ARGYLL AND BUTE COUNCIL **POLICY AND RESOURCES COMMITTEE**

FINANCIAL SERVICES **19 FEBRUARY 2026**

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2026-27

1.0 EXECUTIVE SUMMARY

1.1 The Local Government in Scotland Act 2003 requires the council to have regard to the CIPFA Code of Practice in Treasury Management (revised 2021), 'the Code'. The Treasury Management Strategy, including prudential and treasury indicators, and the Annual Investment Strategy is a key reporting requirement, providing a comprehensive statement of treasury management policies and planned activity for the financial year ahead.

1.2 This report, prepared in compliance with the Code, covers the following:

- Capital Expenditure and Financing;
- An economic and interest rate update;
- Borrowing Strategy;
- Investment Strategy; and
- Prudential and Treasury Indicators 2026-29.

1.3 The report concludes that:

a) The Treasury Management Strategy provides a comprehensive statement of treasury management policies and planned activities, covering the relevant treasury and prudential indicators, the current and projected debt positions, and the Annual Investment Strategy for 2026-27.

b) A key driver of treasury management activity is the council's capital investment plans. Prudential indicators reflect the output from these plans and are designed to ensure that the council's capital investment plans are affordable, prudent and sustainable. Within the range of prudential indicators, there are several key indicators to ensure that the authority operates its activities within well-defined limits.

c) Whilst the Capital Financing Requirement represents the underlying need to borrow, the council is currently maintaining an under-borrowed position. This strategy is prudent while medium and longer-dated borrowing rates are expected to fall from their current levels, albeit that considerable uncertainty remains around interest rate forecasts, particularly in respect of the longer-term outlook.

d) The council's revenue budget includes appropriate provision for the financing costs of capital expenditure. The key principles of the borrowing strategy will be to minimise debt interest costs over the medium term and to achieve a more even spread in the debt maturity profile.

e) The council's investment priorities will be security, liquidity and yield (return). A prudent approach to managing investment risk has been adopted. Exposure to credit risk will be limited by ensuring that all investments are placed with the most highly rated institutions. A balanced view of risk against return will be taken in respect of all investments. It is anticipated that return on investments will be limited in 2026-27, as a result of Bank Rate forecasts and the over-riding principle of risk aversion.

1.4 The Policy and Resources Committee is requested to:

a) Note the Treasury Management Strategy and Annual Investment Strategy for 2026-27, and the Prudential and Treasury Indicators for 2026-27 to 2028-29, as given in Appendix 3; and

b) Refer the report to full Council for approval.

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2.0 INTRODUCTION

2.1 Background

2.1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

> *The management of the local authority's borrowing, investments and cash flows, including 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.*

2.1.2 The council is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the council's low-risk appetite, providing adequate liquidity initially before considering investment return.

2.1.3 The second main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing needs of the council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, existing debt may be restructured to meet risk or cost objectives.

2.1.4 The contribution the treasury management function makes to the council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. It is also of paramount importance to ensure adequate security of the sums invested, as a loss of principal will, in effect, result in a loss to the General Fund balance.

2.1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities and are separate from the day-to-day treasury management activities.

2.2 Reporting Requirements

2.2.1 The council is required to receive and approve, as a minimum, three main treasury reports each year:

a) The Treasury Management Strategy, including prudential and treasury indicators, and the Annual Investment Strategy (this report) – A forward-looking report for the financial year ahead;

b) A mid-year Treasury Management report – to update members on the capital and treasury position, amending prudential and treasury indicators as necessary, and any required policy revisions; and

c) An Annual Treasury Management report – a backward-looking review, providing details of actual treasury activity, and prudential and treasury indicators, compared to the approved estimates.

2.2.3 The above reports require to be adequately scrutinised before being recommended to full Council for approval. This role will be undertaken by the Policy and Resources and Audit and Scrutiny Committees. In addition to the three major reports detailed above, quarterly reporting (end of June and end of December) is also required. These additional reports do not have to be reported to full Council but do require to be adequately scrutinised. This role will be undertaken by the Audit and Scrutiny Committee.

3.0 RECOMMENDATIONS

3.1 The Policy and Resources Committee is requested to:

a) Note the Treasury Management Strategy and Annual Investment Strategy for 2026-27, and the Prudential and Treasury Indicators for 2026-27 to 2028-29, as given in Appendix 3; and

b) Refer the report to full Council for approval.

4.0 TREASURY MANAGEMENT STRATEGY 2026-27

4.1 Overview

4.1.1 The strategy for 2026-27 covers two main areas:

Capital

- The capital expenditure plans and the associated prudential indicators
- The policy for statutory repayment of loans fund advances

Treasury Management

- The current treasury position
- Treasury indicators which limit the treasury risk and activities of the Authority
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- The investment strategy
- Creditworthiness policy; and
- The policy on the use of external service providers

4.1.2 These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund repayment regulations, particularly Finance Circulars 5/2010 and 7/2024.

4.2 Capital Expenditure and Financing

4.2.1 The council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

4.2.2 The Capital Expenditure prudential indicator is a summary of the council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The following table summarises the proposed capital expenditure plans and financing framework for 2026-29.

Capital Financing	**2026-27 Estimate £m**	**2027-28 Estimate £m**	**2028-29 Estimate £m**
Gross Capital Expenditure	**69.526**	**88.653**	**59.546**
Financing:			
Specific Project Income	0.165	-	-
General Capital Grant	15.736	23.406	9.156
Asset Sales	1.500	0.500	-
Revenue/ Earmarked Reserves	10.000	5.074	7.000
Total	**27.401**	**28.980**	**16.156**
Net Financing Need	**42.125**	**59.673**	**43.390**

Note: The above financing need excludes other liabilities, such as PPP and leasing arrangements that already include borrowing instruments. An assumption has also been made on the level of 2028-29 General Capital Grant, with corresponding expenditure, for the purpose of providing estimated *indicators for 2028-29. There have been no decisions on the general allocation of available capital resources for 2028-29, as part of the 2026-27 budget process, pending the outcome of the wider capital review. Also, the use of earmarked reserves has been assumed for borrowing planning purposes, however, the Section 95 Officer will require to exercise flexibility within the capital funding framework, as outlined within the Capital Plan 2026-28 and Capital Review Update reports.*

4.3 The Council's Borrowing Need (the Capital Financing Requirement)

4.3.1 The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's indebtedness and so its underlying borrowing need. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

4.3.2 The CFR does not increase indefinitely as prudent annual repayments of debt principal are made from the revenue budget. The council has chosen to make debt repayments through scheduled debt amortisation, which reflects the useful life of assets financed by borrowing (Loans Fund charges).

4.3.3 The CFR also includes any other liabilities (e.g. PPP schemes, on-balance-sheet leases). Whilst these increase the CFR, and therefore the authority's borrowing requirement, these types of schemes include a borrowing facility by the PPP or lease provider and so the council is not required to separately borrow for these schemes. The liabilities held within the CFR in this respect totalled £111.418m as at 31 March 2025.

4.3.4 The CFR projections over the 3 years 2026-29 are outlined in the table below.

Capital Financing Requirement	**2026-27 Estimate £m**	**2027-28 Estimate £m**	**2028-29 Estimate £m**
Opening CFR	391	424	474
Movements in CFR	33	50	32
Closing CFR	**424**	**474**	**506**
Net financing need for the year (para 4.2.2)	42	60	43
Loans Fund principal repayments and principal repayments for PPP / lease-type arrangements	(9)	(10)	(11)
Movement in CFR	**33**	**50**	**32**

4.3.5 In addition to the CFR, any PWLB or LOBO loans maturing during the year will ultimately require replacement borrowing to maintain the council's cashflow position. In addition, the council will continue to actively monitor potential restructuring opportunities, in order to generate cash savings, at minimum risk, and improve the balance of the loan debt maturity profile.

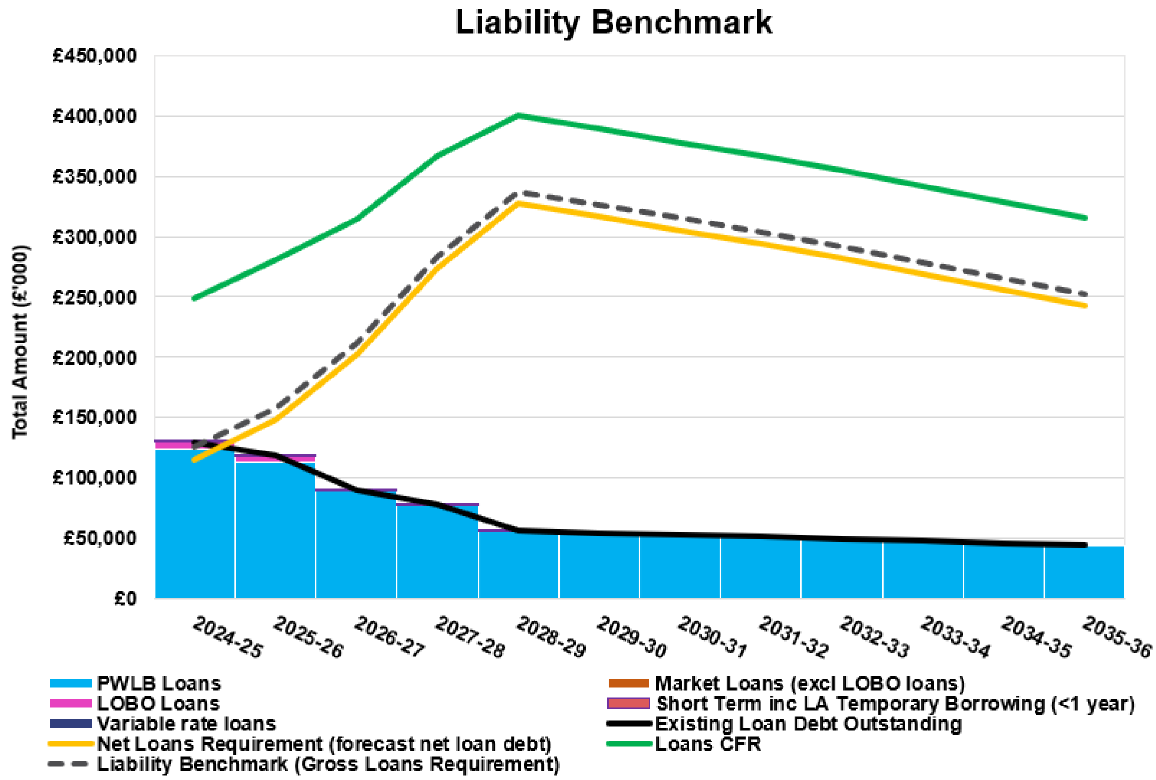
4.3.6 The following repayments of loan principal are due, or may become due, during 2026-27:

a. PWLB loan principal of £1.680m, relating to a 10-year PWLB loan (original principal of £21m), which was taken on a fixed Equal Instalments of Principal (EIP) basis.
b. All other PWLB loans will be repayable in full on maturity. During 2026-27, an existing PWLB loan is due to be repaid (principal £12m). Also, at the time of writing, it is anticipated that further borrowing will require to be undertaken prior to 31 March 2026, with a potential maturity date during 2026-27 (estimated principal £10m).
c. There is potential for a market loan to be recalled. The council has one outstanding market, or LOBO, loan for £5.255m, maturing 2048 with call dates every 6 months. This loan could be recalled at the 22 June or 22 December call dates in any year.

4.4 Liability Benchmark

4.4.1 The council is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two years, as a minimum. There are four components to the Liability Benchmark, also reflected in the graph below:

a) **Existing loan debt outstanding** (solid black line): the council's existing loans, as at 31 March 2025, that are still outstanding in future years.
b) **Loans CFR** (green line): 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 Loans Fund advances / Loans Fund principal repayments.
c) **Net loans requirement** (orange line): this will show the council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
d) **Liability benchmark (or gross loans requirement)** (dotted black line): this equals net loans requirement plus short-term liquidity allowance. Any years where actual loans are less than the benchmark indicate a future borrowing requirement. Any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.



4.4.2 The graph above includes the additional net financing need for 2026-27 to 2028-29 according to the capital financing assumptions set out at para 4.2.2. This is represented in the Loans Capital Financing Requirement (green line), which increases through to 2028-29 and then decreases, at a slower pace, as loans fund repayments continue in respect of capital expenditure incurred to date.

4.4.3 Beyond 2028-29, it assumes capital expenditure is fully funded without further need for prudential borrowing, and this forecast will be updated when the council adopts a longer-term capital plan.

4.4.4 The divergence of the existing debt outstanding (solid black line) from the liability benchmark (dotted black line) indicates that the council's existing loan debt will be insufficient to meet the borrowing requirements of future years. This also reflects the extent to which external borrowing is deferred, in favour of internal borrowing, due to the significant level of reserve balances held. When considering long-term borrowing, the benchmark assists with determining a suitable term to ensure the debt portfolio isn't in excess of need in later years, with long-term interest costs only partially offset by the interest receivable on the investment of the surplus cash.

4.5 Core Funds and Expected Investment Balances

4.5.1 The use of reserve balances to either finance capital expenditure or to support the revenue budget will have an ongoing impact on cash balances available for investment. It is anticipated that treasury investments will be held to manage day to day cashflow requirements, with balances expected to fluctuate throughout the year. Whilst the council holds significant usable reserve balances due to the strategy of internal borrowing, as outlined within the Borrowing Strategy section, investment balances are expected to be low throughout the year.

4.6 Statutory Repayment of Loans Fund Advances

4.6.1 The council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

4.6.2 A variety of options are provided to councils, so long as a prudent provision is made each year. A review of the council's loan fund advances was undertaken during 2019-20 to ensure the council continues to make a prudent provision each year for the repayment of loans fund advances.

4.6.3 For all new loans fund advances, the policy for repayment will be in accordance with the following methodology, as appropriate:

a. **Asset life method** – loans fund advances will be repaid with reference to the life of the asset, as outlined within our accounting policies, using a 5.1% annuity rate; or
b. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

4.6.4 Using the asset life method, the council is required to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The following table details the repayment profile of the existing and expected loan debt over future years, with Year 1 being 2025-26.

Loans Fund Estimated Balances	Year 1 £m	Years 2-5 £m	Years 5-10 £m	Years 10-15 £m	Years 15-20 £m	Years 20+ £m
Opening Balance	219	252	360	299	228	162
Advances	40	145	0	0	0	0
Repayments	(7)	(37)	(61)	(71)	(66)	(162)
Closing Balance	**252**	**360**	**299**	**228**	**162**	**0**

Note: Advances have only been assumed in respect of the current capital planning period. The above table outlines the repayment profile of existing Loans Fund debt, together with new advances arising from the proposed Capital Plan 2026-28, across current and future years.

4.7 Current Treasury Portfolio Position

4.7.1 The overall treasury management portfolio as at 31 March 2025, and the position as at 31 December 2025, for both borrowing and investments, are outlined in the following table.

TREASURY PORTFOLIO				
	Actual 31 March 2025		Actual 31 December 2025	
Treasury Investments	**£m**	**%**	**£m**	**%**
Banks	0.948	6.52	6.399	15.68
Local Authorities	0.000	-	10.000	24.51
Money Market Funds	13.600	93.48	14.400	35.30
Ultra Short Dated Bond Fund	0.000	-	10.000	24.51
Total Treasury Investments	**14.548**	**100.00**	**40.799**	**100.00**
External Borrowing				
PWLB	124.197	95.70	132.517	95.91
Market Loans (LOBO)	5.255	4.05	5.255	3.80
Temporary Borrowing*	0.304	0.24	0.387	0.28
Local Bonds	0.018	0.01	0.018	0.01
Total External Borrowing	**129.774**	**100.00**	**138.177**	**100.00**

**Note: This represents short-term borrowing from various institutions.*

4.7.2 The council's forward projections for borrowing are summarised in the following table. This table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under-borrowing.

External Debt	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m
Opening Debt at 1 April	159	221	301
Expected change in Debt	62	80	63
Other Liabilities	104	97	89
Expected change in Other Liabilities	(7)	(8)	(8)
Closing Debt at 31 March	318	390	445
Capital Financing Requirement (CFR)	424	474	506
Over / (Under) Borrowing	**(106)**	**(84)**	**(61)**

4.7.3 Within the range of prudential indicators there are several key indicators to ensure that the authority operates its activities within well-defined limits. One of these is that the council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026-27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

4.7.4 The council's Section 95 Officer reports that the council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in the 2026-27 Budget Pack in respect of the Capital Plan 2026-2028.

4.8 Treasury Indicators: Limits to Borrowing Activity

4.8.1 **Operational Boundary** – This is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and may reflect the ability to fund under-borrowing by other cash resources.

Operational Boundary	**2026-27 Estimate £m**	**2027-28 Estimate £m**	**2028-29 Estimate £m**
Debt	316	367	400
Other Liabilities	108	107	106
Total	**424**	**474**	**506**

4.8.2 **Authorised Limit for External Debt** – This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term to manage day to day cash flow requirements, but is not sustainable in the longer term.

4.8.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.

4.8.4 The Authorised Limit for the 3 years 2026-29 is outlined in the table below.

Authorised Limit	**2026-27 Estimate £m**	**2027-28 Estimate £m**	**2028-29 Estimate £m**
Debt	321	372	405
Other Liabilities	111	110	109
Total	**432**	**482**	**514**

4.9 Prospects for Interest Rates

4.9.1 The council's treasury advisor, MUFG Corporate Markets, has provided an update on the current economic position, given within Appendix 1. Part of this advisory service is also to assist the council to formulate a view on interest rates. MUFG provided the following forecasts on 23 December 2025.

a) Long-term PWLB rates

PWLB certainty rates (gilt yield plus 80 bps)	Dec 2025 (Actual) %	March 2026 %	March 2027 %	March 2028 %	March 2029 %
5 year	4.78	4.60	4.10	4.10	4.10
10 year	5.34	5.20	4.80	4.70	4.70
25 year	5.95	5.80	5.50	5.30	5.20
50 year	5.71	5.60	5.30	5.10	5.00

The current and expected interest rates for long-term borrowing from the PWLB highlight a gradual decrease from the current position. The PWLB rates quoted take account of the application of a 0.2% certainty rate reduction, introduced by the government in return for council's providing their borrowing forecast information. Argyll and Bute Council is able to access the certainty rate reduction.

b) Short-term borrowing rates

Bank Rate	Dec 2025 (Actual) %	March 2026 %	March 2027 %	March 2028 %	March 2029 %
	3.75	3.75	3.25	3.25	3.25

The 'Bank Rate' is the official Bank of England rate paid on commercial bank reserves. Bank Rate forecasts also highlight an expected gradual decrease throughout 2026-27 before levelling out at 3.25% by March 2027. Short-term borrowing rates will generally fall in line with the Bank Rate cuts.

4.9.2 Considerable uncertainty remains around interest rate forecasts. The long-term (beyond 10 years) Bank Rate forecast remains at 3.50%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity or <10 years PWLB EIP) and short-dated fixed local authority to local authority monies should also be considered. Temporary borrowing rates will, generally, fall in line with the Bank Rate cuts. Typically, forecasts are reviewed following the quarterly release of the Bank of England's Monetary Policy Report but will be considered on an ad hoc basis as required.

4.10 Borrowing Strategy

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

4.10.2 Short to medium-term borrowing from PWLB, money markets or other local authorities is currently expected to be cheaper than longer-term borrowing and will therefore be attractive throughout the financial year. As such, the upper limit on borrowing maturing within 2 to 5 years has been increased from 30% to 35% of the total debt portfolio. However, as with internal borrowing, short-term savings by delaying new long-term external borrowing requires to be balanced with potential additional long-term costs.

4.10.3 Current PWLB rates are forecast to gradually decrease over the next couple of years. As a result, consideration will be given to the timing of any new fixed rate long-term borrowing. Although more expensive in the short-term, this may be more cost effective over the longer-term and also provides an element of budget certainty in respect of future years.

4.10.4 The council's annual revenue estimates include appropriate provision for the financing costs of capital expenditure. The key principles of the strategy will be to minimise debt interest costs over the medium term and to achieve a more even spread in the debt maturity profile. It is anticipated that a range of solutions will be employed in order to mitigate against interest rate risk, and to provide longer-term cost certainty, as outlined above.

4.10.5 Against the economic background and the risks within interest rate forecasts, caution will be adopted with the 2026-27 treasury operations. The Section 95 Officer, in conjunction with the treasury advisors, will monitor interest rate forecasts and adopt a pragmatic approach to changing circumstances, with any new borrowing reported to committee at the next available opportunity.

4.11 Policy on Borrowing in Advance of Need

4.11.1 The authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the authority can ensure the security of such funds.

4.11.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

4.12 Debt Rescheduling

4.12.1 The principal reasons for debt rescheduling include: the generation of cash savings; and to enhance the balance of the debt maturity profile, mitigating the risk of refinancing at a higher rate of interest in a future year.

4.12.2 Opportunities for debt rescheduling within the current debt portfolio will be monitored on an ongoing basis throughout the year. There may be potential opportunities to generate savings and enhance the balance of the debt maturity profile by switching from long-term debt to short-term debt. However, these options would need careful consideration in light of the short-term nature of potential savings and the likely cost of re-financing those short-term loans on maturity, if required, together with any debt repayment premiums that may be incurred. Whilst premature redemption rates remain elevated, rescheduling opportunities to generate savings are not expected to be available. This would only expect to be undertaken, where a rebalancing of the portfolio, to provide more certainty, is considered appropriate. Any rescheduling undertaken will be reported to committee, at the earliest opportunity.

4.13 New Financial Institutions as a Source of Borrowing

4.13.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter-dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates, where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

The council will be kept informed, by its advisors, as to the relative merits of each of these alternative funding sources.

4.14 Approved Sources of Long and Short-term Borrowing

4.14.1 A summary of the council’s approved sources and types of borrowing are set out within Appendix 2.

5.0 ANNUAL INVESTMENT STRATEGY

5.1 Investment Policy – Management of Risk

5.1.1 The council’s investment policy implements the requirements of the following:

- Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010),
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

5.1.2 The council’s investment priorities, in order of importance, will be security, liquidity and then yield:

- **Security** – minimising the risk of any loss on the principal sum invested.
- **Portfolio Liquidity** – ensuring that cash is available when required.
- **Yield (return)** – the rate of interest earned from the investment.

The council will aim to achieve the optimum return on its investments, commensurate with proper levels of security and liquidity, and with regard to the council’s risk appetite. The risk appetite of the council will be low, with security of investments the key priority.

5.1.3 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider opportunities for 'laddering' investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider fund range options.

5.1.4 The borrowing of monies purely to invest or on-lend and make a return is not permitted and the council will not engage in such activity. The limit of investments will reflect the level of available council reserve fund balances and borrowing in advance to meet capital financing requirements, in line with the borrowing strategy, together with provision for managing the council's day to day cash flow requirements.

5.1.5 The guidance from the Scottish Government and CIPFA places a high priority on the management of risk. This authority has adopted the creditworthiness service provided by MUFG, which allows the council to take a prudent approach to managing risk and define its risk appetite by the following means:

a) Minimum acceptable credit criteria are applied, in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps' (CDS) and overlay that information on top of the credit ratings.

c) Other information sources used will include the financial press, share price and other such information pertaining to the financial sector, in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d) This council has defined the list of types of investment instruments that the treasury management team are authorised to use and lending limits (amounts and maturity). A limit for the amount of its investments which are invested for longer than 365 days has also been set.

e) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating and all investments will be denominated in sterling.

However, the council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance throughout the year.

5.1.6 Investment instruments identified for potential use during the year, together with associated treasury risk mitigations and monetary limits, are outlined in Appendix 4. Information on Environmental, Social and Governance (ESG) considerations is also provided. Within the constraints of the policy, due consideration will be given to the diversification of investments, in order to limit a concentration of investments with too few counterparties or countries, and to ESG factors.

5.1.7 There has been considerable change in the types of investment instrument brought to the market in recent years. Given the fluidity of this area, members will be kept informed and requested to approve the use of any new instruments, as appropriate, in order to allow maximum flexibility.

5.2 Creditworthiness Policy

5.2.1 The council applies the creditworthiness service provided by MUFG (formerly Link Group). This service 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:

1. "Watches" and "Outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings; and
3. Sovereign ratings to select counterparties from only the most creditworthy countries.

5.2.2 This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system, which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands, which indicate the relative creditworthiness of counterparties. These colour codes are used by the authority to determine the suggested duration for investments.

5.2.3 All credit ratings will be monitored on an ongoing basis throughout the year. Through its use of the MUFG creditworthiness service, the council is alerted to changes to ratings of all three agencies and will also be advised of information in movements in Credit Default Swap spreads and other market data on a daily basis. If a downgrade results in the counterparty / investment scheme no longer meeting the authority's minimum criteria, its further use as a new investment will be withdrawn immediately. Sole reliance will not be placed on the use of this external service. All available information will be considered when making investment decisions.

5.2.4 The council will continue to limit exposure to credit risk by ensuring that all investments are placed with the higher rated bodies from a weekly credit list of worldwide potential counterparties. For illustration purposes, a snapshot of this counterparty list as at 30 January 2026 is provided in Appendix 5.

5.2.5 The council essentially adopts a hybrid approach in formulating its creditworthiness policy. In addition to the MUFG creditworthiness service, which provides details of the most highly credit rated institutions (counterparties) and suggested investment durations, the council also places a monetary limit on each type of investment or counterparty, as outlined within Appendix 4. These investment criteria will be kept under review throughout the year and amended, if required, to ensure that they continue to be fit for purpose.

5.3 Investment Strategy

5.3.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

5.3.2 The current forecast shown in paragraph 4.9.1 includes a forecast for Bank Rate to fall to a low of 3.25% in 2026. However, as there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average Earnings	**%**
2026/27	3.80
2027/28	3.40
2028/29	3.30
2029/30	3.50
Future years	3.50

5.3.3 For its cash flow generated balances, the council will seek to utilise its business reserve instant access accounts, Money Market Funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

5.3.4 **Investment Treasury Indicator and Limit** - requires to be set in respect of total principal funds invested for greater than 365 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. The following treasury indicator and limit is proposed:

Upper limit for principal sums invested for longer than 365 days			
	2026/27 £m	**2027/28 £m**	**2028/29 £m**
Principal sums invested for longer than 365 days	20	20	20
Current investments in excess of 1 year maturing in each year	0	0	0

5.4 Investment Performance / Risk Benchmarking

5.4.1 The Section 95 Officer will continue to monitor the economic environment and adopt a pragmatic approach to changing circumstances. A balanced view of risk against return will be taken in respect of all investments. The authority may use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded SONIA (Sterling Overnight Index Average), as appropriate. However, it is anticipated that return on investments will be limited in 2026-27, as a result of Bank Rate forecasts and the over-riding principal of risk aversion. Investment activity will be reported at the end of the financial year, as part of the Annual Treasury Report.

5.5 Non-treasury Investments

5.5.1 Non-treasury investments are defined as the following categories:

- All shareholding, unit holding and bond holding, including those in a local authority owned company;
- Loans to a local authority company or other entity formed by a local authority to deliver services;
- Loans made to third parties; and
- Investment property.

5.5.2 Any such finance arrangements or loans would be subject to specific committee approval. The authority may make loans to third parties, where this is consistent with meeting the service objectives of the council and for which, specific statutory provision exists. For service reasons, loans to third parties may be offered at an interest rate below the market rate. Where the loan is advanced at less than a market interest rate, there is an associated loss of investment return, which would otherwise have been earned on these resources. Any cost to the council in this respect will be reflected in the authority's annual accounts. All loans to third parties will be recognised as investments and detailed within the Annual Investment Report.

5.5.3 As at 31 March 2025, the council had outstanding loans to third parties in respect of RSLs (£2.879m), Hub Co. (£0.492m) and Colonsay Development Trust (£0.199m).

6.0 Capital Strategy

6.1 The CIPFA 2021 Prudential and Treasury Management Codes places a requirement on local authorities to prepare a Capital Strategy. The Capital Strategy demonstrates how capital expenditure, capital financing and treasury management activity contribute to the provision of services and longer-term policy objectives of the council. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

6.2 The aim of the strategy is to ensure that all the council's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The council's Capital Investment Strategy was approved by Policy and Resources Committee in August 2023. As part of the ongoing review of capital arrangements, a new Capital Strategy will be developed during 2026-27.

7.0 Training

7.1 The CIPFA Code requires the proper officer to ensure that members with responsibility for treasury management receive adequate training. This especially applies to Members responsible for scrutiny.

7.2 Members of the Audit and Scutiny Committee received training from the council's treasury advisors, Link Group in October 2024, to assist with this scrutiny role. Members are advised to notify Financial Services as/when they feel further training sessions would be beneficial.

7.3 Furthermore, the training needs of treasury management officers are periodically reviewed to ensure appropriate treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

7.4 In addition to online training webinars provided by the council's treasury advisors, and regular update webinars, in recent years a Scottish Treasury Management Toolkit has been made available through the council's CIPFA membership. The toolkit has 4 modules, each with a brief assessment at the end. Officers involved in the day-to-day treasury management will be required to complete this training within a reasonable timeframe on commencing the role.

7.5 Members are also able to access the Scottish Treasury Management Toolkit to refresh their understanding, and enhance their scrutiny, of the council's treasury management.

8.0 Policy on Use of External Service Providers

8.1 The authority uses MUFG (formerly Link Group), as its external treasury management advisors, to acquire access to specialist skills and resources. However, it is recognised that responsibility for treasury management decisions remains with the council. All decisions will be undertaken with due regard to all available information, including from our treasury advisers. For short term market borrowing and investments, the council utilises a number of brokers to access sterling cash markets. This ensures that the council ensures best value in daily cash flow management.

9.0 Scheme of Delegation and Role of the Section 95 Officer

9.1 The treasury management scheme of delegation, together with the treasury management role of the Section 95 officer and nominated Member, are outlined in Appendix 6.

10.0 CONCLUSION

10.1 The Treasury Management Strategy provides a comprehensive statement of treasury management policies and planned activities, covering the relevant treasury and prudential indicators, the current and projected debt positions, and the Annual Investment Strategy for 2026-27.

10.2 A key driver of treasury management activity is the council's capital investment plans. Prudential indicators reflect the output from these plans and are designed to ensure that the council's capital investment plans are affordable, prudent and sustainable. Within the range of prudential indicators, there are several key indicators to ensure that the authority operates its activities within well-defined limits.

10.3 Whilst the Capital Financing Requirement represents an underlying need to borrow, the council is currently maintaining an under-borrowed position. This strategy is prudent while medium and longer dated borrowing rates are expected to fall from their current levels, albeit that considerable uncertainty remains around interest rate forecasts.

10.4 The council's revenue budget includes appropriate provision for financing costs of capital expenditure. The key principles of the borrowing strategy will be to minimise debt interest costs over the medium term and to achieve a more even spread in the debt maturity profile.

10.5 The council's investment priorities will be security, liquidity and yield (return). A prudent approach to managing investment risk has been adopted. Exposure to credit risk will be limited by ensuring that all investments are placed with the higher rated bodies. A balanced view of risk against return will be taken in respect of all investments. It is anticipated that return on investments will be limited in 2026-27, as a result of Bank Rate forecasts and the over-riding principal of risk aversion.

11.0 IMPLICATIONS

11.1	Policy –	Sets the policy for borrowing and investment decisions.
11.2	Financial –	Provides the Treasury Management Strategy for 2026-27, including the Annual Investment Strategy.
11.3	Legal -	None
11.4	HR -	None
11.5	Customer Service -	None

11.6	Risk –	Provides an overview of treasury management and investment risk, and how these risks are managed.
11.7	Climate Change -	None
11.8	Fairer Scotland Duty -	None
11.9	Equalities - protected characteristics -	None
11.10	Consumer Duty -	None
11.11	Island Communities –	None
11.12	Children's Rights and Wellbeing -	None

Kirsty Flanagan

Executive Director/Section 95 Officer

6 February 2026

Councillor Ross Moreland, Policy Lead for Finance and Commercial Services

APPENDICES

Appendix 1 – Economics Update

Appendix 2 – Approved Sources and Types of Borrowing

Appendix 3 – Treasury and Prudential Indicators 2026-29

Appendix 4 – Permitted Investments

Appendix 5 – Example Weekly Counterparty List

Appendix 6 – Scheme of Delegation, Section 95 Officer and Nominated Member Roles

For further information contact:

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Appendix 1

Economics Update (to 23rd December 2025)

- The first half of 2025/26 saw:
  - A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
  - The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
  - CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
  - The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August (and subsequently to 3.75% in December).
  - The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 - 2028 is currently forecast by the Office for Budget Responsibility to be in the region of 1.5%.

- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was only 0.1% q/q.

- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but headwinds are gathering.

- Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.

- Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.

- Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.

- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nearly all the months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to November 2025 stood at 729,000 (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 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September (still at that level in November). The rate for the private sector has slipped just below 4% as the year end approaches.

- CPI inflation remained at 3.8% in September but dropped to 3.2% by November. Core inflation also fell to 3.2% by November while services inflation fell to 4.4%. Nonetheless, 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.

- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.

- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by late December had fallen back again to a little over 4.50%.

- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors' global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900. By late December, the index had clung on to most of those gains standing at 9,870 on 23 December.

MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 18 December 2025

- There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to

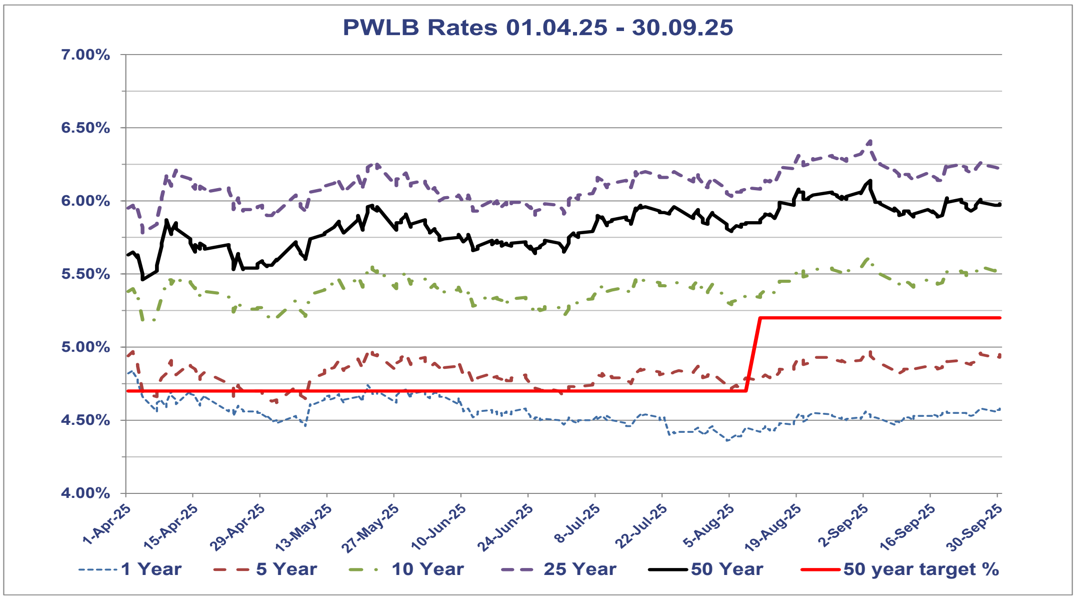
4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

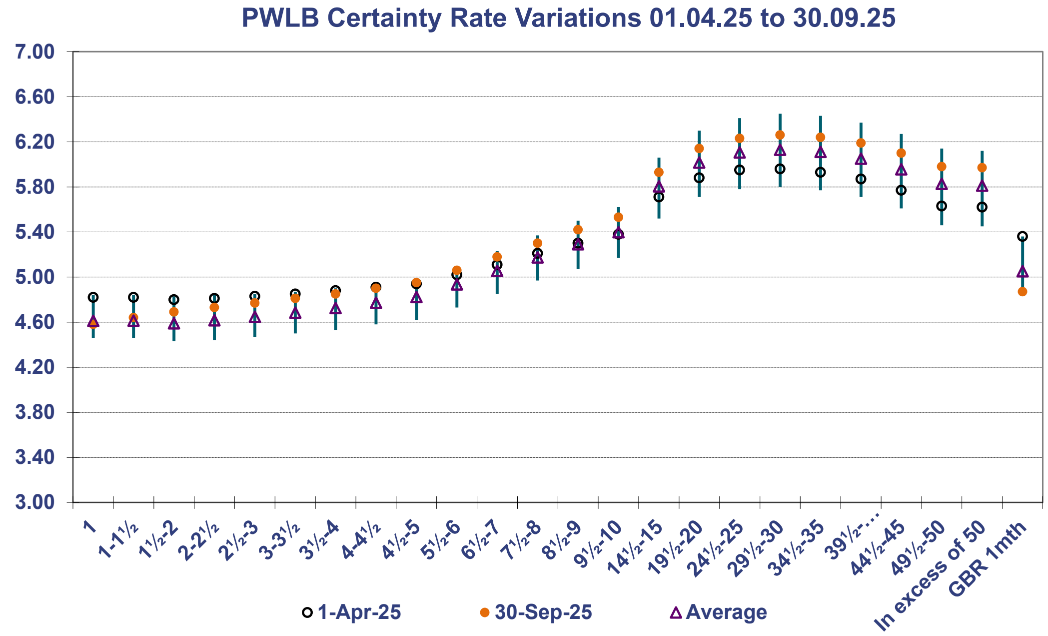
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.

- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

PWLB RATES 01.04.25 - 30.09.25





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

Appendix 2

Approved Sources of Long and Short-term Borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts and revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

Appendix 3

Prudential and Treasury Indicators – 2026-29 Estimates

	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Prudential Indicators for Prudence			
1) Capital Expenditure	**£m**	**£m**	**£m**
Gross Capital Expenditure	69	89	59
Less Financing	(27)	(29)	(16)
Net Financing Need (in-year borrowing requirement)	**42**	**60**	**43**

2) Capital Financing Requirement (CFR)	**£m**	**£m**	**£m**
Total CFR at 1 April	391	424	474
Total CFR at 31 March	424	474	506
Movement in CFR	**33**	**50**	**32**
Represented by:			
Net In-year Borrowing Requirement (per above)	42	60	43
Less: Principal Repayments and other financing movements	(9)	(10)	(11)
Total	**33**	**50**	**32**

3) Authorised Limit for External Debt	**£m**	**£m**	**£m**
Authorised Limit for Borrowing	321	372	405
Authorised Limit for Other Liabilities	111	110	109
Authorised Limit for External Debt	**432**	**482**	**514**

4) Operational Boundaries	**£m**	**£m**	**£m**
Operational Boundary for Borrowing	316	367	400
Operational Boundary for Other Liabilities	108	107	106
Operational Boundary for External Debt	**424**	**474**	**506**

5) Gross Debt and the CFR	**£m**	**£m**	**£m**
Gross Debt at 31 March	318	390	445
Total CFR at 31 March	424	474	506
Gross Debt less the CFR at 31 March	**(106)**	**(84)**	**(61)**

Prudential Indicator for Affordability			
	%	**%**	**%**
6) Ratio of Financing Costs to Net Revenue Stream	**7.30**	**8.01**	**8.75**

The Council implemented IFRS 16 leases as at 1 April 2024. Many leases that previously had their rental costs expensed to revenue, in accordance with the former applicable standard IAS 17, are now carried on the balance sheet as Right of Use assets, with a corresponding liability. An element of the lease payments is now accounted for as financing costs (principal and interest), thereby increasing the Ratio of Financing Costs to Net Revenue Stream. While this accounting change provides better transparency of the ongoing financial commitments of the council, it does not alter the cashflows or impact the General Fund balance.

Treasury indicators – Borrowing Limits						
7) Maturity Structure of Fixed Rate Borrowing						
	2026-27		**2027-28**		**2028-29**	
	Upper	**Lower**	**Upper**	**Lower**	**Upper**	**Lower**
Under 12 months	30%	0%	30%	0%	30%	0%
12 months and within 24 months	30%	0%	30%	0%	30%	0%
24 months and within 5 years	35%	0%	35%	0%	35%	0%
5 years and within 10 years	40%	0%	40%	0%	40%	0%
10 years and above	100%	0%	100%	0%	100%	0%
Limits on Fixed Rate and Variable Rate Borrowing						
	Upper	**Lower**	**Upper**	**Lower**	**Upper**	**Lower**
Fixed rate	100%	0%	100%	0%	100%	0%
Variable rate	60%	0%	60%	0%	60%	0%

Treasury indicator - Investment			
8) Upper Limit on Principal Sums Invested for over 365 days			
	2026-27 £m	**2027-28 £m**	**2028-29 £m**
Upper Limit	20	20	20

Notes to Prudential and Treasury Indicators

The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans.

Prudential Indicators – Prudence

Indicators 1-5 above cover the overall capital and control of borrowing prudential indicators.

Affordability Prudential Indicators

Within the overall framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the authority’s overall finances.

Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs), against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the 2026-27 Budget Pack.

Maturity Structure of Borrowing

These gross limits are set to reduce the authority’s exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

APPENDIX 4

Permitted Treasury Investments

Note: Limits are given as a monetary value in £ or as a percentage of the overall investment portfolio.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Cash type instruments				
a) Deposits with the Debt Management Account Facility (UK Government) **(Very low risk)**	This is a deposit with the UK Government and, as such, counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment, the monetary limit is unlimited to allow for a safe haven for investments.	£ unlimited, maximum 6 months	£ unlimited, maximum 6 months
b) Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and, as such, counterparty risk is very low. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply.	Little mitigating controls required for local authority deposits as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria.	£ unlimited, Maximum 2 years. Limit of £10m per local authority or public body	£ unlimited Maximum 2 years
c) Money Market Funds (MMFs) – CNAV/LVNAV/VNAV **(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMF has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
d) Ultra short dated bond funds **(Low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where they have a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	£15m per fund	100%
e) Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£20m per UK banking group; £15m per non-UK banking group	100%
f) Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period and credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a) to (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£20m per UK banking group, £15m per non-UK banking group	100%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g) Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and, as such, counterparty and liquidity risk is very low, although there is potential risk to value arising from and adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m maximum, 1 year	100%, maximum 1 year
h) Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and, as such, counterparty risk is low, but they will exhibit higher risks than categories (a) to (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£20m per UK banking group; £15m per non-UK banking group	50%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
i) Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates, etc.) **(Low to medium risk depending on period and credit rating)**	These tend to be medium to low risk investments but will exhibit higher risks than categories (a) to (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£20m per UK banking group; £15m per non-UK banking group	50%
j) Corporate bonds **(Medium to high risk depending on period and credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£5m, maximum 1 year.	20%, maximum 1 year

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Other types of investment				
a) Investment properties	These are non-service properties which are being held pending disposal or for a longer-term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios, some small allocation of property-based investment may counterbalance / compliment the wider cash portfolio. Property holdings will be re-valued regularly and reported annually with gross and net rental streams.	£10m	20%
b) Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investment may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rationale behind the loan and the likelihood of partial or full default.	£10m, maximum 5 years	10%, maximum 5 years
c) Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss.	50%	20%
d) Non-local authority shareholdings	These are non-service investments which may exhibit market risk and only be considered for longer-term investments and will be likely to be liquid.	Any non-service equity investment will required separate Member approval and each application will be supported by the service rationale behind the investment, and the likelihood of loss.	5%	100%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
e) Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rationale behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m, maximum of 10 years	N/A
f) Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rationale behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m, maximum of 3 years	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g) Loans to third parties as part of the Council's Long-Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rationale behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m, maximum of 30 years	N/A
h) Hub Co sub debt	These are non-service investments which may exhibit market risk, and only be considered for longer-term investments, and will be highly illiquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A
i) Investment in a project run by a Local Authority or Local Authority Joint Committee	These are investments which may exhibit market risk and will only be considered for medium to longer-term investments.	Each investment requires approval by the Section 95 Officer up to £250,000 and, above this level, Member approval. Each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A

Treasury Risks

All of the specific investment instruments outlined above are subject to the following risks:

1. **Credit and Counterparty risk** – This is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's finances. There are no counterparties where this risk is zero although AAA-rated organisations have a very high level of creditworthiness.

2. **Liquidity risk** – This is the risk that instant access to cash will not be available when it is needed. Investments can range from being instant access to term, that is, money that is locked in until an agreed maturity date. However, some forms of investment, for example gilts, can usually be sold immediately if the need arises.

3. **Market risk** – This is the risk that, through adverse fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, in certain circumstances, exposure to market risk my be sought with a view to obtaining a long-term increase in value.

4. **Interest Rate risk** – This is the risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This Council has set limits for its fixed and variable rate exposure in the Prudential Indicators within this report.

5. **Legal and Regulatory risk** – This is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the organisation suffers losses accordingly. The level of both risk exposure and liquidity influences the rate of return on investments. Generally, the lower the risk or the higher the liquidity, the lower the rate of return.

Controls on Treasury Risks

1. **Credit and Counterparty risk** – The Council utilises the creditworthiness service provided by its treasury advisors to determine which counterparties and countries are of high creditworthiness to enable investments to be made safely.

2. **Liquidity risk** – The Council has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk** – The Council generally does not purchase investment instruments which are subject to market risk in terms of fluctuations in their

value. The Council may purchase treasury bills as their value does not vary much during their short life.

4. **Interest Rate risk** – The Council manages this risk by having a view of the future course of interest rates and formulates a treasury management strategy accordingly. The strategy aims to minimise net interest costs, consistent with control of risk.

5. **Legal and Regulatory risk** – The Council will not undertake any form of investing until it has ensured that it has necessary powers and also complied with all regulations.

Unlimited Investments

Regulation 24 states that an investment can be shown as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The Council has given the following types of investments an unlimited category:

1. **Debt Management Agency Deposit Facility** – This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office, which is part of H.M. Treasury, i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High Creditworthiness Banks and Building Societies** – While an unlimited amount of the investment portfolio may be put into banks and building societies with high creditworthiness, the Council will ensure diversification of its portfolio by ensuring that no more than £20m of the total portfolio can be placed with any one institution or group at any one time.

Environmental, Social and Governance (ESG) Considerations

The Treasury Management Code states that:

> "The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level."

ESG investment considerations are about understanding the ESG risks that an entity is exposed to and evaluating how well it manages these risks. It is not the same as Socially Responsible Investing, (typically where you apply negative screens) and, equally, it is not the same as Sustainable Investing (investing in products/companies based on expected sustainable and beneficial societal impact, alongside a financial return).

The Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings, which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. Each of the mainstream credit rating agencies are signatories to this statement.

All the main rating agencies now incorporate ESG risks, alongside more traditional financial risk metrics, when assessing counterparty ratings. As such, their incorporation is already being done, to an extent, by the Council's use of the creditworthiness service provided by the Council's treasury advisors. In addition, our treasury advisors continue to look at ways in which these factors can be incorporated into their creditworthiness assessment service.

Whilst the Council is supportive of responsible investment, it should be noted that ESG information will still be secondary to the requirement for the Council to adhere to the Code priorities of Security, Liquidity and Yield. Ethical principles must play a subordinate role to these priorities. Furthermore, limiting the potential counterparty options could reduce diversification and increase risk, therefore, these considerations need to be carefully balanced.

MUFG Weekly Credit List (30 January 2026)

MUFG Corporate Markets methodology list of suggested counterparties

Any values highlighted in yellow have undergone a change in the past 7 days.

			Fitch Ratings					Moodys Ratings			S&P Ratings						
Counterparty			Long Term	Short Term	Viability	Support		Long Term	Short Term		Long Term	Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
Australia		SB	AAA				SB	Aaa		SB	AAA				13.06		
Banks	Australia and New Zealand Banking Group Ltd.	SB	AA-	F1+	a+	WD	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	36.17	●	O - 12 mths
	Commonwealth Bank of Australia	PO	AA-	F1+	a+	WD	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	37.15	●	O - 12 mths
	Macquarie Bank Ltd.	SB	A+	F1	a	WD	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	National Australia Bank Ltd.	SB	AA-	F1+	a+	WD	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	36.16	●	O - 12 mths
	Westpac Banking Corp.	SB	AA-	F1+	a+	WD	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	41.23	●	O - 12 mths
Belgium		SB	A+				NO	Aa3		NO	AA				10.67		
Banks	BNP Paribas Fortis	SB	A+	F1	a+	WD	NO	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	KBC Bank N.V.	SB	A+	F1	a	WD	SB	Aa3	P-1	PO	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
Canada		SB	AA+				SB	Aaa		SB	AAA						
Banks	Bank of Montreal	SB	AA-	F1+	aa-	WD	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Bank of Nova Scotia	SB	AA-	F1+	aa-	WD	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Canadian Imperial Bank of Commerce	SB	AA-	F1+	aa-	WD	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	National Bank of Canada	SB	A+	F1	a+	WD	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Royal Bank of Canada	SB	AA-	F1+	aa-	WD	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Toronto-Dominion Bank	NO	AA-	F1+	aa-	WD	SB	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
Denmark		SB	AAA				SB	Aaa		SB	AAA				6.52		
Banks	Danske A/S	SB	A+	F1	a+	WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	31.93	●	R - 6 mths
Finland		SB	AA				SB	Aa1		SB	AA+				9.02		
Banks	Nordea Bank Abp	SB	AA-	F1+	aa-	WD	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	OP Corporate Bank plc		WD	WD		WD	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths

			Fitch Ratings					Moodys Ratings			S&P Ratings						
Counterparty			Long Term	Short Term	Viability	Support		Long Term	Short Term		Long Term	Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
France		SB	A+				NO	Aa3		SB	A+				12.03		
Banks	BNP Paribas	SB	A+	F1	a+	WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	38.59	●	R - 6 mths
	Credit Agricole Corporate and Investment Bank	SB	A+	F1	WD	WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Credit Agricole S.A.	SB	A+	F1	a+	WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	36.28	●	R - 6 mths
	Credit Industriel et Commercial	NO	A+	F1	a+	WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Societe Generale	SB	A-	F1	a-	WD	NO	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	42.27	●	R - 6 mths
Germany		SB	AAA				SB	Aaa		SB	AAA				3.52		
Banks	Bayerische Landesbank	SB	A+	F1+	bbb+	WD	SB	Aa2	P-1		NR	NR	O - 12 mths	O - 12 mths			O - 12 mths
	BSK 1818 AG						SB	Aa3	P-1				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Commerzbank AG		WD	WD	WD	WD	SB	Aa3	P-1	PO	A	A-1	R - 6 mths	O - 12 mths	37.11	●	O - 12 mths
	Deutsche Bank AG	SB	A-	F1	a-	WD	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	46.21	●	R - 6 mths
	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB	AA-	F1+		WD	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Landesbank Baden-Wuerttemberg	SB	A+	F1+	bbb+	WD	SB	Aa2	P-1		NR	NR	O - 12 mths	O - 12 mths			O - 12 mths
	Landesbank Hessen-Thueringen Girozentrale	SB	A+	F1+	bbb	WD	SB	Aa2	P-1		NR	NR	O - 12 mths	O - 12 mths			O - 12 mths
	Landwirtschaftliche Rentenbank	SB	AAA	F1+		WD	SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Norddeutsche Landesbank Girozentrale	SB	A+	F1+	bbb-	WD	SB	Aa2	P-1		NR	NR	O - 12 mths	O - 12 mths			O - 12 mths
	NRW.BANK	SB	AAA	F1+		WD	SB	Aa1	P-1	NO	AA	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
Netherlands		SB	AAA				SB	Aaa		SB	AAA				6.02		
Banks	ABN AMRO Bank N.V.	SB	A	F1	a	WD	SB	Aa3	P-1	PO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	BNG Bank N.V.	SB	AAA	F1+		WD	SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Cooperatieve Rabobank U.A.	SB	A+	F1	a+	WD	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	24.09	●	O - 12 mths
	ING Bank N.V.	SB	AA-	F1+	a+	WD	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	24.59	●	O - 12 mths
	Nederlandse Waterschapsbank N.V.						SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
Norway		SB	AAA				SB	Aaa		SB	AAA				6.02		
Banks	DNB Bank ASA						SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths

		Fitch Ratings				Moodys Ratings		S&P Ratings						
Counterparty		Long Term	Short Term	Viability	Support	Long Term	Short Term	Long Term	Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
Qatar		SB AA				SB Aa2		SB AA				29.18		
Banks	Qatar National Bank	SB A+	F1	bbb+	WD	SB Aa3	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	79.55	●	O - 12 mths
Singapore		SB AAA				SB Aaa		SB AAA						
Banks	DBS Bank Ltd.	SB AA-	F1+	aa-	WD	SB Aa1	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Oversea-Chinese Banking Corp. Ltd.	SB AA-	F1+	aa-	WD	SB Aa1	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	United Overseas Bank Ltd.	SB AA-	F1+	aa-	WD	SB Aa1	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Sweden		SB AAA				SB Aaa		SB AAA				6.52		
Banks	Skandinaviska Enskilda Banken AB	SB AA-	F1+	aa-	WD	PO Aa3	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Svenska Handelsbanken AB	SB AA	F1+	aa	WD	SB Aa2	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Swedbank AB	SB AA-	F1+	aa-	WD	PO Aa2	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Switzerland		SB AAA				SB Aaa		SB AAA				8.58		
Banks	UBS AG	PO A+	F1	a	WD	SB Aa2	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	40.43	●	O - 12 mths
United Arab Emirates		SB AA				SB Aa2		SB AA				31.60		
Banks	First Abu Dhabi Bank PJSC	SB AA-	F1+	a-	WD	SB Aa3	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
United Kingdom		SB AA-				SB Aa3		SB AA				10.65		
AAA rated and Government backed securities	Collateralised LA Deposit*									Y - 60 mths	Y - 60 mths			Y - 60 mths
	Debt Management Office									Y - 60 mths	Y - 60 mths			Y - 60 mths
	Multilateral Development Banks									Y - 60 mths	Y - 60 mths			Y - 60 mths
	Supranationals									Y - 60 mths	Y - 60 mths			Y - 60 mths
	UK Gilts									Y - 60 mths	Y - 60 mths			Y - 60 mths
Banks	Al Rayan Bank Plc					SB A2	P-1			R - 6 mths	R - 6 mths			R - 6 mths
	Bank of Scotland PLC (RFB)	SB AA-	F1+	a+	WD	SB A1	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	40.81	●	O - 12 mths
	Barclays Bank PLC (NRFB)	SB A+	F1	a	WD	SB A1	P-1	SB A+	A-1	R - 6 mths	R - 6 mths	55.62	●	R - 6 mths
	Barclays Bank UK PLC (RFB)	SB A+	F1	a	WD	SB A1	P-1	SB A+	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Clydesdale Bank PLC	SB A	F1	a	WD	SB A1	P-1	SB A+	A-1	R - 6 mths	R - 6 mths			R - 6 mths

		Fitch Ratings				Moodys Ratings		S&P Ratings						
Counterparty		Long Term	Short Term	Viability	Support	Long Term	Short Term	Long Term	Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
Banks	Co-operative Bank PLC (The)	WD	WD	WD	WD	SB A3	P-2			G - 100 days	G - 100 days			G - 100 days
	Goldman Sachs International Bank	SB A+	F1		WD	SB A1	P-1	SB A+	A-1	R - 6 mths	R - 6 mths	48.83	●	R - 6 mths
	Handelsbanken Plc	SB AA	F1+		WD			SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	HSBC Bank PLC (NRFB)	SB AA-	F1+	a	WD	SB A1	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	34.87	●	O - 12 mths
	HSBC UK Bank Plc (RFB)	SB AA-	F1+	a+	WD	SB Aa3	P-1	SB A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Investec Bank Plc	SB A-	F2	bbb+	WD	SB A1	P-1			R - 6 mths	R - 6 mths			R - 6 mths
	Lloyds Bank Corporate Markets Plc (NRFB)	SB AA-	F1+		WD	SB A1	P-1	SB A	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Lloyds Bank Plc (RFB)	SB AA-	F1+	a+	WD	SB A1	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	39.90	●	O - 12 mths
	National Bank Of Kuwait (International) PLC	SB A+	F1		WD			SB A+	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	National Westminster Bank PLC (RFB)	SB AA-	F1+	a+	WD	SB A1	P-1	SB A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	NatWest Markets Plc (NRFB)	SB AA-	F1+	WD	WD	SB A1	P-1	SB A	A-1	O - 12 mths	O - 12 mths	49.91	●	O - 12 mths
	Santander Financial Services plc (NRFB)	SB A+	F1		WD	SB A1	P-1	SB A-	A-2	R - 6 mths	R - 6 mths			R - 6 mths
	Santander UK PLC	SB A+	F1	a	WD	SB A1	P-1	SB A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	SMBC Bank International Plc	SB A-	F1		WD	SB A1	P-1	SB A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Standard Chartered Bank	SB A+	F1	a	WD	SB A1	P-1	SB A+	A-1	R - 6 mths	R - 6 mths	36.39	●	R - 6 mths
	The Royal Bank of Scotland Plc (RFB)	SB AA-	F1+	a+	WD	SB A1	P-1	SB A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
Building Society	Coventry Building Society	SB A-	F1	a-	WD	SB A3	P-2			G - 100 days	G - 100 days			G - 100 days
	Leeds Building Society	SB A-	F1	a-	WD	SB A3	P-2			G - 100 days	G - 100 days			G - 100 days
	Nationwide Building Society	SB A	F1	a	WD	SB A1	P-1	SB A+	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Principality Building Society	SB BBB+	F2	bbb+	WD	PO Baa1	P-2			N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Skipton Building Society	SB A-	F1	a-	WD	SB A2	P-1			R - 6 mths	R - 6 mths			R - 6 mths
	Yorkshire Building Society	SB A-	F1	a-	WD	SB A2	P-1			R - 6 mths	R - 6 mths			R - 6 mths
United States		SB AA+				SB Aa1		SB AA+				30.99		
Banks	Bank of America N.A.	SB AA	F1+	aa-	WD	SB Aa2	P-1	SB A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Bank of New York Mellon, The	SB AA	F1+	aa-	WD	SB Aa1	P-1	SB AA-	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Citibank N.A.	SB A+	F1	a	WD	SB Aa3	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	48.42	●	O - 12 mths
	JPMorgan Chase Bank N.A.	SB AA	F1+	aa-	WD	SB Aa1	P-1	SB AA-	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Wells Fargo Bank, NA	SB AA-	F1+	a+	WD	SB Aa2	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	43.16	●	O - 12 mths

Key

Watches and Outlooks

SB	Stable Outlook
NO	Negative Outlook
NW	Negative Watch
PO	Positive Outlook
PW	Positive Watch
EO	Evolving Outlook
EW	Evolving Watch
WD	Rating Withdrawn

CDS

Indicator	Status
	In Range
	Monitoring
	Out of Range

Duration

60 Months	Y
24 Months	P
12 Months	B
12 Months	O
6 Months	R
100 Days	G
0 Months	N/C

APPENDIX 6

TREASURY MANAGEMENT SCHEME OF DELEGATION

SECTION 95 OFFICER AND NOMINATED MEMBER ROLES

Council

- Overall responsibility for Treasury Management Strategy
- Adoption of Treasury Policy Statements
- Receive an Annual Report and other reports on the Treasury Management operation and on the exercising of delegated treasury management powers

Policy and Resources Committee

- Responsibility for the overall investment of money under the control of the Council
- Keeping under review the level of borrowing
- Approval of Annual Strategy Statement
- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of Treasury Policy Statements
- Implementation and monitoring of Treasury Management Policies and Practices

Audit and Scrutiny Committee

- Review the overall internal and management control framework related to the treasury function
- Review internal and external audit reports related to treasury management
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management
- Monitor progress with implementing recommendations in internal and external audit reports
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body

Role of the nominated Elected Member (Policy Lead for Finance and Commercial Services)

- Acting as spokesperson for treasury management
- Taking a lead for elected Members in overseeing the operation of the treasury function
- Review the treasury management policy, strategy and reports
- Support and challenge the development of treasury management

Role of the Section 95 Officer

- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers
- Reviewing and considering risk management in terms of treasury activities
- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- Ensuring the due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council
- Ensuring that the Council has the appropriate legal powers to undertake expenditure on non-financial assets and their financing
- Ensuring the proportionality of all investments so that the Council does not undertake a level of investing with exposes the Council to an excessive level of risk compared to its financial resources
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- Provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that Members are adequately informed and understand the risk exposures taken on by the Council
- Ensuring that the Council has adequate expertise, either in-house or externally provided, to carry out the above
- Creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.