that no external borrowing had been undertaken to date but the latest forecast for Year-end external borrowing is £34m, this is lower than previously forecast due capital expenditure being later than estimated.

The Sub-Committee was advised that the Council continued to invest in three Multi Asset Diversified Income Funds. It was noted that the annualised income yield across the funds was 4.81% on the April 2025 valuation. The performance of the asset funds as a whole had provided a higher income return than cash investments, however the CCLA Cautious Multi Asset Diversified Income Fund continued to underperform compared to the rest of the portfolio. Holdings of the Cautious fund were likely to reduced or fully disposed under delegation by the s151 officer.

In response to questions, it was reported that the CCLA fund was showing a £300,000 loss and had not recovered value during the financial year, unlike the other two funds held by the Council. Its performance had been discussed with the fund manager, who indicated that recovery would be slow, over many years. The Council had a reserve that could be used to finance the loss if the fund were disposed of. The source of the reserve was the capital gain made on disposal of the Council's holding of the CCLA property fund. While there had been some improvement in value of the Cautious fund in September, overall performance had remained volatile. It was noted that the yield on the fund remained low. The current position was that the fund was likely to be disposed of in stages.

It was RESOLVED that:

1. The Treasury Management and Investment Sub-Committee noted the contents of the Mid-Year Review report on Treasury Management activities for 2025/26.
2. The Sub-Committee agreed to ask Cabinet to seek Full Council approval of the report and confirm that no changes to the 2025/26 Treasury Management Strategy are required.

(7.02pm to 7:11pm)

6. Urgent Business

There were no matters of urgent business.

The meeting closed at pm.

Chair

Chelmsford City Council Treasury Management and Investment Sub-Committee

12th January 2026

Treasury Management & Investment Strategies 2026/27

Report by:
Financial Services Manager (s151 Officer)

Officer Contact:
[Phil Reeves, Financial Services Manager (S151), phil.reeves@chelmsford.gov.uk, 01245 606562]

Purpose

To recommend Treasury Management and Investment Strategies for 2026/27 to Cabinet and then Full Council

Options

1. Accept the strategies
2. Recommend changes to the way by which the Council's investments are to be managed

Recommendation

1. Delegate to the Financial Services Manager (s151) authority to update financial tables in this report prior to Cabinet to allow for new proposals included in the Budget 2026/27 report.
2. Recommend the Treasury Management and Investment Strategies to Cabinet.

1. Background

1.1 The attached report enables the sub-committee to recommend to Cabinet and Council the Treasury Management and Investment Strategies for 2026/27. The Cabinet is responsible for recommending to Council the Treasury Management and Investment Strategies which Council is legally responsible for approving.

1.2 The report references the Capital Strategy, which is a matter for Cabinet and Council as it relates to decisions regarding the capital & revenue budgets. The Treasury Management and Investment Committee does not consider the Capital Strategy.

1.3 Members of the sub-committee can amend the contents of the attached report and thereby recommend changes to how the Council invests its money.

1.4 The capital estimates are in the process of being reviewed and updated and some values in this report may change when they are presented to Cabinet in January. The s151 officer will update the report appropriately before Cabinet publication.

List of appendices:

Draft Cabinet Report and Appendices

Background papers:

None

Corporate Implications

Legal/Constitutional: None

Financial: As detailed in report.

Potential impact on climate change and the environment: The Council's Climate and Ecological Emergency Action Plan as agreed at Cabinet 28th January 2020 included a review of the Council's investment strategy in light of the Climate and Ecological Emergency Declaration.

Contribution toward achieving a net zero carbon position by 2030: As above

Personnel: None

Risk Management: All investment activities require a careful consideration of risk and reward.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies: Medium Term Financial Strategy

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Chelmsford City Council Cabinet

27th January 2026

Capital (*to be taken directly to Cabinet*), Treasury Management and Investment Strategies 2026/27

Report by:
Cabinet Member for Finance

Officer Contact:
Phil Reeves, Financial Services Manager, 01245 606562,
phil.reeves@chelmsford.gov.uk

Purpose

To recommend an approach for managing the Council's:

- Cash and
- Other types of investment including property

Options

1. Accept the recommendations contained within the report
2. Recommend changes to the way the Council's investments are to be managed

Preferred option and reasons

Recommend the report to Council without amendment for consideration and thereby meet statutory obligations.

Recommendations

That Cabinet requests Full Council approve the Capital, Treasury Management, and Investment Strategies.

1. Background

1.1. There are three financial strategies that the Council is obliged by Government to approve when setting a budget:
- Capital Strategy
- Treasury Management Strategy
- Investment Strategy

1.2. Capital Strategy

The Capital Strategy **(Not currently included)** sets out a framework for the management of capital finance and links to capital and revenue budget plans being reported to Cabinet in January 2026. The strategy is not reviewed by the Treasury Management and Investment Sub-committee. The strategy should support the Council's objectives in 'Our Chelmsford Our Plan' and sets the framework in which the capital programme is planned. It enables the Council to prioritise the use of limited resources to support long-term priorities whilst balancing services' operational requirements. The strategy reports on deliverability, affordability and the risks associated with the strategy. The aim of this Capital Strategy is also to ensure that members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risks.

1.3. Treasury and Investment Strategies

Members of the Treasury Management and Investment Sub-Committee (TMISC) have reviewed the contents of these strategies and recommended that the Cabinet note their contents and seek Council approval for the Strategies.

The activities around the management of the Council's cash and external borrowing are known as Treasury Management (TM). Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), members are required to receive reports on the Council's TM activities. The document in **Appendix 1** complies with the Code and relevant Government regulations.

Full Council has overall responsibility for the Treasury Strategy but delegates to the TMISC responsibility to monitor activity and recommend changes to the strategy. The Accountancy Services Manager (Section 151 Officer) has delegated responsibility to manage operational TM activities within the approved strategy.

1.4. The Ministry of Housing, Communities and Local Government requires the Council to publish and have approved an Investment Strategy. This strategy covers investments that are deemed not to be Treasury Management activities. The Investment Strategy is in **Appendix 2**.

2. Executive Summary

Treasury Strategy

Investments

- Increase liquidity balance from £5m to £10m to improve cashflow resilience during the year. As the Council's cash balances have reduced, the Council will enter a period of borrowing, additional balance will be needed to ensure Council cash holdings are sufficient to cover risks. This target may be adjusted by officers during the year if liquidity management requires it.
- Reduction of the limit for balances held in Multi-Asset Fund from £12m to £8m
- No other material changes from the previous year.
- Cash available for investment is expected to reduce as the Council funds the capital programme.
- Prior to completion of the budget, gross interest income of circa £800k is expected for 2026/27 based on an assumed interest rate of 3.71% across the Council's portfolio.

Borrowing

- No material changes from the previous year.
- Borrowing will only be undertaken for the purpose of managing temporary liquidity or to fund the capital programme.
- Limits for external borrowing will be set in the Capital Strategy which will be reported to Cabinet and then Council as part of the 2026/27 Budget.
- Under the Constitution, the Section 151 Officer manages investments and borrowings, so will undertake any borrowing as needed. Prior to completion of the budget, the Council's cashflow planning forecast estimated £20m of borrowing by the end of the March 2026. Projections suggest external borrowing of £55m by March 2027 may be needed.
- Recognises there is significant risks to the borrowing forecasts given historic experience of slippage in the capital programme.

Non-Cash Investments (Investment Strategy)

- No changes to the principles of last year's investment strategy are recommended.
- No new capital expenditure (investments) will be made where the purpose of the investment is primarily for yield. This restriction is in line with 2025/26 Strategy.
- The strategy has provision to allow for the creation of a stand-alone housing company if needed and subject to appropriate approvals.
- The monitoring of non-treasury investments is undertaken by the Treasury Management and Investment Sub-committee.

3. Conclusion

3.1. Cabinet is asked to accept the endorsement by Treasury Management and Investment Sub-committee and to recommend to the Council the Treasury Management and Investment Strategies.

3.2. Cabinet is asked to recommend the Capital Strategy to Council. This strategy should be reviewed regularly and reported on during the year.

List of appendices:

Appendix 1 – Treasury Management Strategy 2026/27

Appendix 2 – Investment Strategy 2026/27

Background papers:

Nil

Corporate Implications

Legal/Constitutional: The report meets statutory obligations on reporting Treasury Management Activity

Financial: As detailed in the report

Potential impact on climate change and the environment:

Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

Further requirements from those identified above are not practical given the limited ability to directly influence any immediate change in the financial markets.

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management:

The report is part of the Council's approach to managing risks arising from Treasury Management and it's Capital Strategy.

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

Consultees:

Relevant Policies and Strategies:

Medium Term Financial Strategy

Treasury Management Strategy

1.1 Treasury Management at Chelmsford City Council is conducted within the code /framework set by the Chartered Institute of Public Finance and Accountancy. *Treasury Management in the Public Services: Code of Practice 2021 Edition* requires the authority to approve a Treasury Management strategy before the start of each financial year. This report fulfils the authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA code.

1.2 Treasury Management covers the management of the Council's cash flows, borrowing and investments, and any associated risks. Chelmsford City Council has substantial cashflows and investments from its activities and is therefore exposed to a series of financial risks including the loss of invested funds. Risk also arises from possible changes in interest rates affecting investment income or the cost of any external borrowings.

1.3 The Council's investment priorities are, in order of priority:
(a) the security of capital,
(b) the liquidity of its investments; and
(c) yield.

The Government regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.

1.4 Borrowing purely to invest or lend on to make a return is unlawful and this Council will not engage in such activity. The borrowing to fund the capital programme is allowed and including borrowing up to a year in advance to secure the funding or de-risk the interest rates. Officers will aim to minimise borrowing costs by investing surplus cash based on forecast cashflow needs.

1.5 In the event of unforeseen major changes to the external environment or financial plans of the authority, it may be necessary for the Council to revise its strategy during the year.

1.6 This Treasury Management Strategy will focus solely on investments and debt management activity arising from the organisation's cashflows taking into account the capital programme. Non-treasury investments will be covered separately under the Investment Strategy (**Appendix 2**). The monetary limits on borrowing will be set in the Capital Strategy which forms part of the 2026/27 budget papers going to Cabinet and Council in January and February.

2. External Context

2.1 The macroeconomic environment has a significant impact on the Council's treasury operations via inflation, interest rate and counterparty risks.

The Council obtains advice on macro-economic issues from its Treasury advisor, MUFG Corporate Markets, and public news sources.

The Economic Environment and Interest Rate Forecast

2.2 The Bank Base Rate was maintained at 4.00% in November 2025 by the Bank of England's Monetary Policy Committee (MPC) where the last cut was in August 2025 of 0.25%. At the December meeting the Bank Rate was reduced 3.75%. Interest rates are generally expected to fall further.

2.3 GDP growth for 2025 and 2026 is currently forecast by the Bank of England to be in the region of 1.4% before picking up in 2027.

CPI inflation fell in October to 3.6% from 3.8% in September, whilst core inflation fell to 3.4%. Services inflation fell at 4.5%. 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.

The number of job vacancies in the three months to October 2025 stood at 723,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.

A looser labour market is driving softer wage pressures. The 3 month year on year rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September. The rate for the private sector slipped from 4.3% to 4.2%.

2.4 The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets. Below is their forecast taken from their CityWatch article from November. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps. The table does not reflect the Bank of England interest rate cut in December . MUFG Corporate Markets will be revising their interest rate forecast after the December MPC meeting. In summary interest rates are expected to fall.

MUFG Corporate Markets – November 2025

	End Q4 2025	End Q1 2026	End Q2 2026	End Q3 2026	End Q4 2026	End Q1 2027	End Q2 2027	End Q3 2027	End Q4 2027	End Q1 2028	End Q2 2028	End Q3 2028
Bank Rate	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
5yr PWLB Rate	4.70%	4.50%	4.40%	4.30%	4.30%	4.30%	4.20%	4.20%	4.20%	4.20%	4.10%	4.10%
10yr PWLB Rate	5.20%	5.00%	4.90%	4.80%	4.80%	4.80%	4.70%	4.70%	4.70%	4.70%	4.60%	4.60%
25yr PWLB Rate	5.90%	5.70%	5.70%	5.50%	5.50%	5.50%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%
50yr PWLB Rate	5.60%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%	5.20%	5.10%	5.10%	5.00%	5.00%

3. **Forecast cashflow and external borrowing for the City Council**

3.1 Forecast year-end investment balances are in the table below. This section of the report will be updated by the Section 151 officer to allow for any potential changes made to the capital; programme in 2026/27 budget.

Date	31/03/2025 Actual (£m)	31/03/2026 Forecast (£m)	31/03/2027 Forecast (£m)	31/03/2028 Forecast (£m)	31/03/2029 Forecast (£m)
Year-end **investment** held	23	17	17	17	17
Cumulative External **Borrowing**	11	20	55	62	62

In practice the amount of borrowing could well be lower than the forecast due to slippage in capital expenditure and CIL incoming arriving earlier than expected. The forecasts made by officers over the last few years have shown the correct trend but significantly overstated the amount of borrowing needed.
Within the £35m of increase in external borrowing forecast in 2026/27 the value of items certain to occur is £10m and the balance £25m of items can be said to be likely to be spent. However, historic experience does highlight the risk that this type of assessment can be materially wrong leading to overstating the level of external borrowing. The TMISC committee has been provided with confidential details on the assumptions made in the cashflow forecasting.

3.2 Cash/ Investment forecast:

During most months, the cash balance can rise and fall by up to £15m due to receipt of various income and payments including precepts to other Essex bodies. The Council should therefore aim to keep sufficient cash in hand to manage these fluctuations and allow for unknown risks

The Government consulted on proposed changes to Council Tax regime, and it is expected that from 2026/27, Council Tax will be collected over 12 instalments by default rather than the 10 instalments that we have been previously used to. The result of this is the Council will no longer benefit from a lift a in cashflow at the beginning of the year and fall later in the last two months when traditionally less Council tax income would come in.

A minimum of £10m of investments needs to be held by the Council to satisfy money market regulations (MiFID II requirements required £10m to enable the Council to maintain its professional client status). An investment balance below £10m will reduce the counterparties (banks etc) willing to transact with the Council. £10m should therefore be the minimum average balance targeted.

The Council's officers will aim to hold a continuous £17m of cash and investments made up of £10m cash held for liquidity and a maximum £7m of long-term investments. The Council will borrow where necessarily to maintain its liquidity balance.

The £17m reflects a proposal to increase the liquidity allowance from the previous £5m to £10m due to the Council entering a period of borrowing and advice from the treasury advisors suggesting the £5m is low. The long-term investments are supported by reserves and other balances in section 4.

The principles to establish how we borrow are in Section 3 below and how investments should be managed are discussed in Section 4 below.

3.3 Borrowing Forecast:

The Capital Strategy published with the Revenue 2026/27 budget papers will include debt limits reflective of the 2026/27 budget.

The CFR (Capital Financing Requirement) is the amount of capital expenditure the Council has financed by (internal and external) borrowing. The capital strategy will update the forecast of the CFR. The table below shows current estimates. This may be amended by s151 before this report is taken to Cabinet in light of additional information published in the 2026/27 Budget report.

	March 2025 Actual £m	March 2026 Forecast £m	March 2027 Forecast £m
Capital Financing Requirement	**45.4**	**48.0**	**74.0**
Made up of:			
Surplus cash internally borrowed	28.6	23.4	14.4
External Debt (leasing)	5.8	4.6	4.6
External Borrowing	11.0	20.0	55.0

The Council does reduce investments by internally borrowing the cash (balance sheet resources) to fund the capital programme instead of external loans. This can lower financing costs payable by the revenue budget compared to external borrowing.

4.0 How we intend to Borrow

4.1 This section of the strategy sets out the Council's methods to borrow. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. Long-term borrowing is only used to fund the capital programme so the level of borrowing will never exceed the CFR (Capital Financing Requirement) for any meaningful amount of time. As previously stated in Section 3.3, the CFR is the amount of capital expenditure the Council has which will be financed by internal or external borrowing. The CFR will be determined by the decisions in Budget Report 2026/27.

4.2 The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with external loan debt, as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels.

The Section 151 Officer will monitor the position to determine the optimal mix of internal and external borrowing. To seek to strike a balance between minimising interest costs, securing certainty of borrowing costs and ensuring sufficient liquidity.

4.3 Examples of where the Council can seek to borrow funds from are:

- Public Works Loan Board (PWLB). This is only allowed if a Council has no approved capital plans to purchase assets primarily for the purposes of yield. More details can be found in the Investment Strategy and paragraph 4.4 below.
- Other UK Local Authorities. This is usually relatively short-term debt running from a few days to two years in duration.
- Any institution which meets the Council's investment criteria.
- UK public or private sector pension funds (Excluding the Essex Local Authority Pension Fund).

4.4 The PWLB can lend to local authorities for any duration up to 50 years. The PWLB is the source of loans/funds if no other lender can provide finance. The PWLB will not lend to an authority that plans to buy investment assets primarily for yield. The Section 151 Officer must certify to the PWLB that no such purchases are planned.

From a Treasury Management perspective, it is recommended that the PWLB should be retained as a borrowing option and therefore purchase of investment assets primarily for yield should not be considered. This is recommended not only due to the reduced rates available through PWLB but due to the backstop accessibility of this source of borrowing.

4.5 Officers can undertake borrowing within the constraints the following debt indicators, the amounts for each are approved in the Capital Strategy:

- The Authorised Limit is the limit placed by the Council on the absolute level of its gross debt at any time. The Local Government Act 2003 stipulates that it must not be breached at any time. When setting the limits, these will need to be consistent with the liability benchmark as this shows the borrowing requirement to fund the forecast capital programme.
- The Operational Boundary of external debt is lower reflecting the planned maximum level of debt at any time, the difference being designed to give headroom to deal with unforeseen movements in cash flow. A sustained or regular trend above the Operational Boundary would require investigation and appropriate action.

The calculations are linked to the CFR (the overall borrowing needed to fund the capital programme).

During the financial year TMISC will receive reports on how any borrowing compares to the indicators.

In Annex 3 of this report, Prudential Borrowing and Investment indicators are shown.

4.6 In addition to borrowing via loans, other debt financing models may be used to finance the capital programme where this represents best value for the authority. These forms of debt are included in the overall borrowing limits. Such debt finance models include:

- Sale and leaseback arrangements
- Hire purchase arrangements

5 How we intend to Invest

5.1 Investment objectives are in order of priority:

- Security of assets – investing in counterparties only where the risks of incurring a capital loss through default, and the risks of late payment of principal and interest, are low. Also, by spreading risk as widely as is practically possible.
- Liquidity – Ensuring that the authority can access enough cash to meet its obligations with appropriate notice. It is recommended for 2026/27 a target of at least £10m of short-notice funds is held. The definition of short notice will be any held for less than or equal to 35 days.
- Yield – subject to the management of risks associated with security and liquidity of assets, the Council will seek to maximise the yield from its investment portfolio.

The Government regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. The Council will aim to achieve the optimum return on its investments with proper levels of security and liquidity that is within the Council's risk appetite.

5.2 **Annex 3** sets out the background detail relating to counterparties, also limits of size of investment and durations. These are unchanged from previous years.

5.3 The institutions the Council can invest with are well-capitalised. General credit conditions across the sector are expected to remain benign, limiting the chances of losses to the Council. However, no investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit-rating criteria.

5.4 Public Bodies provide much less risk as investment counterparties, but yields can be vary depending on the liquidity available within the market. The Council will consider security, liquidity and return when reviewing new investments over different organisations and different investment categories (pooled funds, public bodies, etc.) to provide a satisfactory balance of security of capital and return. The City Council will avoid lending to councils that have a section 114 notice but there is no evidence that a s114 notice makes a loss of investment more likely.

5.5 Changes in valuation of the multi-asset fund holding under IFRS9 accounting standards are chargeable to a company's profit and loss in the financial year. For a Council, if IFRS 9 were applied, it would mean the local taxpayer meeting valuation changes through the general fund as cost or gain even if they were due to temporary volatility. The Government has extended the IFRS 9 statutory override to apply to existing local authority investments in pooled investment funds that were made before 1st April 2024. The government has extended this specific override for these existing investments until 1st April 2029, to provide local authorities with additional time to manage their investment strategies.

However, any new investments in pooled investment funds made on or after 1st April 2024 are subject to the standard IFRS 9 accounting requirements, meaning fair value movements must be recognised directly in the general fund. The override prevents these "paper" fluctuations from immediately impacting the authority's revenue accounts and annual balanced budget requirement.

Additionally, IFRS9 impacts the write-down in the valuation of impaired loans.

5.6 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's approach does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

Therefore, externally managed funds will be required have regard for ESG, but this is not possible for internally managed bank deposits and short-term investments (money market funds).

5.7 The Council's cashflow and need to borrow mean officers expect investments during 2026/27 to relatively short in duration with main purpose to manage liquidity. With the exception of the multi-assets funds which are regard as long term holdings but kept under review by s151 and who is delegated to make decisions regarding their use.

5.8 In practice:

- officers will most likely invest in short-dated money markets funds, as they offer the best way to manage liquidity and reduce investment risk (by spreading counterparties).
- The use of multi assets funds would probably be reduced over the next few years, given the gradual move to long term borrowing. However, there will be significant changes to cash and debt holdings due to LGR over the next three years. The decisions regarding the continued use of multi assets funds will need to be assessed in that light and fund performance.

5.9 The indicative budget for interest income for 2026/27 is £800K based on an average investment portfolio of £21m at an interest rate of 3.7%. If actual levels of investments or actual interest rates differ from those forecasts, performance against the budget could be significantly different. The interest income is highly dependent on the timing of capital programme expenditure.

6 Role of the Treasury Management and Investment Sub-committee

6.1 The Sub-committee will be informed of investment, borrowing activity and of significant changes in conditions that may lessen or increase the risks of Treasury Management activity. The Sub-committee will, where necessary, consider changes to the strategy and report back to Council.

6.2 Reporting and reviewing of treasury management activity will include

- Monitoring Treasury management indicators (**Annex 3**): The code requires local authorities to have regard to certain treasury indicators. The indicators will assist in measuring and managing the Council's exposure to Treasury Management risk in 2026/27. The 2021 Prudential Code introduced Prudential indicators and a requirement for monitoring to be reported formally on at least a quarterly basis. However, due to the volume of finance reports already made to formal committees, it is recommended that reporting is three times a year to TMISC or Cabinet. Officers believe the existing 3 meetings of the TMISC committee are sufficient.

- The indicators include some limits and some indicators. Limits should not be breached, and if they are, TMISC should report that to Full Council, whereas indicators can be breached during the year if necessary. TMISC should seek clarification on why an indicator is breached and seek appropriate actions.

Investment Strategy

This document ensures compliance with the requirements of the CIPFA Prudential Code and the Ministry of Housing, Communities and Local Government (MHCLG) guidance on local authority investment. The CIPFA code and MHCLG guidance recognise that organisations may make investments for reasons outside of treasury management objectives and these investments may prioritise other objectives above the security of capital.

Contents of the Investment Strategy

1. The types of non-cash investments
2. How Council monitors performance
3. The role of the sub-committee

1 The types of non-cash investments

1.1 Investment Primarily for Yield (overarching principle)

Guidance from the PWLB issued in 2020/21 bans any local authority from borrowing from it if, in the current or following 2 years, the authority has plans in its capital programme to invest in assets to be held primarily for yield. The City Council can access non-PWLB sources to fund capital investment. However, the Council previously approved the principle that keeping access to PWLB borrowing was more important than keeping the option to undertake the purchase of investment property primarily for yield. The recommended overarching principle in the investment strategy is that the Council will not undertake any capital investment with the primary objective of yield. The CIPFA 2021 Prudential and Treasury Management best practice code is explicit that authorities must not borrow for the primary purpose of earning a financial return.

1.2 Service Investments: Loans and Shareholdings

These covers making loans to, and buying shares in, local service providers, local small businesses to promote economic growth, and, for some authorities, subsidiary companies that provide services. Considering the public service objective, Councils can take moderate risk with the principal invested.
The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans have been set as follows: -

Category of borrower	31 March 2025 actual			2025/26	2026/27
	Balance owing	Loss allowance	Net figure in accounts	Forecast	Approved Limit
Chelmsford City Football Club	£0.021m	£0.021m	£0.000m	£0.000m	£0.0m
CHESS (Support for Homeless Service)	£0.478m	Nil	£0.478m	£0.462m	£0.467m
Maximum New loans if required.	Nil	Nil	Nil	Nil	£10.000m
TOTAL LIMIT	**£0.499m**	**£0.083m**	**£0.478m**	**£0.462m**	**£10.462m**

The above table includes an allowance of up to £10m of new loans should the Council for example decide to create a standalone company to facilitate the creation of additional affordable housing or for other trading purposes. Any decision would be subject to Council approval.

The football club has made the final payment during 2025/26, and the loan repayment has been cleared.

CHESS took out a loan from the Council in March 2025 of £0.478m that is secured against their asset. Repayments of this loan started in April 2025 and all monthly payments have been made to date.

The Council will monitor the financial position of the recipient or potential recipient using (but not limited to) credit ratings where appropriate, published financial information (such as annual accounts), press articles and by maintaining an open dialogue.

Accounting standards require the Authority to set aside an allowance for losses on loans, reflecting the likelihood of non-payment. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

There may be times to approve items outside this process, due to urgent health and safety issues for example, or the need to respond quickly to market opportunities. These changes will need approval in line with the constitution.

1.3 Commercial Investments:

MHCLG defines property to be a commercial investment if it is held primarily to generate a financial return. This type of investment may also involve making loans to subsidiaries or partners, where the aim is achieving profit.

The Council's commercial property investments are summarised below. No new assets have been acquired since last reported; any increases shown reflect improvement or refurbishment works.

There was a fall in valuation mainly results from the transfer of Lockside land into Surplus and the valuation on 1 Springfield Lyons building as result of property being vacant and refurbishment works to the building. The value of Meadows Retail Shopping Centre fell due to low rents and occupancy.

Property Type	31.03.2024	31.3.2025 actual				
	Value in accounts	Acquisitions In Year	Disposals In Year	Transfers to PPE in Year	Works/ Additional Gains or (losses)	Value in accounts
Office	£15.65m	£0.00m	£0.00m	£0.03m	-£1.52m	**£14.16m**
Other	£4.65m	£0.00m	£0.00m	-£2.38m	£0.12m	**£2.38m**
Retail	£33.79m	£0.00m	£0.00m	£0.00m	-£0.04m	**£33.75m**
Industrial	£0.00m	£0.00m	£0.00m	£0.00m	£0.00m	**£0.00m**
TOTAL	£54.09m	£0.00m	£0.00m	-£2.35m	-£1.44m	**£50.29m**

Property Type	31.03.2025	31.3.2026 expected				
	Value in accounts	Acquisitions In Year	Disposals In Year	Transfers to PPE in Year	Works/ Additional Gains or (losses)	Value in accounts
Office	£14.16m	£0.00m	£0.00m	£0.00m	£0.19m	**£14.35m**
Other	£2.38m	£0.00m	£0.00m	£0.00m	£0.03m	**£2.41m**
Retail	£33.75m	£0.00m	£0.00m	£0.00m	£0.03m	**£33.78m**
Industrial	£0.00m	£0.00m	£0.00m	£0.00m	£0.00m	**£0.00m**
TOTAL	£50.29m	£0.00m	£0.00m	£0.00m	£0.25m	**£50.54m**

The Council will consider the purchase of commercial property but only where it supports regeneration, facilitates land assembly for future regeneration projects, or supports Council priorities set out in “Our Chelmsford: Our Plan” but not where the primary purpose would be for yield.

Properties will only be purchased within the Council’s geographic area.

Any properties that generate commercial yield will be monitored by the Treasury Management and Investment sub-committee until redevelopment occurs.

1.4 Loan Commitments and Financial Guarantees

The Council has entered into a new loan agreement with CHESS (Support for Homeless Services) of £478K to help finance their redevelopment of a Homeless Accommodation in March 2025.

2 How Council monitors performance

2.1 Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Accountancy Services Manager (Section 151 Officer) is a qualified accountant with over 30 years' experience and the Head of Property is a member of the Royal Institution of Chartered Surveyors with over 20 years' experience in both Public and Private Sectors. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and external short courses to keep abreast of developments and maintain up to date skills and knowledge.

Elected members: The Council does not expect members to make investment decisions but to understand the risks the Treasury & Investment Strategies create. The Council therefore provides training for members on the appropriate issues by providing advice and access to MUFG, the Council's Treasury Advisors.

Training and qualifications: Documents and schedules will be kept of training and qualifications of the key roles.

Due Diligence: When undertaking investments there is a need to recognise where the Council is lacking detailed market knowledge and then external advisors will be employed. The Council uses MUFG as Treasury Management Advisors and external property valuers are engaged when undertaking material purchases.

2.2 Investment Indicators (Limits or Indicators)

The Authority must set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.

1) Total investment risk exposure (indicator): The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	£22.8m	£11.6m	£16.6m
Service investments: Loans	£ 0.5m	£0.5m	£0.4m
Commercial investments: Property	£50.3m	£50.5m	£58.4m
TOTAL INVESTMENTS	£73.6m	£62.6m	£75.4m

The commercial property forecast values shown above are projected changes. It has been assumed that valuations remain relatively static in 2025/26, with increase in 2026/27 resulting from the planned reletting of 1 Springfield Lyons.

2) How investments are funded (indicator): Investments funded from borrowing have more risk than those funded from surplus resources, so Government guidance is that there should be indicators on how investments are funded. Since the Authorities do not normally associate particular assets with specific borrowing liabilities, this guidance is difficult to comply with. However, the following table probably best describes any borrowing link to investments.

Investments funded by borrowing	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast	31.03.2028 Forecast
Service investments: Loans	£0.5m	£0.5m	£0.5m	£0.4m
Commercial investments: Property*	£6.7m	£7.9m	£9.5m	£9.3m
Total funding by borrowing	**£7.2m**	**£8.4m**	**£10.0m**	**£9.7m**

*In 2019/20 to alleviate the temporary costs of the pandemic, the Council choose not to make revenue contributions to capital. The overall level of borrowing would have been lower, and the commercial assets (Aquarium offices) would not have been funded from internal borrowing. The additional borrowing in 2027 relates to remodelling works to existing properties and development of existing sites.

3) Rate of return received (indicator): This indicator shows the net investment income received less the associated costs, including the cost of borrowing where appropriate, the calculated as a proportion of the sum initially invested.

The increase in income for 2026/27 assumes the let of 1 Springfield Lyons.

Investments net rate of return (income)	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	4.9%	4.1%	3.6%
Service investments: Loans	£0.5m	£0.5m	£0.4m
Commercial investments: Property	5.8%	6.1%	6.3%
Treasury Management Income (draft estimate 26/27)	£1.8m	£1.0m	£0.8m
Investment Rent Income (draft estimate 26/27)	£2.9m	£3.1m	£3.7m

4) Other investment indicators

The Section 151 Officer has identified the following estimates to help assess Risks and Proportionality of investment activity at the Council:

Estimates	2024/25 Actual	2025/26 estimate	2026/27 estimate	2027/28 estimate	2028/29 estimate
Income from Treasury Management as Percentage of Net Revenue Stream	3.9%	2.2%	1.6%	1.6%	1.4%
Commercial Income as percentage of Net Revenue Stream	11.8%	12.2%	14.0%	13.7%	13.5%
Total Borrowing Undertaken to Fund Investment Properties	£6.7m	£7.9m	£9.5m	£9.3m	£9.2m

The estimates/indicators reflect historic decisions, and the schemes included in the proposed/approved Capital programme.

5) Investment Indicator Limits

Below are limits on investments which reflect the estimates above plus allowance for some headroom or flexibility to undertake higher levels of investment activity. The limit is that recommended by the Section 151 Officer. These limits are required under Government guidance and should not be exceeded. If the Council does exceed these limits, then it is expected not to rashly dispose of investments but instead should avoid entering any further investments except for short term Treasury Management activity until appropriate alleviation of the breach is undertaken.

Limits	2025/26 Limit	2026/27 Limit	2027/28 Limit	2028/29 Limit
Commercial Income as percentage of Net Revenue Stream	19%	19%	19%	19%

3 Role of Treasury and Investment Sub-committee

The non-cash investments require continuous monitoring, and the role of the sub-committee is to undertake that ongoing assessment. At a previous sub-committee meeting it was agreed that the following would be the basis of the ongoing monitoring:

- Any changes in the portfolio in the period (acquisitions and sales)
- All charges and receipts, indicating any arrears.
- Capital expenditure; planned or reactive.

- Performance against budgets; both expenditure and income.
- Any potential changes to the income through lease renewals and rent reviews.

The Sub-committee is also responsible for recommending the Investment Strategy. The strategy requires Full Council approval.

Treasury Investment Types

Enhanced Money Market and Money Market Funds. The Council has access to enhanced money market funds (AAA rated) which offer a rate of return but require 2 – 5 days' notice to withdraw funds.

The Council invests short-term cash in several AAA-rated money market funds. These funds provide a rate of interest (3.97 %-4.04% at 12th December 2025) and most importantly allow same-day access to funds. Interest rates are linked to the BOE base rate and so any increase in this will feed through to the rates earned for the Council.

These funds spread the Council's investment over many financial institutions, so reducing risk. Historically the funds have proved very safe.

UK Public Bodies. Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts are all investments with the UK Central Government. These are the safest possible form of UK investment, so the Council will place no limit on the amount that can be invested.

Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans). These are theoretically as safe as lending to Government, but what would happen should a Local Authority go bankrupt has never been tested in law. It is therefore prudent to place some limit on investments with each local authority but recognising this type of investment is much safer than most alternatives.

Unsecured UK bank investments. The changes to UK Bank regulation from the adoption of a "bail-in" approach to recapitalising banks and the move to ringfencing of UK bank retail operations have increased the amount that could be lost in the event of a bank failure. With the completion of ringfencing activities by major banks to protect retail investors from investment banking losses, different banks have placed local authority depositors in either the retail or investment banking divisions. It should be noted that the credit scores for the banks to which the Council lends have either remained the same or improved because of ringfencing. The Council believes that it is prudent to invest with banks who are on MUFG suggested lists. MUFG only suggest investments with UK banks for up to 6 months for the majority of those listed. The Council differs from MUFG advice in terms of the length of investment, up to a period of 365 days. But only if the credit rating criteria (below) are met and no information is available that identifies unacceptable risk. The Council will not invest with any bank that is not on the suggested MUFG list.

Unsecured building society investments. MUFG recommend a pool of Building Societies that it suggests clients could invest with. Where our criteria do differ to MUFG relates to the suggested duration periods where MUFG only recommend up to a maximum of 6 months. The Council current policy goes beyond MUFG advice and lends up to 365 days.

It is recommended that the Council's treasury strategy takes a different approach to investing with building societies than that suggested by MUFG. If a building society has a long-term credit rating of at least A- then investments for up to 365 days should be allowed. This is the same as the Council's previous counterparty policy for Building Societies but is a higher risk approach than MUFG based on duration.

Unsecured Non-UK bank investments. MUFG has different the approach for investment with non-UK banks compared to UK banks. This reflects the different risks and ownership structures that affect the security of the investment. The Council first uses MUFG advice to select appropriate non-UK banks and then uses credit rating information to make investment decisions. The Council uses credit rating of AA- for selecting investments with non-UK banks of up to a maximum of 365 days and A- for investments of up to 100 days.

The Council may differ from MUFG advice in terms of the length of investment, if the credit rating criteria above are met. The Council will not invest with any bank that is not on the suggested MUFG list. In practice, the Council's approach is more conservative than MUFG who, for non-UK banks with a Fitch rating of between A- to A+, suggest in many cases durations up to 6 months. The Council is broadly consistent with MUFG where the suggested duration is up to 2 years for the non-UK banks with a rating of AA-.

Registered Social Landlord (RSL) Loans. The Council can lend to RSLs in the pursuit of treasury management objectives but must treat any loans made for policy reasons as capital expenditure. The option to lend for Treasury purposes has been on the Council's counterparty list for several years but there has not been a suitable opportunity.

Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds. These are all different investment products but have in common the highest levels of credit rating. They are either backed by a pool of guaranteed bank assets or UK and/or foreign Governments. The Council takes advice from MUFG before undertaking any of these investments, so an investigation of the individual strength of each investment has been determined. They are rarely used by the Council.

Multi-Asset, Bond and Property Funds. These potentially offer the Council income and capital growth of the sum invested. There are several types of funds including property funds, bond funds, equity funds and multi-asset funds. Funds seek to reduce risk by building a pool of investments and as such are considerably safer than an investment of comparable size in a specific single asset.

However, any fund exposes the Council to market price volatility. Officers will carefully consider any investment opportunities and always keep any ownership under review. A review of the risks and benefits of using Funds was made in the summer of 2019 and which concluded that Multi-Asset, Bond and Property funds provide a suitable method to invest Council funds.

As at the end of November 2025, the Council has an investment of around £6.6m in 2 Multi-Asset funds.

Counterparty – Duration and Monetary Limits

The Council uses credit ratings and MUFG's advice to determine suitable counterparties. MUFG employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies.
- CDS spreads that may give early warning of changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

Link 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 result is a series of colour-coded bands which indicate the relative creditworthiness of counterparties.

The Council's policy has been and is recommended to differ from MUFG advice when it comes to duration of investments with Banks (UK and Foreign) and Building Societies. The Council's officers have focused more on long-term credit ratings and an assessment of systematic importance to the UK economy when assessing investment duration. This means the Council has a slightly longer duration and slightly less Counterparties than suggested by MUFG, but still maintains diversification of investments and security of the Council's assets.

The duration that an investment is made affects the amount of risk to the capital invested. The longer the investment the more risk of some unexpected change occurring to the financial strength of the deposit taker. Perhaps, more importantly the Council can only invest for durations that enable Council's liquidity to be managed effectively. To reduce these risks limits can be placed on the length of investments. The Council is required by law to identify the proposed investment criteria under the categories Specified and Non-Specified, as shown below:

Specified Investments - investments of duration less than or equal to 365 days and denominated in sterling. - investments made to UK Government, UK local authorities or institutions of high credit quality. - high credit quality defined as a minimum A- by Fitch or the equivalent score of the other main rating bodies (Standard & Poor's, Moody's).				
Specified Counterparty	**Minimum Credit Criteria**	**Max. Limit £m**	**Max. maturity period**	**Change from Prev. approach**
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5-day notice	None
Money Market Funds (per fund)	AAA	£6m each fund	Instant Access	None

Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts	UK Government	No Limit	365 days	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m each authority	365 days	None
UK Banks	A-	£3m for each group	365 days	None
Building Societies	A-	£3m for each group	365 days	None
Non-UK Banks	AA-	£3m each group	365 days	None
Non-UK Banks	A-	£3m each group	100 days	None
Registered Social Landlord Loans	A-	£3m each group	365 days	None
Covered Bonds	AA-	£6m	365 days	None
Reverse Repurchase Agreements (each agreement)	AA-	£6m	365 days	None
Supranational Bonds (per institution)	AAA	£6m	365 days	None

The counterparty limit for 2025/26 is £3m per financial institution and it is recommended that this is retained for 2026/27. Reducing the £3m limit would reduce the number of institutions willing to take Council deposits, as a smaller investment would be judged too small to be economic for large institutions. Indeed, there are many institutions who will not accept £3m from the Council as this is too small for them.

Non-specified Investments These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk.				
Counterparty	**Min. Credit Criteria**	**Max. Limit £m**	**Max. maturity period**	**Change from existing approach**
Multi-Asset or Bond funds	Unrated	£5m per fund	n/a	None
Covered Bonds (per bond)	AA-	£6m	3 years	None
Supranational Bonds (per each institution)	AAA	£6m	3 years	None
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans	UK Government	£10m each authority	5 years	None

Treasury Management Indicators

Limits

1) **Long-Term Treasury Management Investments** (Limit) – The purpose of this indicator is to manage the Authority's exposure to the risk of incurring losses by seeking early repayment of its investment or the costs of enforced borrowing for liquidity purposes. The prudential limits on the long-term treasury management investment will be: -

Price Risk Indicator	2024/25	2025/26	2026/27
Limit on total principal invested beyond year end	£10m	£10m	£10m
Investment Funds	£8m	£8m	£8m

The £8m shown is a maximum limit for investment funds which have no fixed maturity date such as Multi Asset. Additionally, there is a separate £10m limit for sums invested in fixed term investments over 365 days in duration. The £10m limit for cash invested over 365 days is only expected to be used if cash balances turn out materially higher than forecast, which is unlikely.

2) **Counterparty limit** – The Council will be informed whether investments have been made within the approved limits for counterparties and any breaches will be reported during the year. The limits are shown in Annex 3.

3) **Maturity structure of borrowing:**

These gross limits set to reduce the Authority's exposure to large amounts falling due for refinancing in a short space of time. Officers will have regard to prevailing interest rate assumptions when undertaking borrowing.

The Council is asked to approve the following treasury indicators and limits: -

Maturity structure of fixed interest rate borrowing 2026/27		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	50%
10 years to 25 years	0%	50%
25 years to 50 years	0%	50%
Maturity structure of variable interest rate borrowing 2026/27		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	50%
10 years to 25 years	0%	50%
25 years to 50 years	0%	50%

The borrowing limits are set within the capital strategy and the above shows the maturity structure of loans.

Indicators that are Targets

1) **Liquidity –** The liquidity indicator is a voluntary measure that seeks to ensure that the Council has the necessary funds to meet unexpected payments within a rolling period without additional borrowing.

Liquidity Risk Indicator	Target
Total minimum cash available within 35 days	£10m

2) **Liability Benchmark (indicator):**

This indicator is a tool to help establish whether the Council is likely to be a long-term borrower or long-term investor and as a result aids long-term planning. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Ref.	Liability Benchmark	31/03/25 Actual (£m)	31/03/26 Forecast (£m)	31/03/27 Forecast (£m)	31/03/28 Forecast (£m)	31/03/29 Forecast (£m)
1	Capital Financing Requirement (CFR)	45	48	74	79	85
2	Less: Balance sheet resources	57	33	29	27	39
3	Net loans requirement (Negative shows surplus cash/ Positive are external borrowing requirement)	-12	15	45	52	46
4	Plus: Liquidity allowance.	14	5	10	10	10
5	Liability benchmark (Total forecast external borrowing) (Negative shows net surplus cash/ Positive are external borrowing requirement)	2	20	55	62	56
		<---------------- Forecast - Externally borrowed ---------------->				

The table above shows
Row 1 our capital financing requirement, being total external and internal borrowing needed to fund the capital programme. The forecast 31/03/26 has capital programme needing £48m of borrowing with forecast external loans borrowing of £20m (ref/row 5).
Row 2: shows the balance sheet resources (cash) available to use as internal borrowing instead of external debt. Where most of the resource is cash from revenue reserves and capital grants.
Row 3 A positive figure means external borrowing is being forecast. However, further allowance must be made to ensure the Council has a minimum level of liquidity cash available (row 4).The higher borrowing than actually needed in 2024/25 meant the Council had more cash to invest resulting in increased liquid funds held in row 4, £14m compared to the £5m minimum liquidity target.

Row 5 shows the forecasts year end external borrowing required. The new projection shows external borrowing needed of £20m at end of 2025/26 and £55m at the end of 2026/27.